

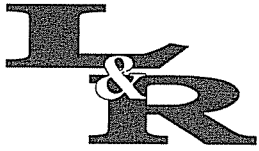
ELDER LAW OF MICHIGAN  
AND ITS RELATED ORGANIZATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009  
AND  
INDEPENDENT AUDITORS' REPORT

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4-5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6-7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9-17

## SUPPLEMENTARY INFORMATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21-22
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	23-24
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	29
CONSOLIDATING STATEMENT OF ACTIVITIES	30-31



# Layton & Richardson, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board Members  
Elder Law of Michigan  
Lansing, Michigan

We have audited the accompanying consolidated statements of financial position of ELDER LAW OF MICHIGAN (a nonprofit organization) AND ITS RELATED ORGANIZATION as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 Elder Law of Michigan and its related Organization as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011, on our consideration of Elder Law of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Elder Law of Michigan and its related Organization taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Layton & Richardson, P.C.*

Certified Public Accountants

East Lansing, Michigan  
June 20, 2011

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**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS

	DECEMBER 31,	
	2010	2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 458,288	\$ 318,043
Grants receivable	371,785	694,430
Prepaid expenses	1,147	6,671
	<u>831,220</u>	<u>1,019,144</u>
<b>EQUIPMENT</b>		
Furniture and equipment	43,697	84,102
Less: accumulated depreciation	(34,831)	(66,116)
	<u>8,866</u>	<u>17,986</u>
<b>OTHER ASSETS</b>		
Trust cash and cash equivalents - temporarily restricted	2,540,489	2,239,297
Trust investments - temporarily restricted	794,512	652,212
Endowment fund assets held at Michigan State Bar Foundation		
Unrestricted	1,679	
Permanently restricted	14,500	14,500
	<u>3,351,180</u>	<u>2,906,009</u>
<b>TOTAL OTHER ASSETS</b>		
	<u>3,351,180</u>	<u>2,906,009</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,191,266</u>	<u>\$ 3,943,139</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 53,128	\$ 94,551
Accrued expenses	55,781	48,176
Deferred income		1,115
	<u>108,909</u>	<u>143,842</u>
<b>TOTAL CURRENT LIABILITIES</b>		
	<u>108,909</u>	<u>143,842</u>
<b>NET ASSETS</b>		
Unrestricted	482,315	390,942
Temporarily restricted - specific programs	268,635	554,631
Temporarily restricted - beneficiary distributions	3,316,907	2,839,224
Permanently restricted	14,500	14,500
	<u>4,082,357</u>	<u>3,799,297</u>
<b>TOTAL NET ASSETS</b>		
	<u>4,082,357</u>	<u>3,799,297</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,191,266</u>	<u>\$ 3,943,139</u>

See accompanying notes to consolidated financial statements.

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	UNRESTRICTED	TEMPORARILY RESTRICTED
<b>REVENUES</b>		
Grants	\$	\$ 1,374,617
Contracts	62,071	
Training revenue	43,409	
Donations	60,224	1,546,392
Miscellaneous	19,432	
Interest income	306	13,174
In-kind donations	76,040	
Investment income	1,679	38,155
Net assets released from restrictions	<u>2,780,651</u>	<u>(2,780,651)</u>
<b>TOTAL REVENUES</b>	<u>3,043,812</u>	<u>191,687</u>
<b>EXPENSES</b>		
Program expenses		
Economic Security	664,860	
Legal Services	518,146	
CERA	497,209	
WOW		
Consumer Fraud		
OVW Elder Abuse		
Supporting Services		
Management and general	204,357	
Pooled Account Trust		
Beneficiary distributions	<u>1,067,867</u>	
<b>TOTAL EXPENSES</b>	<u>2,952,439</u>	
<b>CHANGES IN NET ASSETS</b>	91,373	191,687
<b>NET ASSETS, JANUARY 1</b>	<u>390,942</u>	<u>3,393,855</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 482,315</u></u>	<u><u>\$ 3,585,542</u></u>

See accompanying notes to consolidated financial statements.

