

2008 Audit

COMMUNITY ACTION NETWORK

FINANCIAL REPORT
December 31, 2008

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CONSULTANTS

DAVID L. BREDERNITZ, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Action Network
Ann Arbor, Michigan

We have audited the accompanying statements of financial position of Community Action Network (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Network as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Bredernitz, Wagner & Co., P.C.

Howell, Michigan
December 18, 2009

COMMUNITY ACTION NETWORK
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

ASSETS

	2008	2007
Current Assets		
Cash	\$ 53,665	66,065
Accounts receivable	27,398	7,865
Prepaid expenses	6,083	3,350
Total Current Assets	<u>87,146</u>	<u>77,280</u>
Property and Equipment, at cost (Note 2)	42,487	25,451
Less accumulated depreciation	<u>(14,438)</u>	<u>(22,304)</u>
	<u>28,049</u>	<u>3,147</u>
 Total Assets	 <u>\$ 115,195</u>	 <u>80,427</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 905	-
Accrued expenses	8,853	7,363
Funds held for agencies/others (Note 8)	-	900
Total Current Liabilities	<u>9,758</u>	<u>8,263</u>
Net Assets		
Unrestricted (Note 3)	94,349	51,093
Temporarily restricted (Note 3)	11,088	21,071
Permanently restricted	-	-
	<u>105,437</u>	<u>72,164</u>
 Total Liabilities and Net Assets	 <u>\$ 115,195</u>	 <u>80,427</u>

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2008 and 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2007
Support and Revenues:					
Governmental grants	\$ 250,880	-	-	250,880	105,009
Private grants	11,606	30,274	-	41,880	67,500
Contributions	129,113	-	-	129,113	63,330
Service fees	2,711	-	-	2,711	-
In-kind (Note 5)	40,600	-	-	40,600	30,000
Special events, net (Note 4)	-	-	-	-	2,768
Work study reimbursement	13,538	-	-	13,538	11,979
Interest income	1,325	-	-	1,325	1,290
Unrealized gain (loss)	(1,001)	-	-	(1,001)	-
Net assets released from restrictions (Note 3)	40,257	(40,257)	-	-	-
Total Support and Revenues	489,029	(9,983)	-	479,046	281,876
Expenses:					
Program	408,431	-	-	408,431	213,984
General and administrative	29,557	-	-	29,557	18,555
Fundraising	7,785	-	-	7,785	9,624
Total Expenses	445,773	-	-	445,773	242,163
Change in Net Assets	43,256	(9,983)	-	33,273	39,713
Net Assets - Beginning	51,093	21,071	-	72,164	32,451
Net Assets - Ending	\$ 94,349	11,088	-	105,437	72,164

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK

STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	PROGRAM					SUPPORT		
	Bryant	Hikone	Green Baxter	Northside	Serendipity	Total	General and Administrative	Fund Raising
Salaries and wages	\$ 69,725	74,056	61,442	21,410	-	226,633	16,525	4,020
Payroll taxes and benefits	9,020	17,552	12,573	2,981	-	42,126	1,552	336
Audit	-	1,335	1,336	-	-	2,671	377	377
Contractual services	5,139	6,606	6,716	2,525	-	20,986	2,384	-
Depreciation	-	753	754	-	753	2,260	1,130	1,130
Fees	3,011	3,541	1,891	713	20	9,176	90	-
Food	2,168	4,591	1,891	245	-	8,895	194	-
Insurance	1,321	2,222	2,162	1,209	-	6,914	1,614	-
Miscellaneous	243	377	228	412	-	1,260	622	-
Occupancy	3,500	14,000	14,000	7,000	-	38,500	1,050	-
Postage and shipping	41	195	26	123	-	385	572	342
Printing and photocopy	246	49	30	655	-	980	553	1,362
Repairs and maintenance	-	443	443	-	-	886	-	-
Staff development	350	140	480	350	-	1,320	108	-
Supplies	8,997	11,778	6,842	9,752	901	38,270	1,641	218
Telephone	414	1,415	725	526	-	3,080	775	-
Travel	390	2,256	1,115	328	-	4,089	370	-
	<u>\$ 104,565</u>	<u>141,309</u>	<u>112,654</u>	<u>48,229</u>	<u>1,674</u>	<u>408,431</u>	<u>29,557</u>	<u>7,785</u>
Percent of total expenses	<u>23.46%</u>	<u>31.70%</u>	<u>25.27%</u>	<u>10.82%</u>	<u>0.37%</u>	<u>91.62%</u>	<u>6.63%</u>	<u>1.75%</u>
								<u>100.00%</u>

