

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST**

**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
(with supplementary information)**

**YEAR ENDED DECEMBER 31, 2012
(with comparative totals for the year ended December 31, 2011)**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Elder Law of Michigan, Inc.
Elder Law of Michigan Pooled Account Trust

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the year ended December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's 2011 consolidated financial statements, and our report dated May 8, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented in the consolidated statement of activities, functional expenses, and cash flows for the year ended December 31, 2011, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control over financial reporting and compliance.

May 10, 2013

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,132	\$ 233,158
Grants receivable	353,204	349,941
Prepaid expenses	<u>9,171</u>	<u>17,026</u>
TOTAL CURRENT ASSETS	<u>423,507</u>	<u>600,125</u>
FURNITURE AND EQUIPMENT, net of accumulated depreciation	<u>26,393</u>	<u>29,480</u>
OTHER ASSETS:		
Trust cash and cash equivalents	2,340,952	2,297,531
Trust investments	<u>1,005,966</u>	<u>1,373,404</u>
TOTAL OTHER ASSETS	<u>3,346,918</u>	<u>3,670,935</u>
TOTAL ASSETS	<u><u>\$ 3,796,818</u></u>	<u><u>\$ 4,300,540</u></u>
CURRENT LIABILITIES:		
Accounts payable	\$ 26,614	\$ 55,931
Accrued liabilities	<u>53,881</u>	<u>45,177</u>
TOTAL CURRENT LIABILITIES	<u>80,495</u>	<u>101,108</u>
NET ASSETS:		
Unrestricted	296,233	349,282
Temporarily restricted	<u>3,420,090</u>	<u>3,850,150</u>
TOTAL NET ASSETS	<u>3,716,323</u>	<u>4,199,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,796,818</u></u>	<u><u>\$ 4,300,540</u></u>

See notes to consolidated financial statements. 5

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(with comparative totals for the year ended December 31, 2011)**

	Unrestricted	Temporarily Restricted	2012	2011
REVENUES:				
Grants	\$ 1,144,762	\$ 142,220	\$ 1,286,982	\$ 1,164,061
Contracts	123,857	-	123,857	133,748
Training revenue	21,904	-	21,904	25,120
Donations	76,741	-	76,741	105,378
Contributions to Pooled Account Trust	-	841,320	841,320	1,208,168
Miscellaneous	17,276	-	17,276	18,677
Interest and dividends	33	25,703	25,736	22,130
In-kind donations	155,200	-	155,200	109,783
Investment income (loss)	-	86,008	86,008	(3,787)
Net assets released from restrictions	1,525,311	(1,525,311)	-	-
Total revenues	<u>3,065,084</u>	<u>(430,060)</u>	<u>2,635,024</u>	<u>2,783,278</u>
EXPENSES:				
Program services:				
Economic Security	774,320	-	774,320	690,005
Legal Services	456,421	-	456,421	601,450
Center for Elder Rights Advocacy	428,183	-	428,183	269,553
Payments to Beneficiaries	1,175,665	-	1,175,665	838,957
Supporting services:				
Management and general	283,544	-	283,544	251,738
Total expenses	<u>3,118,133</u>	<u>-</u>	<u>3,118,133</u>	<u>2,651,703</u>
CHANGE IN NET ASSETS	(53,049)	(430,060)	(483,109)	131,575
NET ASSETS, beginning of year	<u>349,282</u>	<u>3,850,150</u>	<u>4,199,432</u>	<u>4,067,857</u>
NET ASSETS, end of year	<u>\$ 296,233</u>	<u>\$ 3,420,090</u>	<u>\$ 3,716,323</u>	<u>\$ 4,199,432</u>

See notes to consolidated financial statements.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012
(with comparative totals for the year ended December 31, 2011)**