PERMANENTLY RESTRICTED	TOTALS	
	2010	2009
\$	\$ 1,374,617	\$ 1,768,552
	62,071	68,299
	43,409	23,715
	1,606,616	1,397,122
	19,432	18,998
	13,480	13,728
	76,040	78,327
	39,834	71,166
<hr/>	<hr/>	<hr/>
	3,235,499	3,439,907
<hr/>		
	664,860	536,349
	518,146	598,683
	497,209	130,947
		6,011
		199,507
		92,014
	204,357	175,488
		17,958
<hr/>	<hr/>	<hr/>
	1,067,867	910,754
<hr/>		
	2,952,439	2,667,711
	283,060	772,196
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14,500	3,799,297	3,027,101
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\$ <u>14,500</u>	\$ <u>4,082,357</u>	\$ <u>3,799,297</u>

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	ECONOMIC SECURITY	LEGAL SERVICES	CENTER FOR ELDER RIGHTS ADVOCACY
EXPENSES			
Salaries and wages	\$ 402,868	\$ 291,354	\$ 298,451
Payroll taxes	35,072	23,733	29,361
Fringe benefits	42,088	11,945	21,787
Independent contractors	54,491	99,603	10,780
Telephone	20,206	13,002	14,872
Travel	20,768	7,464	20,997
Supplies	16,290	19,155	15,149
Postage	6,710	7,438	5,844
Occupancy	35,882	21,988	43,362
Insurance	3,951	8,361	4,238
Meetings and events	862		175
Printing	12,499	2,413	3,896
Professional fees	8,964	6,533	25,410
Dues and memberships	50	1,930	567
Equipment maintenance		975	715
Equipment purchases			
Depreciation			
Advertising	38	113	117
Training	3,437	1,147	1,488
Miscellaneous	479	84	
Publications and subscriptions	205	908	
Beneficiary distributions			
<b>TOTAL EXPENSES</b>	<b>\$ 664,860</b>	<b>\$ 518,146</b>	<b>\$ 497,209</b>

See accompanying notes to consolidated financial statements.



PROGRAM TOTALS	MANAGEMENT & GENERAL	POOLED ACCOUNT TRUST	TOTALS	
			2010	2009
\$ 992,673	\$ 39,721	\$	\$ 1,032,394	\$ 857,659
88,166	6,083		94,249	70,704
75,820	12,018		87,838	73,720
164,874	52,179		217,053	326,437
48,080	3,387		51,467	63,152
49,229	10,747		59,976	50,091
50,594	3,353		53,947	44,930
19,992	4,802		24,794	25,381
101,232	8,556		109,788	98,645
16,550	7,788		24,338	15,022
1,037	15,370		16,407	9,515
18,808	9,327		28,135	34,896
40,907	4,670		45,577	40,637
2,547	1,895		4,442	3,013
1,690	187		1,877	8,879
				3,183
	9,120		9,120	8,556
268	455		723	582
6,072	13,697		19,769	17,504
563	912		1,475	2,275
1,113	90		1,203	2,176
		1,067,867	1,067,867	910,754
<u>\$ 1,680,215</u>	<u>\$ 204,357</u>	<u>\$ 1,067,867</u>	<u>\$ 2,952,439</u>	<u>\$ 2,667,711</u>

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED DECEMBER 31,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 283,060	\$ 772,196
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,120	8,556
Unrealized gain on investments	(47,172)	(226,217)
Realized loss on investments	3,905	151,602
(Increase) decrease in current assets		
Receivables	322,645	(301,484)
Prepaid expenses	5,524	4,651
Increase (decrease) in current liabilities		
Accounts payable	(41,422)	32,903
Accrued expenses	7,604	6,286
Deferred income	(1,115)	1,115
	<u>542,149</u>	<u>449,608</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment		(5,491)
Proceeds from sale of investments	142,296	40,622
Dividends reinvested	(13,008)	(12,634)
Purchase of investments	(230,000)	
	<u>(100,712)</u>	<u>22,497</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	441,437	472,105
<b>CASH, JANUARY 1</b>	<u>2,557,340</u>	<u>2,085,235</u>
<b>CASH, DECEMBER 31</b>	<u>\$ 2,998,777</u>	<u>\$ 2,557,340</u>

See accompanying notes to consolidated financial statements.

# ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

### NOTE 1: **BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Background

Elder Law of Michigan (ELM), a nonprofit corporation, was established in 1990, after various people in the law and aging communities decided to help seniors overcome barriers to accessing legal services. The Organization's first success was the creation of the Legal Hotline for Older Michiganians (changed to the Legal Hotline for Michigan Seniors). The Organization thrived for four years on seed money from AARP. The Michigan Office of Services to the Aging and members of the Senior Justice Section (now the Elder Law and Disability Rights Section) were instrumental in cultivating the Organization, focusing on the Legal Hotline. In the last six years, Elder Law of Michigan has grown dramatically, now offering a wide variety of programs and services to seniors statewide. The Organization's purpose is to advise, inform and empower seniors in Michigan.