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK

STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	PROGRAM				SUPPORT		
	Hikone	Green Baxter	Serendipity	Total	General and Administrative	Fund Raising	Total
Salaries and wages	\$ 59,460	56,687	-	116,147	8,984	6,495	131,626
Payroll taxes and benefits	14,302	15,996	-	30,298	776	677	31,751
Audit	1,209	1,209	-	2,418	341	341	3,100
Contractual services	3,688	2,324	-	6,012	1,383	500	7,895
Depreciation	337	337	336	1,010	506	506	2,022
Fees	4,768	2,007	20	6,795	-	-	6,795
Food	3,658	1,799	-	5,457	105	-	5,562
Insurance	2,389	2,389	-	4,778	1,119	-	5,897
Miscellaneous	60	50	-	110	242	-	352
Occupancy	14,000	14,000	-	28,000	2,400	-	30,400
Postage and shipping	-	25	-	25	535	569	1,129
Printing and photocopy	160	73	-	233	957	452	1,642
Repairs and maintenance	25	26	-	51	-	-	51
Staff development	30	29	-	59	-	-	59
Supplies	3,882	3,179	826	7,887	599	84	8,570
Technology	873	197	-	1,070	461	-	1,531
Telephone	662	315	-	977	147	-	1,124
Travel	1,504	1,153	-	2,657	-	-	2,657
	<u>\$ 111,007</u>	<u>101,795</u>	<u>1,182</u>	<u>213,984</u>	<u>18,555</u>	<u>9,624</u>	<u>242,163</u>
Percent of total expenses	<u>45.84%</u>	<u>42.03%</u>	<u>0.49%</u>	<u>88.36%</u>	<u>7.67%</u>	<u>3.97%</u>	<u>100.00%</u>

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 33,273	39,713
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,520	2,022
Loss (Gain) on sale of assets	1,001	-
(Increase) decrease in:		
Accounts receivable	(19,533)	(299)
Prepaid expenses	(2,733)	(612)
Increase (decrease) in:		
Accounts payable	905	-
Accrued expenses	590	1,085
Net cash provided by (used in) operating activities	18,023	41,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(30,423)	-
Net increase (decrease) in cash and cash equivalents	(12,400)	41,909
CASH - Beginning	66,065	24,156
CASH - Ending	\$ 53,665	66,065
SUMMARY OF NONCASH TRANSACTIONS		
In-kind equipment and rent contributions	\$ 40,600	30,000

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of operations:

Community Action Network (CAN) is a non-profit corporation organized under the laws of the State of Michigan. It is CAN's mission to partner with children, youth and families from under-resourced Washtenaw County neighborhoods to help them create better futures for themselves by coordinating educational and life skill programs, supportive housing services, and positive community building activities. CAN develops awareness in the broader community of the challenges low income individuals face. CAN strives to build strong, stable and safe communities, which benefits all Washtenaw County residents. CAN takes an active role in helping communities become safe, supportive, clean and crime-free neighborhoods for children to grow up in. CAN is committed to providing culturally diverse programs and services by a sensitive and diverse staff. The organization is exempt from federal income taxes pursuant to section 501 (c) (3) of the Internal Revenue Code. CAN is not classified as a private foundation

The Hikone Community Center has been operated by the CAN since 1987, and was the first community center on a public housing site. In July 2002, CAN began to operate the community center at the Green Baxter Court public housing site, which also incorporated the Serendipity Reading and Science program.