	Economic Security	Legal Services	Center for Elder Rights Advocacy	Payments to Beneficiaries	Program totals	Management and general	2012	2011
EXPENSES:								
Salaries and wages	\$ 434,997	\$ 251,576	\$ 215,485	\$ -	\$ 902,058	\$ 16,956	\$ 919,014	\$ 977,534
Payroll taxes	32,949	20,203	17,906	-	71,058	6,146	77,204	86,114
Fringe benefits	54,844	25,088	19,813	-	99,745	28,876	128,621	110,797
Independent contractors	68,898	94,925	106,175	-	269,998	13,524	283,522	180,134
Telephone	31,052	11,990	7,983	-	51,025	4,162	55,187	45,040
Travel	25,401	7,550	16,213	-	49,164	6,969	56,133	53,546
Supplies	43,510	12,021	17,654	-	73,185	2,842	76,027	38,725
Volunteers and specific assistance	-	140	-	-	140	6,000	6,140	11,523
Postage	-	-	-	-	-	-	-	22,267
Occupancy	60,898	24,546	12,724	-	98,168	465	98,633	90,884
Insurance	6,646	2,818	7,405	-	16,869	2,176	19,045	15,361
Meetings and events	-	-	-	-	-	11,738	11,738	10,856
Printing	-	-	-	-	-	-	-	15,073
Professional fees	12,093	2,621	5,480	-	20,194	14,830	35,024	25,800
Dues and memberships	4	1,643	494	-	2,141	648	2,789	2,925
Equipment maintenance	-	61	781	-	842	-	842	409
Depreciation	-	-	-	-	-	8,229	8,229	8,126
Advertising	-	385	-	-	385	-	385	226
Training	1,289	575	70	-	1,934	555	2,489	4,701
Miscellaneous	1,739	-	-	-	1,739	4,228	5,967	1,398
Publications and subscriptions	-	279	-	-	279	-	279	1,524
In-kind expenses	-	-	-	-	-	155,200	155,200	109,783
Payments to beneficiaries	-	-	-	1,175,665	1,175,665	-	1,175,665	838,957
TOTAL EXPENSES	\$ 774,320	\$ 456,421	\$ 428,183	\$ 1,175,665	\$ 2,834,589	\$ 283,544	\$ 3,118,133	\$ 2,651,703

See notes to consolidated financial statements.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(with comparative totals for the year ended December 31, 2011)**

	2012	2011
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	\$ (483,109)	\$ 131,575
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,229	8,126
Net realized and unrealized (gain) loss on investments	(86,008)	3,787
Accounts receivable	(3,263)	21,844
Prepaid expenses and other current assets	7,855	(14,200)
Accounts payable	(29,317)	4,482
Accrued expenses and other liabilities	8,704	(10,604)
Total adjustments	(93,800)	13,435
Net cash provided (used) by operating activities	(576,909)	145,010
Cash flows from investing activities:		
Purchases of investments	(1,336,578)	(643,648)
Proceeds from sale of investments	1,784,882	36,500
Purchase of property and equipment	-	(5,950)
Net cash provided (used) by investing activities	448,304	(613,098)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(128,605)	(468,088)
CASH AND CASH EQUIVALENTS, beginning of year	2,530,689	2,998,777
CASH AND CASH EQUIVALENTS, end of year	\$ 2,402,084	\$ 2,530,689
As reported on the Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 61,132	\$ 233,158
Trust cash and cash equivalents	2,340,952	2,297,531
	\$ 2,402,084	\$ 2,530,689

See notes to consolidated financial statements.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - Elder Law of Michigan and Elder Law of Michigan Pooled Account Trust are consolidated 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 significant intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation - The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's prior-year financial statements from which the summarized information was derived. 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. The Organization does not have any contributions requiring classification as permanently restricted net assets.

In-kind Contributions - In-kind contributions of donated attorney hours are reflected as contributions at their fair value and are reported as unrestricted support. These amounts have been reported as both in-kind contribution revenue and in-kind expense on the statement of activities. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets, or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization recognized in-kind contributions of \$155,200 and \$109,783 for the years ended December 31, 2012 and 2011, respectively.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, cash equivalents and liquid assets maturing no more than three months from the date of purchase are considered cash and cash equivalents. Trust cash and cash equivalents are considered long term by management.

