

Celebrating **15 years** of service to California nonprofits

# NONPROFITS' UNITED

## Vehicle Insurance Pool

A **member-owned** and **member-governed**  
source of **accessible, affordable vehicle insurance** and  
**risk management services** for  
**California nonprofits**

*2001-2002  
Annual Report*

*June 30, 2002*

The mission of NonProfits' United is to provide  
quality and cost-effective pooled risk coverage  
for private nonprofit organizations.

We are committed to providing services  
that are responsive to our members' needs  
and that contribute to the professionalism  
of nonprofit organizations.

## ABOUT NONPROFITS' UNITED

NonProfits' United is a self-insurance pool for California nonprofits, currently in its 15th year of operation.

We are member-owned and member-governed. We are food banks, developmentally disabled service organizations, senior centers, arts and theater groups, paratransit providers, medical and dental clinics, schools, churches, rehabilitation and recovery facilities, and many other kinds of nonprofits.

The pool was formed in 1988 to supply affordable commercial vehicle insurance to nonprofit organizations who were unable to obtain this coverage from the commercial market. NonProfits' United was conceived and realized through efforts of the **California Association for Coordinated Transportation (CalACT)**.

**“We value our association with NonProfits' United. I sleep much better at night knowing that big bus full of kids has adequate insurance coverage. Thank you”**

**Bill Canning  
Jad Canning Foundation**

**Read more about NonProfits' United on the inside back cover of this report**



## NONPROFITS' UNITED BOARD OF DIRECTORS

*Directors representing member agencies are elected to two-year terms by pool members. Individuals who are not affiliated with nonprofit organizations may be elected as 'at-large' representatives.*

**President  
Larry Montgomery**

*Executive Director  
Siskiyou Opportunity Center  
Mount Shasta*

**Vice President  
Jim Harden**

*Executive Director  
Willits Seniors, Inc.  
Willits*

**Treasurer/Secretary  
Roger Caldwell**

*Chief Financial Officer  
MAAC Project  
San Diego*

**June Gilmore**

*Executive Director  
Community Transportation Agency  
Galt*

**Don Martin**

*Executive Director  
Gold Country Telecare  
Grass Valley*

**Nicky Boyette**

*Program Director  
Old Adobe Developmental Services  
Petaluma*

**Dave Grabowski**

*Executive Director  
Easy Lift, Inc.  
Santa Barbara*

**Moses Stites**

*Board Chair  
Fresno County EOC  
Fresno*

### At Large Representatives

**Kitty Wilson**

*Transportation Coordinator  
Trinity Transit  
Weaverville*

**Bill Durant**

*Executive Director  
Paratransit Inc.  
Sacramento*

## President's Message



**Board President  
Larry  
Montgomery  
reflects on  
internal and  
market  
developments  
of the past year.**

It seems as though every year that goes by brings change, challenge and growth to the pool, and the 2001-2002 policy year was no exception.

The events of September 11 had not only a drastic impact on our psyches and the national economy, but in particular on the insurance market. The disaster rapidly accelerated the market's hardening trend of the past two years. As in past hard markets, nonprofits have been especially hard hit, with higher rates and in many cases discontinued coverage.

We also experienced significant organizational changes during the past year. Frank Baker, founding Board member of the pool and Director of Financial Services since 1997, took over as Interim Executive Director on October 15, 2001, and was named Executive Director by the Board February 15, 2002. The search for a replacement Director of Financial Services ended April 15, when we welcomed Diane Rivera to staff.

With our December elections, we welcomed Dave Grabowski and Moses Stites to the Board. During our annual meeting in February, I took office as Board president, Jim Harden was installed as our new Vice President, and Roger Caldwell was re-elected Treasurer. Our sincere thanks to outgoing President June Gilmore for providing the pool two years of effective leadership.

Our July 2002 renewal was difficult as we tried to hold members' rates steady even as we received alarming quotes, some reflecting over 200% increases, from the excess market. On behalf of the Board, I congratulate Frank, our broker, Driver Alliant, and staff on their creative and energetic efforts on behalf of the pool, which allowed us to pass on only minimal increases to our members.

The pool, having survived the soft market and price wars of the 1990's, is today more relevant than ever to nonprofits beset by funding cuts and rising rates. We will continue to work toward building the financial strength that will allow us to become, and remain, independent of market fluctuations. At the operations level, we are working to tailor our risk management services to meet our members' diverse and specialized needs. And staff always maintains the highest standards of responsiveness to questions about policies, claims and risk management.