In July 2008, CAN added the Bryant and Northside Community Centers. These were previously operated by the Ann Arbor Parks and Recreation Department. The Bryant neighborhood is considered a low-income neighborhood, while Northside consists of mixed-income households.

Hikone, Green Baxter Court and Bryant's community centers offer programs (educational, personal growth and life skills, cultural and recreational), services and referrals, advocacy and community building activities. The most visible programs are the after-school and summer camps it offers for resident-youth, as well as the food distribution & pantry programs. At Northside CAN partners with other agencies, which offer their programs (for example, *Catholic Social Services* coordinates a three times a week food distribution, *First Steps* provides classes for mothers and toddlers, *Project Grow* organizes a community garden)

CAN's programs are supported through grants and contributions from a variety of sources, including the City of Ann Arbor, Washtenaw County, the Ann Arbor Housing Commission, United Way of Washtenaw County, Ann Arbor Area Community Foundation, the James A and Faith Knight Foundation and various other foundations, churches and individuals.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation:

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows. At the year ending December 31, 2008 there were no permanently restricted assets.

Basis of accounting:

The organization uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses when the related liability is incurred. Gifts and bequests are recorded at fair market value on the date of receipts.

Cash and equivalents:

For purposes of reporting the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2008, cash and equivalents included \$66,187 held in a commercial bank which was insured by the Federal Deposit Insurance Corporation.

Accounts receivable:

Management periodically reviews accounts for collectability and establishes any required allowance for doubtful accounts.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment:

Property and equipment is stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected for the

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

period. Purchases of property or equipment with grant or contract funds for \$5,000 or more are capitalized by the Organization. Purchases with non-grant and non-contract funds as well as donated items of property and equipment of \$1,000 or more are also capitalized by the Organization. The cost of maintenance and repairs is charged to expense as incurred.

Volunteer services:

The Organization receives donations of services from volunteers for its tutorial and food programs, and for special events. No amounts have been reflected in the financial statements for such services, however, the Organization estimates the value of these services to be approximately \$35,153 and \$108,985 for the years ending December 31, 2008 and 2007. The Organization recognizes the value of these services for matching purposes on its governmental grants.

Income taxes:

Income taxes are not provided for in the financial statements since the Agency is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Subsequent events:

Management has evaluated subsequent events through December 18, 2009, the date the financial statements were available to be issued. Management noted no subsequent events that should be included in the December 31, 2008 financial statements.

Note 3. NET ASSETS

The Organization classifies any grant or contribution received without donor imposed restrictions as unrestricted net assets for use in the general operations of the organization in accordance with the budget adopted by the Board of Directors. As of December 31, 2008 and 2007, the balance of unrestricted net assets was \$94,349 and \$51,093, respectively.

The Organization classifies the following types of contributions as temporarily restricted: any grant or contribution with donor imposed restriction that is not a permanent restriction, any grant or contribution received or set aside for a specific purpose, or any capital campaign in progress.

As of December 31, 2008 and 2007, Community Action Network had the following temporarily restricted net assets:

Note 3. NET ASSETS (Concluded)

	<u>2008</u>	<u>2007</u>
Unexpended private grants:		
Ann Arbor Area Community Foundation	\$ -	4,054
J.F. Knight Foundation	2,672	-
Junior League of Ann Arbor	847	847
Michigan Women's Foundation	840	641
Pfizer	5,992	11,792
Washtenaw Home Builders Association	-	3,000
Target	737	737
	<u>\$11,088</u>	<u>21,071</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors. As of December 31, 2008 and 2007, net assets released from restrictions totaled \$40,257 and 16,063, respectively.