Investments - Investments are stated at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Trust investments are considered long term by management.

Property and Equipment - Property and equipment over \$5,000 are capitalized. Items are stated at cost and are depreciated principally using the straight-line method over the estimated useful life of the asset. Costs of maintenance and repairs are charged to expense when incurred.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Grants Receivable - Commitments for future grants and contributions are recorded as grants receivable in the statements of financial position. All grants receivable are considered fully collectible.

Advertising - The Organization and the Pooled Trust expense advertising costs as incurred for advertising.

Deferred Revenue - The Organization records grant receipts as unearned revenue until they are expended for the purpose of the grant, at which time they are recognized as revenue. Deferred revenue represents grant funds received in advance.

Contributions - Contributions received 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 statement of activities as net assets released from restrictions.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and functional expenses. Accordingly, certain costs have been allocated among program services and management and general based upon management's estimate.

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES

Elder Law of Michigan (ELM), a nonprofit corporation under provisions of Section 501(c)(3) of the Internal Revenue Code, and as such is not subject to income taxes, 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 sixteen 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.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES (Continued)

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 professional standards, the financial statements of Elder Law of Michigan Pooled Account Trust are included herein as part of the reporting entity.

Economic Security

MiCAFE - Michigan's Coordinated Access to Food for the Elderly (MiCAFE), 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 32 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. MiCAFE has won several national awards including a Mature Media Award in 2003, the Congressional Hunger Award in 2004, and a Healthcare in Aging Award in 2006.

Benefits Enrollment and Options Center

Elder Law of Michigan received start-up funding from the National Council on Aging (NCOA) to establish a statewide Benefits Enrollment and Options Center. The goal of the project was to provide screening to older adults using NCOA's online benefits screening software, called Benefits CheckUp. ELM staff accepts calls from older adults who are 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 to ensure that their most basic needs are met. Services are provided over the telephone. When possible, application assistance is provided by ELM staff. In some cases, referrals to other programs for application assistance are made. Funding for this project is supported by small grants and unrestricted revenues.

Legal Services

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. The program serves approximately 60,000 people per year statewide. A main strength of the Hotline is the ability to reach and serve people from all segments of the older adult population. In 2012, the Organization became a MSHDA and HUD approved housing counseling program. The Organization also provides reverse mortgage counseling.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES (Continued)

For more than twenty years, the Organization has continually refined their 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 collaboration covering six states, with ELM as the lead organization. This project has helped recover millions of dollar in pensions for beneficiaries.

Center for Elder Rights Advocacy

OVW - Beginning in 2007, Elder Law received grants 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 multi-disciplinary teams to train law enforcement officers, judges, prosecutors, and non-profit organizations 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; 3) identify practices and protocols to create a coordinated response to elder abuse, neglect, financial exploitation, and domestic violence experienced by adults.

CERA - The Center for Elder Rights Advocacy (CERA), 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, which is comprised of experts from around the United States, coordinates with five other national organizations in fostering the development and building of capacity among the professionals and non-profits that serve the legal needs of older adults. CERA is dedicated to coordinating and expanding Senior Legal Hotlines with aging network services to protect the rights and improve the overall well-being of mature adults.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the organization to concentrations of significant credit risk consist of cash, cash equivalents and marketable equity securities. The organization places its cash, cash equivalents with various FDIC insured financial institutions and thereby limits the amount of credit exposure to any one financial institution. Although such cash balances exceed the federally insured limits at certain times of the year, they are, in the opinion of management, subject to minimal risk. Marketable securities are invested among diversified securities.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES (Concluded)

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination for the various taxing authorities for a period of three to four years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditor's opinion date, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Elder Law of Michigan Pooled Account Trust's investments are diversified among various mutual funds, as the investment managers deem appropriate. Securities owned by the mutual funds may include bonds, stocks, or options of publicly traded companies.