Thanks to all our loyal members and broker colleagues for your support; we look forward to another challenging and productive year.

Sincerely,

A handwritten signature in black ink, appearing to read 'Larry Montgomery', with a long horizontal flourish extending to the right.

Larry Montgomery  
President, Board of Directors

# **INDEPENDENT AUDITOR'S REPORT**

August 13, 2002

Board of Directors  
Non Profits' United  
Oakland, California

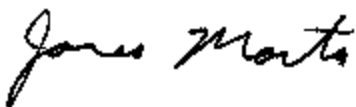
We have audited the accompanying Balance Sheets, Statements of Revenues, Expenses and Changes in Retained Earnings and Statements of Cash Flows of Non Profits' United as of June 30, 2002 and 2001 and for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Non Profits' United at June 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note (11) to the financial statements, retained earnings for 2000 and 2001 have been restated to reflect the recognition of certain accounting principles that govern the treatment of deferred taxes and comprehensive income and to correct an error in accounting for losses recoverable.

The reconciliation of claims liabilities by type of contract and loss development schedules and the graphical presentation of claims is provided for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the supplementary information and do not express an opinion on it.



JAMES P. MAKIA & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

# BALANCE SHEETS

June 30, 2002

		(RESTATED)
	2002	2001
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Equivalents	\$ 1,460,987	\$ 938,008
Member Deductible Receivable	93,090	172,643
Investment Income Receivable	41,248	45,433
Premiums Receivable	(1,042)	(2,929)
Other Receivables	879	16,231
Deposits	4,348	3,990
Prepaid Insurance	9,962	8,711
Prepaid Expenses	<u>10,539</u>	<u>2,982</u>
<b>Total Current Assets</b>	<u>1,620,011</u>	<u>1,185,069</u>
<b>Noncurrent Assets:</b>		
Investments, at market	3,765,093	3,786,017
Losses Recoverable, (net)	891,713	1,046,378
Deferred Income Tax Asset	362,236	359,392
Fixed Assets, (net)	<u>2,711</u>	<u>13,156</u>
<b>Total Noncurrent Assets</b>	<u>5,021,753</u>	<u>5,204,943</u>
<b>Total Assets</b>	<u>\$ 6,641,764</u>	<u>\$ 6,390,012</u>

## LIABILITIES AND RETAINED EARNINGS

<b>Current Liabilities:</b>		
Accounts Payable Trade	\$ 66,116	\$ 61,356
Accounts Payable Premium	51,136	51,136
Deferred Income Premiums	146,792	91,502
Accrued Vacation Pay	10,220	14,807
Trust Accounts	<u>8,056</u>	<u>8,056</u>
<b>Total Current Liabilities</b>	<u>282,320</u>	<u>226,857</u>
<b>Noncurrent Liabilities:</b>		
Claims Liability	<u>4,353,335</u>	<u>4,628,737</u>
<b>Total Liabilities</b>	<u>\$ 4,635,655</u>	<u>\$ 4,855,594</u>
<b>Equity:</b>		
Retained Earnings	1,847,296	1,340,897
Accumulated Other Comprehensive		
Income, net of tax	<u>158,813</u>	<u>193,521</u>
<b>Total Equity</b>	<u>\$ 2,006,109</u>	<u>1,534,418</u>
<b>Total Liabilities and Retained Earnings</b>	<u>\$ 6,641,764</u>	<u>\$ 6,390,012</u>

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS**  
**For fiscal years ended June 30, 2002 and June 30, 2001**