In 2006, Elder Law of Michigan created the Elder Law of Michigan Pooled Account Trust (The Pooled Trust). The Pooled Trust was created to establish and administer a supplemental special needs trust authorized by the Social Security Act, 42, USC 1396p(d)(C), for disabled individuals who choose to contribute funds to the Trust for purposes of management and distribution to such individual pursuant to the Social Security Act. As required by the American Institute of Certified Public Accountants' Statement of Position (SOP) 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, the financial statements of Elder Law of Michigan Pooled Account Trust are included herein as part of the reporting entity.

#### Accrual Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

#### Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

#### Financial Statement Presentation

ELM and the Pooled Trust report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, ELM and the Pooled Trust are required to present a statement of cash flows. As permitted by the statements, ELM and the Pooled Trust do not use fund accounting.

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued**

**DECEMBER 31, 2010 AND 2009**

**NOTE 1: BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued**

Consolidated Financial Statements

Elder Law of Michigan and Elder Law of Michigan Pooled Account Trust are combined for financial reporting purposes because Elder Law of Michigan exerts control over the management and policies of the Pooled Account Trust through a common board of directors and both are financially interrelated. All material account balances and transactions between ELM and the Pooled Trust have been eliminated.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, ELM and the Pooled Trust consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. For the years ended December 31, 2010 and 2009, ELM and the Pooled Trust did not pay any interest or income taxes. The Organizations received donated services of \$62,890 and \$78,327 during the years ended December 31, 2010 and 2009, respectively.

Receivables

Grant and contributions receivable are stated at their net realizable value. ELM and the Pooled Trust use the direct write off method to account for bad debt. ELM and the Pooled Trust do not require collateral for receivables.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2010 AND 2009

**NOTE 1: BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Concluded**

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Elder Law of Michigan has been granted tax exempt status as provided by Section 501 (c)(3) of the Internal Revenue Code. The Organization is not considered a private foundation.

Elder Law of Michigan Pooled Account Trust is not subject to taxation as all transactions are charged to and taxed to the beneficiaries.

Equipment

It is ELM's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, ELM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ELM reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives of 3 to 10 years.

Advertising

ELM and the Pooled Trust expense advertising as costs are incurred.

Date of Management's Review

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2010 AND 2009

**NOTE 2: EQUIPMENT**

The following is a summary of changes in fixed assets.

	BEGINNING BALANCE	ADDITIONS	DISPOSALS	ENDING BALANCE
DECEMBER 31, 2010				
Furniture and equipment	\$ <u>84,102</u>	\$ _____	\$ ( <u>40,405</u> )	\$ <u>43,697</u>
Accumulated depreciation	\$ <u>66,116</u>	\$ <u>9,120</u>	\$ ( <u>40,405</u> )	\$ <u>34,831</u>
DECEMBER 31, 2009				
Furniture and equipment	\$ <u>78,611</u>	\$ <u>5,491</u>	\$ _____	\$ <u>84,102</u>
Accumulated depreciation	\$ <u>57,560</u>	\$ <u>8,556</u>	\$ _____	\$ <u>66,116</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$9,120 and \$8,556, respectively.

**NOTE 3: CASH**

	BOOK BALANCE	BANK BALANCE	FDIC/SIPC INSURED
DECEMBER 31, 2010			
Checking, ELM	\$ 256,017	\$ 183,769	\$ 183,769
Savings, ELM	53,294	53,294	53,294
Money market, ELM	148,977	148,977	148,977
Checking, Pooled Account	199,982	217,784	217,784
Money market, Pooled Account	62,142	62,142	62,142
Beneficiaries savings, Pooled Account	<u>2,278,365</u>	<u>2,271,328</u>	<u>2,271,328</u>
	\$ <u>2,998,777</u>	\$ <u>2,937,294</u>	\$ <u>2,937,294</u>
DECEMBER 31, 2009			
Checking, ELM	\$ 190,912	\$ 195,821	\$ 195,821
Savings, ELM	53,267	53,267	53,267
Money market, ELM	73,864	73,864	73,864
Checking, Pooled Account	1,387,567	1,387,567	1,387,567
Money market, Pooled Account	37,493	37,493	37,493
Beneficiaries savings, Pooled Account	<u>814,237</u>	<u>814,237</u>	<u>814,237</u>
	\$ <u>2,557,340</u>	\$ <u>2,562,249</u>	\$ <u>2,562,249</u>

Deposits not covered by FDIC or SIPC are uninsured and uncollateralized.

## ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2010 AND 2009

#### NOTE 4: **RETIREMENT**

ELM makes payments to a contributory retirement plan for eligible employees. The Plan agreement requires ELM to make annual contributions not to exceed 3 percent of wages paid during the Plan year. The total retirement expense for the years ended December 31, 2010 and 2009 was \$17,071 and \$15,782, respectively.

#### NOTE 5: **PROGRAMS**

##### Legal Hotline for Michigan Seniors

The Legal Hotline for Michigan Seniors provides basic, personal legal advice and information over the telephone to older adults in Michigan. The program solves problems for clients through customized interventions and client specific legal work. The program was created to respond to the “socially needy” by eliminating barriers, such as geography, transportation, illness, poverty and social isolation, to accessing legal services. There are no income requirements for participation, and the program serves approximately 10,000 people per year statewide. One strength of the Hotline is the ability to reach and serve people from all segments of the older adult population.

Over the Hotline’s 19 years of operations, we have refined our service delivery strategy to empower our clients to take action with encouragement and guidance. The Hotline’s team of staff and volunteers step in when self-help is unable to resolve the problem for the client.

##### Mid-America Pension Rights Project

The Pension Rights Project was added in 1998 to assist retirees of any age in recovering pension benefits and answering questions regarding pension plans and other retirement benefits. Initially a statewide project for Michigan, it has grown into a 5-state collaborative, with ELM as the lead organization. This project has helped recover millions of dollars in pensions for beneficiaries.

##### MI CAFÉ

Michigan’s Coordinated Access to Food for the Elderly (MiCAFÉ), started in 2001, is a collaborative public benefits access project endorsed by the Michigan and local county Departments of Human Services (DHS), the Michigan Office of Services to the Aging, and local partners. The project, operating in 30 Michigan counties, is designed to increase the participation of older adults in the Food Assistance Program (widely known as the Food Stamp Program or Supplemental Nutrition Assistance Program (SNAP)), Medicaid and other services by making senior and community centers points of access for the program (rather than requiring seniors to go to a local DHS office) utilizing both volunteers and a customized internet-based application process. MiCAFÉ has won several national awards including a Mature Media Award in 2003, the Congressional Hunger Award in 2004, and a Healthcare in Aging Network Award in 2006.

## ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2010 AND 2009

### NOTE 5: PROGRAMS – Continued

#### CFPP

The Consumer Fraud Prevention Project (CFPP), sponsored by the AARP Foundation, is designed to coach older adults on how to protect themselves from telemarketing scams and other forms of fraud so that their economic security is not undermined. The CFPP uses trained older adult volunteers to make telephone calls to potentially vulnerable older adults around the United States. The volunteers share information about current scams operating in the region, offer tips on how to limit contact with telemarketers, and offer written follow-up materials. ELM operates this program in a call center environment. Staff are involved in significant volunteer training and support as well as providing community education presentations on consumer fraud issues.

#### OVW

In 2007, Elder Law received a three year grant from the Department of Justice's Office of Violence Against Women (OVW) to prevent, reduce and respond to elder abuse, neglect and financial exploitation. Elder Law leads a multidisciplinary team to train law enforcement officers, judges and prosecutors to 1) increase their ability to identify elder abuse and domestic violence; 2) foster relationships and collaboration among criminal justice and Adult Protective Services professions; and 3) identify practices and protocols to create a coordinated response to elder abuse, neglect, financial exploitation and domestic violence experienced by older adults.

#### CERA

The Center for Elder Rights Advocacy, a program of Elder Law of Michigan, is part of the national technical support for Senior Legal Helplines as part of the U.S. Administration on Aging's National Legal Resource Center. Elder Law of Michigan's CERA team, comprised of experts from around the United States, coordinates with five other national organizations in fostering the development and capacity building among the professionals and non-profits that serve the legal needs of older adults. CERA is dedicated to coordinating and expanding Senior Legal Helplines with aging network services to protect the rights and improve the overall well-being of mature adults.