The following table summarizes the investments at December 31, 2012 and 2011:

	Cost basis	Market value	Unrealized gain (loss)
December 31, 2012:			
Investments	\$ 1,002,976	\$ 1,005,966	\$ 2,990
December 31, 2011:			
Investments	\$ 1,342,190	\$ 1,373,404	\$ 31,214
	Change in	Realized gain	
For the year ended	Market Value	(loss)	Total
December 31, 2012:			
Investment income (loss)	\$ (28,224)	\$ 114,232	\$ 86,008
December 31, 2011:			
Investment income (loss)	\$ (29,530)	\$ 25,743	\$ (3,787)

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEASUREMENTS

The Organization is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - FAIR VALUE MEASUREMENTS (Concluded)

Description	Level 1	Level 2	Level 3	Total December 31, 2012
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
Valued on a recurring basis:				
Equity securities:				
Domestic	\$ 217,702	\$ -	\$ -	\$ 217,702
Foreign	16,044	-	-	16,044
Mutual funds - equities:				
Blended funds	239,214	-	-	239,214
Fixed income funds	533,006	-	-	533,006
Total	\$ 1,005,966	\$ -	\$ -	\$ 1,005,966

Description	Level 1	Level 2	Level 3	Total December 31, 2011
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
Valued on a recurring basis:				
Mutual funds:				
Value funds	\$ 117,851	\$ -	\$ -	\$ 117,851
Blended funds	308,688	-	-	308,688
Growth funds	192,207	-	-	192,207
Fixed income funds	754,658	-	-	754,658
Total	\$ 1,373,404	\$ -	\$ -	\$ 1,373,404

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - FURNITURE AND EQUIPMENT

Major classes of furniture and equipment consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 52,239	\$ 72,437
Less: accumulated depreciation	<u>(25,846)</u>	<u>(42,957)</u>
Furniture and equipment, net	<u>\$ 26,393</u>	<u>\$ 29,480</u>

Depreciation expense was \$8,229 and \$8,126 for the years ended December 31, 2012 and 2011, respectively.

NOTE 6 - RETIREMENT

The Organization makes payments to a contributory retirement plan for eligible employees. The Plan agreement requires the Organization to make annual contributions not to exceed three percent of wages paid during the Plan year. Retirement expense for the years ended December 31, 2012 and 2011 was \$17,674 and \$15,406, respectively.

NOTE 7 - OPERATING LEASE

The Organization has a lease with C&D Development, LLC, for office space. The term of the lease is April 1, 2010 through March 31, 2015. Under this lease, monthly installments started at \$7,907 in 2010, and increase by 2.5% at the beginning of each rental year. In 2012, the Organization exercised an option to decrease the space of the lease, which decreased their monthly installments to \$7,657. Rent expense for 2012 and 2011 was \$98,633 and \$90,884, respectively.

Minimum future rentals under this lease are as follows.

<u>Year ending December 31,</u>	
2013	\$ 93,607
2014	95,947
2015	<u>24,134</u>
	<u>\$ 213,688</u>

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Specific programs - time and purpose restricted	\$ 91,206	\$ 193,555
Beneficiary distributions:		
Elder Law of Michigan Pooled Account Trust	3,328,884	3,656,595
	\$ 3,420,090	\$ 3,850,150

Net assets were released from restrictions during the year ended December 31 by incurring expenses satisfying their restricted purposes.

	2012
Grants receivable - release of time and purpose restrictions	\$ 244,569
Payments to beneficiaries	1,280,742
	\$ 1,525,311

NOTE 9 - ASSETS HELD AT MICHIGAN STATE BAR FOUNDATION

The Organization established an endowment at the Michigan State Bar Foundation during 2002 and named themselves as the beneficiary. Funds designated by donors are held in the Access to Justice Fund Designated Endowment and distributions from the fund are made in accordance with the spending policy of the Access to Justice Fund Endowment Portfolio. The Organization has granted variance power to the Michigan State Bar Foundation and therefore these amounts are not included in the Consolidated Statements of Financial Position. The Foundation's fiscal year-end is September 30. The assets held in the Access to Justice Endowment Fund at the Michigan State Bar Foundation were valued at \$50,012 and \$41,798 as of September 30, 2012 and 2011, respectively.