	<u>2002</u>	(RESTATED) <u>2001</u>
<b>OPERATING REVENUES</b>		
Members' Contributions	\$ 3,682,866	\$ 3,411,882
Investment Income	212,083	168,606
Gain on Sale of Securities	55,224	0
Other Income	<u>640</u>	<u>(946)</u>
Total Operating Revenues	<u>3,950,813</u>	<u>3,579,542</u>
<b>OPERATING EXPENSES</b>		
Insurance Expense	1,052,846	969,865
Provision for Liability Claims	1,520,341	1,786,596
Provision for Physical Damage Claims	312,815	321,285
Liability Deductible	(120,643)	(115,363)
Liability Subrogation Recoveries	(2,250)	0
Physical Damage Subrogation Recoveries	(89,648)	(59,703)
Unallocated Claims Expenses and Administration	30,153	49,886
Salaries and Benefits	346,248	325,876
Professional Services	176,022	89,839
Facilities and Equipment Expense	94,272	93,766
Travel and Conferences	46,045	32,991
Marketing and Advertising	30,378	27,752
Office Supplies and Expenses	15,572	22,169
Loss Control	2,515	6,934
Depreciation Expense	<u>10,445</u>	<u>14,372</u>
Total Operating Expenses	<u>3,425,111</u>	<u>3,566,265</u>
Income Before Income Taxes	<u>525,702</u>	<u>13,277</u>
Income Tax Expense (Benefit):		
Current	16,022	268
Deferred	<u>3,281</u>	<u>(37,092)</u>
	<u>19,303</u>	<u>(36,824)</u>
Net Income (Loss) after taxes	<u>506,399</u>	<u>50,101</u>
Beginning Retained Earnings, As Previously Reported	1,340,897	934,345
Prior Period Adjustment, Net of Tax	0	<u>356,451</u>
Beginning Retained Earnings, As Restated	<u>1,340,897</u>	<u>1,290,796</u>
Ending Retained Earnings	<u>\$ 1,847,296</u>	<u>\$ 1,340,897</u>

**STATEMENTS OF COMPREHENSIVE INCOME  
AND ACCUMULATED OTHER COMPREHENSIVE INCOME**  
For fiscal years ended June 30, 2002 and June 30, 2001

	<u>2002</u>	<u>2001</u>
NET INCOME	\$ 506,399	\$ 406,552
<b>OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain (losses) on securities available for sale	14,391	227,672
Reclassification adjustment for realized gains in net income	(55,224)	0
Income tax benefit (expense) related to other comprehensive income	<u>6,125</u> <u>(34,708)</u>	<u>(34,151)</u> <u>193,521</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 471,691</u>	<u>\$ 600,073</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
(Beginning Balance)	\$ 193,521	\$ 0
<b>OTHER COMPREHENSIVE INCOME</b>	<u>(34,708)</u>	<u>193,521</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
(Ending Balance)	<u>\$ 158,813</u>	<u>\$ 193,521</u>

**STATEMENT OF CASH FLOWS**  
**For fiscal years ended June 30, 2002 and June 30, 2001**

	2002	(RESTATED) 2001
<b>Cash Flows from Operating Activities</b>		
Cash Received from Members	\$ 3,831,511	\$ 3,377,403
Investment Income Received	216,571	151,453
Cash Paid for Claims	(1,751,352)	(1,469,353)
Cash Paid for Insurance	(1,054,097)	(970,630)
Cash Paid for Claims Admin and Risk Management	(32,668)	(56,820)
Cash Paid for General and Administrative	(381,466)	(260,145)
Cash Paid for Salaries and Benefits	<u>(350,835)</u>	<u>(322,435)</u>
Total Cash Flows from Operating Activities	<u>487,664</u>	<u>449,473</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(1,840,341)	(1,642,640)
Proceeds from Sale and Maturity of Investments	1,875,656	2,077,552
Total cash flows from Investing Activities	35,315	434,912
Net Increase (Decrease) in Cash	522,979	884,385
<b>Beginning Cash and Equivalents</b>	<u>938,008</u>	<u>53,623</u>
<b>Ending Cash and Equivalents</b>	<u>\$ 1,460,987</u>	<u>\$ 938,008</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income (Loss)</b>	\$506,399	\$ 50,101
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation and Amortization	10,445	14,372
Realized (Gain) Loss on Sale of Securities	(55,224)	(18,284)
Deferred Income Tax Expense (Benefit)	3,281	(37,092)
(Increase)/Decrease in Losses Recoverable	154,665	1,448,701
(Increase)/Decrease in Premiums Receivable	(1,887)	1,210
(Increase)/Decrease in Member Deductible Receivable	79,553	(126,385)
(Increase)/Decrease in Investment Income Receivable	4,185	(3,336)
(Increase)/Decrease in Other Receivable	15,352	11,616
(Increase)/Decrease in Deposits	(358)	(1,438)
(Increase)/Decrease in Prepaid Insurance	(1,251)	(765)
(Increase)/Decrease in Prepaid Expenses	(7,557)	-
Increase/(Decrease) in Accounts Payable	4,760	10,645
Increase/(Decrease) in Trust Accounts	-	(2,567)
Increase/(Decrease) in Compensated Absences	(4,587)	3,441
Increase/(Decrease) in Unearned Contributions	55,290	84,493
Increase/(Decrease) in Claims Payable	(275,402)	(985,239)
Increase/(Decrease) in Taxes Payable	<u>-</u>	<u>-</u>
Total Cash Flow from Operating Activities	<u>\$ 487,664</u>	<u>\$ 449,473</u>