#### WOW

Wider Opportunities for Women (WOW) selected Elder Law of Michigan to lead efforts in Michigan to better understand the actual costs of aging in place with dignity in our state. The Michigan Elder Economic Security Standard Initiative™ is a research and advocacy project to redefine the conversation in the state and nationally about income security in retirement from deprivation (poverty) to sufficiency (what it costs to age in place in the community at age 65 and older). As part of this work, an Elder Economic Security Index will be created as a tool to advocate for economic sufficiency and adequate community support of people as they age.



**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2010 AND 2009

NOTE 5: **PROGRAMS – Concluded**

BENEFITS ENROLLMENT AND OUTREACH CENTER

In 2010, Elder Law of Michigan received a grant from the National Council on Aging (NCOA) to establish a statewide Benefits Enrollment and Outreach Center. The goal of the project was to provide screening to older adults using NCOA's online benefit screening software, called Benefits CheckUp. ELM staff accepted calls from adults age 60 and older who were struggling to make ends meet and interested in finding public benefits like Medicaid, Supplemental Food Assistance, Medicare Part D and other programs that could reduce their costs or provide new benefits so that they could have economic security or their most basic needs met. Services were provided over the telephone. When possible, application assistance was provided by ELM staff. In some cases, referrals to other programs for application assistance were made. Funding for this project is federal resources made available to NCOA by the US Administration on Aging.

NOTE 6: **OPERATING LEASE**

ELM entered into two leases with C&D Development, LLC for office space in the building located at 3815 W. St. Joseph, Lansing, Michigan. The term of the first lease is November 1, 2004 until March 31, 2010. The rent is payable in monthly installments of \$3,417 for the first year starting on April 1, 2005. The lease was renewed in 2009 for the period April 1, 2010 until March 31, 2015. Rent expense for 2010 and 2009 was \$101,448 and \$92,405, respectively. The term of the second lease is January 1, 2009 through January 31, 2011. The rent is payable in monthly installments of \$3,346.

In 2008, ELM entered into a lease agreement with DeHaven Real Estate and Property Management Corporation for outer office space located at 3815 W. St. Joseph, Lansing, Michigan. The lease is month-to-month, beginning November 1, 2008. Monthly installments are \$500.

Estimated future minimum payments:

YEAR ENDING	AMOUNT
December 31, 2011	\$ 96,666
December 31, 2012	99,078
December 31, 2013	101,556
December 31, 2014	104,097
December 31, 2015	<u>26,184</u>
	\$ <u>427,581</u>

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2010 AND 2009

**NOTE 7: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Specific programs	\$ 268,635	\$ 554,631
Beneficiary distributions	<u>3,316,907</u>	<u>2,839,224</u>
	<u>\$ 3,585,542</u>	<u>\$ 3,393,855</u>

Permanently restricted net assets represent contributions made to Elder Law of Michigan that were designated by the donors for the Endowment Fund. The balance at December 31 was:

	2010	2009
Permanently restricted net assets	\$ <u>14,500</u>	\$ <u>14,500</u>

**NOTE 8: MONIES HELD BY MICHIGAN STATE BAR FOUNDATION**

In 2002, Elder Law of Michigan requested that funds designated by donors be held for the Organization in an Access to Justice Fund Designated Endowment with the Michigan State Bar Foundation. Distributions from the Fund are made in accordance with the spending policy of the Investment Policy Statement, Access to Justice Fund Endowment Portfolio. The Michigan State Bar Foundation has variance power over the distributions of the Fund.

	2010	2009
Beginning balance, January 1	\$ 37,246	\$ 31,365
Activity:		
Contributions	2,185	4,204
Investment income	1,204	835
Realized and unrealized gain	1,896	842
Distributions	<u>( 842)</u>	<u>          </u>
Ending balance, December 31	\$ <u>41,689</u>	\$ <u>37,246</u>

Elder Law of Michigan will be the sole beneficiary of the Endowment Fund. The Michigan State Bar Foundation (MSBF) estimates the value of the funds being held for establishment of the Elder Law of Michigan Endowment at \$41,689 and \$37,246 as of September 30, 2010 and 2009, respectively. The MSBF's fiscal year is October 1 to September 30 of each year.