Note 4. SPECIAL EVENTS

The Community Action Network conducted special event activities during the year end December 31, 2007 resulting in net revenue of \$2,768. No special events were conducted during the year ending December 31, 2008.

Note 5. IN-KIND CONTRIBUTIONS

The Ann Arbor Housing Commission provides the Organization with the rent free use of two community center facilities at the Hikone and Green Baxter Court public housing sights in Ann Arbor, Michigan. For the years ended December 31, 2008 and 2007, the fair market value of the annual use of these facilities is included in the financial statements at \$14,000 each. In addition, in 2008 the Organization began renting two more community centers at Northside Community Center and Bryant Community Center with a market value of \$7,000 and \$3,500, respectively. The Organization also pays \$50 per month for office space in the Ann Arbor Senior Center in a month to month rental agreement, and estimated the value of the contributed portion to be \$900 and \$1,800 for the years ended December 31, 2008 and 2007. The use of a van was also contributed with an estimated value of \$1,200 and \$200 for the years ended December 31, 2008 and 2007.

Note 6. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a function basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services which receive the benefit.

Note 7. COMMITMENTS AND CONTINGENCIES

The Community Action Network receives a substantial amount of its support from local government sources. A significant reduction in the level of this support, if it were to occur, could have a material effect on certain programs of the Organization.

Note 8. FUNDS HELD FOR OTHERS

In a prior year the Community Action Network received funds from various entities totaling \$2,400 that were for the benefit of Mitchell Elementary School. The total amount of \$2,400 was reflected in the cash balance of the Community Action Network. The related ending balances were \$0 and \$900 at December 31, 2008, and 2007, respectively. These amounts represent amounts received but not yet distributed to the beneficiary organization and they are identified as a "Funds held for agencies/others" liability in the Statement of Financial Position.

Note 9. RELATED PARTY TRANSACTIONS

The Executive Director loaned the Organization \$10,000 on September 10, 2008. This amount was repaid to the Executive Director on September 23, 2008. No interest was paid on the loan.

COMMUNITY ACTION NETWORK

FINANCIAL REPORT

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Action Network
Ann Arbor, Michigan

We have audited the accompanying statements of financial position of Community Action Network (a nonprofit organization) as of June 30, 2009, and the related statements of activities, changes in net assets, functional expenses and cash flows for the six months then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Network as of June 30, 2009, and the changes in its net assets and its cash flows for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

Bredernitz, Wagner & Co., P.C.

Howell, Michigan
December 18, 2009

COMMUNITY ACTION NETWORK
STATEMENT OF FINANCIAL POSITION
June 30, 2009

ASSETS

Current Assets	
Cash	\$ 81,427
Accounts receivable	45,063
Prepaid expenses	2,771
Total Current Assets	<u>129,261</u>
Property and Equipment, at cost (Note 2)	41,587
Less accumulated depreciation	<u>(15,820)</u>
	<u>25,767</u>
 Total Assets	 <u><u>\$ 155,028</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 289
Accrued expenses	32,653
Total Current Liabilities	<u>32,942</u>
 Net Assets	
Unrestricted (Note 3)	110,364
Temporarily restricted (Note 3)	11,722
Permanently restricted	-
	<u>122,086</u>
 Total Liabilities and Net Assets	 <u><u>\$ 155,028</u></u>

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK

STATEMENT OF ACTIVITIES
Six Months Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues:				
Governmental grants	\$ 100,974	-	-	100,974
Private grants	48,578	1,268	-	49,846
Contributions	44,930	-	-	44,930
Service fees	1,332	-	-	1,332
In-kind (Note 5)	21,600	-	-	21,600
Work study reimbursement	9,667	-	-	9,667
Interest income	449	-	-	449
Gain (loss) on disposal of assets	(128)	-	-	(128)
Net assets released from restrictions (Note 3)	634	(634)	-	-
Total Support and Revenues	228,036	634	-	228,670
Expenses:				
Program	193,389	-	-	193,389
General and administrative	13,755	-	-	13,755
Fundraising	4,877	-	-	4,877
Total Expenses	212,021	-	-	212,021
Change in Net Assets	16,015	634	-	16,649
Net Assets - Beginning	94,349	11,088	-	105,437
Net Assets - Ending	\$ 110,364	11,722	-	122,086