SUPPLEMENTARY INFORMATION

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(with comparative totals as of December 31, 2011)**

ASSETS	Elder Law of Michigan	Elder Law Pooled Account Trust	Eliminations	2012	2011
CURRENT ASSETS:					
Cash and cash equivalents	\$ 61,132	\$ -	\$ -	\$ 61,132	\$ 233,158
Grants receivable	353,204	-	-	353,204	349,941
Prepaid expenses	9,171	-	-	9,171	17,026
TOTAL CURRENT ASSETS	423,507	-	-	423,507	600,125
FURNITURE AND EQUIPMENT, net of accumulated depreciation	26,393	-	-	26,393	29,480
OTHER ASSETS:					
Trust cash and cash equivalents - temporarily restricted	-	2,340,952	-	2,340,952	2,297,531
Trust investments - temporarily restricted	-	1,005,966	-	1,005,966	1,373,404
TOTAL OTHER ASSETS	-	3,346,918	-	3,346,918	3,670,935
TOTAL ASSETS	\$ 449,900	\$ 3,346,918	\$ -	\$ 3,796,818	\$ 4,300,540

	Elder Law of Michigan	Elder Law Pooled Account Trust	Eliminations	2012	2011
CURRENT LIABILITIES:					
Accounts payable	\$ 8,580	\$ 18,034	\$ -	\$ 26,614	\$ 55,931
Accrued liabilities	53,881	-	-	53,881	45,177
TOTAL CURRENT LIABILITIES	<u>62,461</u>	<u>18,034</u>	<u>-</u>	<u>80,495</u>	<u>101,108</u>
NET ASSETS:					
Unrestricted	296,233	-	-	296,233	349,282
Temporarily restricted	91,206	3,328,884	-	3,420,090	3,850,150
TOTAL NET ASSETS	<u>387,439</u>	<u>3,328,884</u>	<u>-</u>	<u>3,716,323</u>	<u>4,199,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 449,900</u>	<u>\$ 3,346,918</u>	<u>\$ -</u>	<u>\$ 3,796,818</u>	<u>\$ 4,300,540</u>

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(with comparative totals for the year ended December 31, 2011)**

	Elder Law of Michigan			Elder Law of Michigan Pooled Account Trust			Eliminations	Consolidated	
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total		2012	2011
REVENUES:									
Grants	\$ 1,144,762	\$ 142,220	\$ 1,286,982	\$ -	\$ -	\$ -	\$ -	\$ 1,286,982	\$ 1,164,061
Contracts	123,857	-	123,857	-	-	-	-	123,857	133,748
Training revenue	21,904	-	21,904	-	-	-	-	21,904	25,120
Donations	154,848	-	154,848	-	-	-	(78,107)	76,741	105,378
Contributions to Pooled Account Trust	-	-	-	-	841,320	841,320	-	841,320	1,208,168
Trust management fees	26,970	-	26,970	-	-	-	(26,970)	-	-
Miscellaneous	17,276	-	17,276	-	-	-	-	17,276	18,677
Interest and dividends	33	-	33	-	25,703	25,703	-	25,736	22,130
In-kind donations	155,200	-	155,200	-	-	-	-	155,200	109,783
Investment income (loss)	-	-	-	-	86,008	86,008	-	86,008	(3,787)
Net assets released from restrictions	244,569	(244,569)	-	1,280,742	(1,280,742)	-	-	-	-
Total revenues	1,889,419	(102,349)	1,787,070	1,280,742	(327,711)	953,031	(105,077)	2,635,024	2,783,278
EXPENSES:									
Program Services:									
Economic Security	774,320	-	774,320	-	-	-	-	774,320	690,005
Legal Services	456,421	-	456,421	-	-	-	-	456,421	601,450
Center for Elder Rights Advocacy	428,183	-	428,183	-	-	-	-	428,183	269,553
Payments to Beneficiaries	-	-	-	1,280,742	-	1,280,742	(105,077)	1,175,665	838,957
Supporting Services:									
Management and general	283,544	-	283,544	-	-	-	-	283,544	251,738
Total expenses	1,942,468	-	1,942,468	1,280,742	-	1,280,742	(105,077)	3,118,133	2,651,703
CHANGE IN NET ASSETS	(53,049)	(102,349)	(155,398)	-	(327,711)	(327,711)	-	(483,109)	131,575
NET ASSETS, beginning of year	349,282	193,555	542,837	-	3,656,595	3,656,595	-	4,199,432	4,067,857
NET ASSETS, end of year	\$ 296,233	\$ 91,206	\$ 387,439	\$ -	\$ 3,328,884	\$ 3,328,884	\$ -	\$ 3,716,323	\$ 4,199,432