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Concluded**

**DECEMBER 31, 2010 AND 2009**

**NOTE 9: INVESTMENTS**

Elder Law of Michigan Pooled Account Trust's investments are recorded in the financial statements at fair market value. The investments are diversified among various mutual funds, as the investment managers deem appropriate. Securities owned by the mutual fund may include bonds, stocks, options, or derivatives of publicly traded companies.

The following table summarizes the investment activity:

	2010	2009
Beginning balance	\$ 652,212	\$ 605,585
Investment purchases	230,000	
Realized losses	( 3,905)	( 151,602)
Market appreciation (depreciation)	47,172	226,217
Interest income	13,008	12,634
Investments converted to cash	( 140,018)	( 37,423)
Withdrawal for investment fees	( <u>3,957</u> )	( <u>3,199</u> )
Ending Balance	\$ <u>794,512</u>	\$ <u>652,212</u>

**NOTE 10: UNCERTAINTY IN INCOME TAXES**

Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code). The Code requires that tax-exempt organizations comply with federal tax law to maintain tax-exempt status and avoid penalties.

As an exempt organization as described in Section 501(c)(3) of the Code that has been classified as other than a private foundation, Elder Law of Michigan is only subject to tax on unrelated business income as defined by Section 509(a)(1) of the Code. Elder Law of Michigan has no unrelated business income for the years ended December 31, 2010 and 2009. Accordingly, a provision for income taxes has not been made on the financial statements. The amount of income tax benefit that may be disallowed by the Internal Revenue Service (IRS), if any, cannot be determined at this time although Elder Law of Michigan expects such amounts, if any, to be immaterial.

Interest and/or penalties on an amount of income taxes deemed underpaid, if any, will be classified as income taxes in the financial statements. Elder Law of Michigan has not recognized any interest or penalties payable in the Statement of Financial Position as of December 31, 2010 and 2009, or interest or penalties expense in the Statement of Activities for the years then ended.

Elder Law of Michigan is subject to IRS and state examinations for a period of at least three (3) years after the Form 990 has been filed.

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SUPPLEMENTARY INFORMATION

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# Layton & Richardson, P.C.

Certified Public Accountants

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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We have audited the financial statements of Elder Law of Michigan as of and for the year ended December 31, 2010, and have issued our report thereon dated June 20, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elder Law of Michigan's internal control over financial reporting in order to determine 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 Elder Law of Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elder Law of Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 combination of control deficiencies, that adversely affects Elder Law of Michigan'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 Elder Law of Michigan's financial statements that is more than inconsequential will not be prevented or detected by Elder Law of Michigan's internal control.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elder Law of Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Elder Law of Michigan in a separate letter dated June 20, 2011.

This report is intended solely for the information and use of management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Layton & Richardson, P.C.*

*Certified Public Accountants*

East Lansing, Michigan

June 20, 2011





# Layton & Richardson, P.C.

Certified Public Accountants

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Elder Law of Michigan  
Board Members  
Lansing, Michigan

### Compliance

We have audited the compliance of ELDER LAW OF MICHIGAN with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. Elder Law of Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Elder Law of Michigan's management. Our responsibility is to express an opinion on Elder Law of Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elder Law of Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Elder Law of Michigan's compliance with those requirements.

In our opinion, Elder Law of Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

### Internal Control Over Compliance

The management of Elder Law of Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Elder Law of Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hayton & Richardson, P.C.*

*Certified Public Accountants*

East Lansing, Michigan  
June 20, 2011

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM	FEDERAL CFDA NUMBER	PASS THROUGH GRANT NUMBER	EXPENDITURES
U.S. Department of Health and Human Services:			
Direct programs:			
Administration on Aging			
Mid-American Pension Rights Project	93.048		\$ 214,519
Center for Elder Rights Advocacy (C.E.R.A)	93.048		<u>158,502</u>
Total direct programs			<u>373,021</u>
Pass-through programs from:			
State of Michigan			
Office of Service to the Aging			
Coordinated Legal Assistance in Michigan Seniors	93.048	20081609	<u>48,648</u>
U.S. Department of Justice			
Direct programs:			
Office of Justice Programs, Office of Communications			
Office on Violence Against Women			
Grants to Stop Abuse and Sexual Assault Against the Elderly or Individuals with Disabilities	16.528		<u>60,736</u>
U.S. Department of Agriculture			
Pass-through program from:			
State of Michigan			
Michigan Fitness Foundation			
Supplemental Nutrition Assistance Program-Education	10.561		13,989
Michigan State University			
Supplemental Nutrition Assistance Program-Education	10.561		<u>6,621</u>
			<u>20,610</u>
TOTAL FEDERAL EXPENDITURES			\$ <u><u>503,015</u></u>