# NOTES TO THE FINANCIAL STATEMENTS

## June 30, 2002 and 2001

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ORGANIZATION

Non Profits United, Vehicle Insurance Pool is a non-profit corporation organized under the non-profit Corporation Law. The specific purpose of the corporation is to establish and operate an insurance pool pursuant to Section 5005.1 of the California Corporations Code and other relevant sections of California law. The insurance pool provides vehicle liability and physical damage protection for nonprofit organizations.

A volunteer Board of Directors that is elected by and from the membership governs the Corporation.

#### B. MEMBERSHIP

Members of the corporation are private non-profit organizations, which are exempt under Section 501 (c)(3) of the Internal Revenue Service Code and have been approved by management. To be eligible, the organization must own or lease at least one vehicle.

#### C. ADMISSION AND WITHDRAWAL OF MEMBERSHIP

##### Admission

The Board in full or through a New Member Committee receives applications for membership from prospective new members of the pool and then approves membership in accordance with admission standards. The Board may delegate administrative approval to the administrator.

##### Withdrawal / Termination

A member may withdraw from the pool upon 30 days written notice to the Board. A member who fails to make timely premium contribution, fee, and/or assessment payments, as provided by the Member Agreement, may be terminated after 10 days written notice has been given to the member. The Board may terminate the membership of any member who fails to comply with the Bylaws, Member Agreement, or other requirements of the pool.

#### D. BASIS OF ACCOUNTING

The Corporation maintains its accounting records in accordance with generally accepted principles of accounting. Revenues are recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the Corporation's operations. Major revenue accruals entries include member premium and deductible receivables and investment income receivable. Expenses are recorded when goods or services are received, or in the case of claims, when the insured event is incurred. Major expense accrual entries include reserves for claims and reserve for claims incurred but not reported.

Although Non Profits United is a California exempt corporation, the financial presentation is as an enterprise. FASB 116 definition of a not-for-profit for reporting purposes excludes cooperatives, mutual insurance companies and employee benefit plans.

#### E. DESCRIPTION OF PROGRAMS

The Corporation provides for a pooled self-insured program for automobile liability for member non-profit organizations. The pooled layer covers losses in excess of each member's deductible levels to \$200,000. Deductible limits vary between zero and \$10,000.

Losses are recognized as financial statement liabilities when the potential for future claims occurs. The amount reserved is based on the best estimate of the ultimate settlement cost of each claim plus a provision for claims incurred but not reported. The reserve provision is subject to continuous review and changes due to complex factors such as inflation, changes in doctrines of legal liability, recent settlement awards, claim frequency, and other economic and social factors. The process used in computing claim liability does not necessarily result in exact amounts. Difference between estimates and actual claims settled are accounted as expenses of the period in which the change occurs.

##### Auto Comprehensive and Collision Program

The Auto Comprehensive and Collision Program was established to provide a risk sharing pool for the provision and administration of auto comprehensive and collision risk financing, and to pay for the cost of excess insurance and related costs as approved by the Board of Directors. Contribution income consists of payments from Members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Members participating in the Auto Comprehensive and Collision Program were 301 and 315 for the fiscal years ended June 30, 2002 and 2001, respectively.

The risk financing limits provided by the Program at June 30, 2002 are as follows:

Type of Coverage .....	Comprehensive & Collision
Deductible .....	\$500.00
Self-insurance Retention/	
Total risk financing limits.....	Lesser of: actual cash value, stated value, or cost to repair up to \$100,000. Total limits of coverage equal \$5 million per occurrence.

All of the above limits are subject to change by the Board of Directors and are subject to specific limitations as specified in the memorandum of coverage provided to each Member. It is the policy of the Corporation to charge to expense, the payments to be made for claims in cases where the amounts are reasonably determinable and where the likelihood of liability exists.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **June 30, 2002 and 2001**

### *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)*

#### **F. STATEMENT OF CASH FLOWS**

For purposes of this statement, Non Profits United considers interest on investments to be an integral part of operations and relies on it to meet claim payment and administrative expense obligations.