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK

STATEMENT OF FUNCTIONAL EXPENSES
Six Months Ended June 30, 2009

	PROGRAM						SUPPORT			
	Bryant	Hikone	Green Baxter	Northside	Youthworks	Serendipity	Total	General and Administrative	Fund Raising	Total
\$	40,021	37,987	31,082	3,481	1,998	-	114,569	8,934	3,744	127,247
Salaries and wages	6,405	9,236	7,283	344	208	-	23,476	865	325	24,666
Payroll taxes and benefits	-	1,196	2,070	-	105	-	3,371	892	-	4,263
Contractual services	-	359	359	-	-	359	1,077	538	539	2,154
Depreciation	881	190	641	-	-	-	1,712	216	-	1,928
Fees	3,667	1,048	907	37	-	-	5,659	215	-	5,874
Food	-	2,598	2,599	-	-	-	5,197	-	-	5,197
Insurance	150	187	174	150	-	-	661	47	-	708
Miscellaneous	3,500	7,000	7,000	3,500	-	-	21,000	-	-	21,000
Occupancy	44	-	-	-	-	-	44	519	115	678
Postage and shipping	509	81	38	-	209	-	837	699	154	1,690
Printing and photocopy	38	56	56	-	431	-	581	-	-	581
Repairs and maintenance	150	90	70	-	330	-	640	45	-	685
Staff development	5,053	3,133	1,410	582	256	211	10,645	510	-	11,155
Supplies	354	611	471	682	69	-	2,187	108	-	2,295
Telephone	80	605	253	-	795	-	1,733	167	-	1,900
Travel										
\$	60,852	64,377	54,413	8,776	4,401	570	193,389	13,755	4,877	212,021
Percent of total expenses	28.70%	30.36%	25.66%	4.14%	2.08%	0.27%	91.21%	6.49%	2.30%	100.00%

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY ACTION NETWORK

STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 16,649
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	2,154
Loss (Gain) on sale of assets	128
(Increase) decrease in:	
Accounts receivable	(17,665)
Prepaid expenses	3,312
Increase (decrease) in:	
Accounts payable	(616)
Accrued expenses	<u>23,800</u>
Net cash provided by operating activities	27,762
CASH - Beginning	<u>53,665</u>
CASH - Ending	<u><u>\$ 81,427</u></u>
SUMMARY OF NONCASH TRANSACTIONS	
In-kind equipment and rent contributions	<u><u>\$ 21,600</u></u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of operations:

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In July 2008, CAN added the Bryant and Northside Community Centers. These were previously operated by the Ann Arbor Parks and Recreation Department. The Bryant neighborhood is considered a low-income neighborhood, while Northside consists of mixed-income households.

Hikone, Green Baxter Court and Bryant's community centers offer programs (educational, personal growth and life skills, cultural and recreational), services and referrals, advocacy and community building activities. The most visible programs are the after-school and summer camps it offers for resident-youth, as well as the food distribution & pantry programs. At Northside CAN partners with other agencies, which offer their programs (for example, *Catholic Social Services* coordinates a three times a week food distribution, *First Steps* provides classes for mothers and toddlers, *Project Grow* organizes a community garden)

CAN's programs are supported through grants and contributions from a variety of sources, including the City of Ann Arbor, Washtenaw County, the Ann Arbor Housing Commission, United Way of Washtenaw County, Ann Arbor Area Community Foundation, the James A and Faith Knight Foundation and various other foundations, churches and individuals.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation:

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows. At the six months ending June 30, 2009 there were no permanently restricted assets.