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Elder Law of Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Elder Law of Michigan.
2. No significant deficiency in internal control relating to the audit of the financial statements was reported. No material weakness relating to the audit of the financial statements was reported.
3. No instances of noncompliance material to the financial statements of Elder Law of Michigan were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for Elder Law of Michigan expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Elder Law of Michigan.
7. The program tested as a major program was: U.S. Department of Health and Human Services, CFDA No. 93.048:  
Mid-American Pension Rights Project  
Center for Elder Rights Advocacy  
Coordinated Legal Assistance in Michigan Seniors
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Elder Law of Michigan was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

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**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

AS OF DECEMBER 31, 2010

**ASSETS**

	ELDER LAW OF MICHIGAN	ELDER LAW POOLED ACCOUNT TRUST	ELIMINATIONS	CONSOLIDATED
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 458,288	\$	\$	\$ 458,288
Grants receivable	371,785			371,785
Prepaid expenses	<u>1,147</u>			<u>1,147</u>
<b>TOTAL CURRENT ASSETS</b>	<u>831,220</u>			<u>831,220</u>
<b>EQUIPMENT</b>				
Furniture and equipment	43,697			43,697
Less: accumulated depreciation	<u>(34,831)</u>			<u>(34,831)</u>
<b>NET EQUIPMENT</b>	<u>8,866</u>			<u>8,866</u>
<b>OTHER ASSETS</b>				
Trust cash and cash equivalents - temporarily restricted		2,540,489		2,540,489
Trust investments - temporarily restricted		794,512		794,512
Endowment Fund - unrestricted	1,679			1,679
Endowment Fund - permanently restricted	<u>14,500</u>			<u>14,500</u>
<b>TOTAL OTHER ASSETS</b>	<u>16,179</u>	<u>3,335,001</u>		<u>3,351,180</u>
<b>TOTAL ASSETS</b>	<u>\$ 856,265</u>	<u>\$ 3,335,001</u>	<u>\$</u>	<u>\$ 4,191,266</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 35,034	\$ 18,094	\$	\$ 53,128
Accrued expenses	<u>55,781</u>			<u>55,781</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>90,815</u>	<u>18,094</u>		<u>108,909</u>
<b>NET ASSETS</b>				
Unrestricted	482,315			482,315
Temporarily restricted	268,635	3,316,907		3,585,542
Permanently restricted	<u>14,500</u>			<u>14,500</u>
<b>TOTAL NET ASSETS</b>	<u>765,450</u>	<u>3,316,907</u>		<u>4,082,357</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 856,265</u>	<u>\$ 3,335,001</u>	<u>\$</u>	<u>\$ 4,191,266</u>

**ELDER LAW OF MICHIGAN AND ITS RELATED ORGANIZATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	ELDER LAW OF MICHIGAN			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
<b>REVENUES</b>				
Grants	\$	\$ 1,374,617	\$	\$ 1,374,617
Contracts		62,071		62,071
Training revenue		43,409		43,409
Donations		87,625		87,625
Trust management fees		24,770		24,770
Miscellaneous		19,432		19,432
Interest income		306		306
In-kind donations		76,040		76,040
Investment income		1,679		1,679
Net assets released from restrictions		<u>1,660,613</u>		<u>(1,660,613)</u>
<b>TOTAL REVENUES</b>		<u>1,975,945</u>		<u>(285,996)</u>
<b>EXPENSES</b>				
Program Services				
Economic Security		664,860		664,860
Legal Services		518,146		518,146
Center for Elder Rights Advocacy		497,209		497,209
Supporting Services				
Management and general		204,357		204,357
Beneficiary distributions				
<b>TOTAL EXPENSES</b>		<u>1,884,572</u>		<u>1,884,572</u>
<b>CHANGES IN NET ASSETS</b>		91,373		(285,996)
<b>NET ASSETS, JANUARY 1</b>		<u>390,942</u>		<u>554,631</u>
<b>NET ASSETS, DECEMBER 31</b>	\$	<u><u>482,315</u></u>	\$	<u><u>268,635</u></u>
			\$	<u><u>14,500</u></u>
			\$	<u><u>765,450</u></u>