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Elder Law of Michigan, Inc.
Elder Law of Michigan Pooled Account Trust

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report there on dated May 10, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 10, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Elder Law of Michigan, Inc.
Elder Law of Michigan Pooled Account Trust

Report on Compliance for Each Major Program

We have audited Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's major federal programs for the year ended December 31, 2012. Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, Inc. and Elder Law of Michigan Pooled Account Trust'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's compliance.

Opinion on Each Major Federal Program

In our opinion, Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elder Law of Michigan, Inc. and Elder Law of Michigan Pooled Account Trust's internal control over compliance.

A deficiency in internal control over compliance exists when the design and operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

May 10, 2013

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Program Title	Federal CFDA number	Expenses
U.S. Department of Housing and Urban Development:		
Pass through programs:		
NCOA:		
HECM Counseling Program	14.169	
Contract No. HC10-0011-010		\$ 25,648
U.S. Department of Health and Human Services:		
Direct programs:		
Administration on Aging	93.048	
Mid-American Pension Rights Project		194,939
Center for Elder Rights Advocacy (C.E.R.A.)		155,169
		<u>350,108</u>
Passed through:		
MMAP, Inc.		
State Health Assistance Program	93.779	12,500
State Health Assistance Program	93.779	3,125
		<u>15,625</u>
Total U.S. Department of Health and Human Services		<u>365,733</u>

The accompanying notes are an integral part of this schedule.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Program Title	Federal CFDA number	Expenses
U.S. Department of Justice:		
Direct programs:		
Office on Violence Against Women		
Enhanced Services to Older Victims Project	16.528	\$ 126,094
Passed through:		
Michigan Department of Community Health		
Michigan Office of Services to the Aging		
Calhoun County No Excuse for Elder Abuse Program	16.528	<u>103,509</u>
Total U.S. Department of Justice		<u>229,603</u>
U.S. Department of Agriculture:		
Direct programs:		
Food Stamp Program	10.581	
Michigan Coordinated Access to Food for the Elderly		<u>141,932</u>
Passed through:		
Michigan Department of Human Services:		
Food Stamp Program	10.581	
Michigan Coordinated Access to Food for the Elderly		<u>43,367</u>
State of Michigan		
Michigan Fitness Foundation		
Supplemental Nutrition Assistance Program-Education	10.561	<u>23,507</u>
Total U.S. Department of Agriculture		<u>208,806</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 829,790</u></u>

The accompanying notes are an integral part of this schedule.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Elder Law of Michigan, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the basic consolidated financial statements.
2. Mid-American Pension Rights and Center for Elder Rights Advocacy (CFDA 93.048) were audited as a major program. These totaled 42% of federal awards.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

➤ Material weakness(es) identified? Yes X No

➤ Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified: Yes X No

➤ Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.048	Mid-American Pension Project
93.048	Center for Elder Rights Advocacy

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

**ELDER LAW OF MICHIGAN, INC.
AND ELDER LAW OF MICHIGAN POOLED ACCOUNT TRUST
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

There were no findings disclosed for the past two years.