Basis of accounting:

The organization uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses when the related liability is incurred. Gifts and bequests are recorded at fair market value on the date of receipts.

Cash and equivalents:

For purposes of reporting the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2009, cash and equivalents included \$88,227 held in a commercial bank which was insured by the Federal Deposit Insurance Corporation.

Accounts receivable:

Management periodically reviews accounts for collectability and establishes any required allowance for doubtful accounts.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment:

Property and equipment is stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected for the

Note 2. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

period. Purchases of property or equipment with grant or contract funds for \$5,000 or more are capitalized by the Organization. Purchases with non-grant and non-contract funds as well as donated items of property and equipment of \$1,000 or more are also capitalized by the Organization. The cost of maintenance and repairs is charged to expense as incurred.

Volunteer services:

The Organization receives donations of services from volunteers for its tutorial and food programs, and for special events. No amounts have been reflected in the financial statements for such services, however, the Organization estimates the value of these services to be approximately \$27,961 for the six months ending June 30, 2009. The Organization recognizes the value of these services for matching purposes on its governmental grants.

Income taxes:

Income taxes are not provided for in the financial statements since the Agency is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Subsequent events:

Management has evaluated subsequent events through December 18, 2009, the date the financial statements were available to be issued. Management noted no subsequent events that should be included in the June 30, 2009 financial statements.

Note 3. NET ASSETS

The Organization classifies any grant or contribution received without donor imposed restrictions as unrestricted net assets for use in the general operations of the organization in accordance with the budget adopted by the Board of Directors. As of June 30, 2009, the balance of unrestricted net assets was \$110,364.

The Organization classifies the following types of contributions as temporarily restricted: any grant or contribution with donor imposed restriction that is not a permanent restriction, any grant or contribution received or set aside for a specific purpose, or any capital campaign in progress.

As of June 30, 2009, Community Action Network had the following temporarily restricted net assets:

Note 3. NET ASSETS (Concluded)

Unexpended private grants:

Ann Arbor Area Community Foundation	\$ 634
J.F. Knight Foundation	2,672
Junior League of Ann Arbor	847
Michigan Women's Foundation	840
Pfizer	5,992
Target	737
	<u>\$11,722</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors. As of June 30, 2009, net assets released from restrictions totaled \$634.

Note 4. IN-KIND CONTRIBUTIONS

The Ann Arbor Housing Commission provides the Organization with the rent free use of two community center facilities at the Hikone and Green Baxter Court public housing sights in Ann Arbor, Michigan. For the six months ended June 30, 2009, the fair market value of the annual use of these facilities is included in the financial statements at \$7,000 each. In addition, in 2008 the Organization began renting two more community centers at Northside Community Center and Bryant Community Center with a market value of \$3,500 each. The use of a van was also contributed with an estimated value of \$600 for the six months ended June 30, 2009.

Note 5. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a function basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services which receive the benefit.

Note 6. COMMITMENTS AND CONTINGENCIES

The Community Action Network receives a substantial amount of its support from local government sources. A significant reduction in the level of this support, if it were to occur, could have a material effect on certain programs of the Organization.

Note 7. CHANGE IN FISCAL YEAR END

During the year the Organization elected to change to a June 30th fiscal year to more closely match the fiscal years of major funding sources. This change is expected to even out the cash flow cycle through the organization.

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CONSULTANTS

DAVID L. BREDERNITZ, CPA

To the Board of Directors
and Management of the
Community Action Network
Ann Arbor, Michigan

In planning and performing our audit of the financial statements of the Community Action Network as of and for the year ended December 30, 2008 and six months ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Community Action Network's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

To the Board of Directors
and Management of the
Community Action Network
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Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. Prior year significant deficiencies noted in a letter dated May 14, 2008 appear to have been implemented during the current year.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Breckinridge, Wagner & Co., P.C.

Howell, Michigan
December 18, 2009