#### **G. CASH AND EQUIVALENTS**

For purposes of the Statement of Cash Flows, cash and cash equivalents include amounts in checking and savings accounts as well as short-term investments with a maturity date of three months or less at the date acquired by Non Profits United.

#### **H. UNPAID CLAIM LIABILITIES (CLAIMS PAYABLE, CLAIMS INCURRED BUT NOT REPORTED, AND LIABILITY FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES)**

The Corporation establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies by the coverage involved. Estimated amounts of salvage and subrogation and excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are re-computed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made.

#### **I. PREPAID INSURANCE**

The prepaid insurance account represents the unexpired portion of the corporation's insurance policies.

#### **J. UNEARNED CONTRIBUTIONS**

Unearned contributions are recorded for amounts that have been billed to members prior to June 30 for the succeeding policy year.

#### **K. FIXED ASSETS AND DEPRECIATION**

NonProfits' United capitalizes all assets over \$2,000 and records these assets at historical cost. Depreciation is provided for over the estimated useful lives of the

assets using the straight-line method. The estimated useful lives range from three to five years. Depreciation expense was \$10,445 and \$14,372 for the fiscal years ended June 30, 2002 and 2001, respectively.

#### **L. COMPENSATED ABSENCES**

Vested or accumulated paid leave is recorded as an expense and liability of the Corporation as the benefits accrue to employees. In accordance with accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

#### **M. MANAGEMENT ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

#### **N. INCOME TAXES**

The Corporation accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes", which requires asset and liability approach to financial accounting and reporting income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amount expected to be realized. Income tax expense is payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Corporation is exempt from state taxes under section 23701Z of the Revenue and Taxation Code. The Corporation is taxable for federal income tax purposes. The IRS may examine the Corporation's tax filings. No such examination is currently in progress and Management believes that the effects of any examination would not have a material effect on the financial statements.

#### **O. COMPREHENSIVE INCOME**

The Corporation accounts for comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income", which requires comprehensive income and its components to be reported when a company has items of comprehensive income. Comprehensive income includes net income plus other comprehensive income (i.e., certain revenues, expenses, gains and losses reported as separate components of retained earnings rather than in net income).

## NOTES TO THE FINANCIAL STATEMENTS

### June 30, 2002 and 2001

#### 2. CASH AND INVESTMENTS

##### A. CASH AND EQUIVALENTS

Cash consisted of the following at June 30:

Deposits:	<u>2002</u>	<u>2001</u>
Balance per Bank	\$ 558,477	\$ 215,814
Plus: Deposits in transit	389	-
Less: Outstanding Checks	<u>(75,484)</u>	<u>(70,465)</u>
Balance per Books	483,382	145,349
Cash Equivalents (money mkt/commercial paper)	<u>977,605</u>	<u>792,659</u>
Total Cash and Equivalents	<u>\$ 1,460,987</u>	<u>\$ 938,008</u>

The carrying amount of NonProfits United's cash is covered by Federal Depository Insurance up to \$100,000.

##### B. INVESTMENTS

Non Profits United's investment policy allows investment in obligations of the U.S. Treasury, bonds of the Corporation (if issued), State Bonds, certain commercial paper and repurchase agreements.

The Corporation's investments are summarized below:

	<u>Interest Rates</u>	<u>June 30, 2002 Amortized Cost</u>	<u>June 30, 2002 Market Value</u>
Voyageur Asset Management::			
U.S. Treasury Notes	5.80 - 7.00%	509,324	\$ 526,353
U.S. Agencies	4.75 - 6.63%	597,881	619,741
Corporate Notes	5.13 - 8.25%	1,426,916	1,482,449
Mortgage Backed	5.75 - 6.63%	123,192	129,875
Marketable Securities	N/A	<u>914,260</u>	<u>1,006,675</u>
Total Investments		<u>\$ 3,571,573</u>	<u>\$ 3,765,093</u>

Marketable securities are classified as available-for-sale and are recorded at fair value in investments on the balance sheet, with the change in fair value excluded from earnings and recorded net of tax as a component of equity. Marketable securities consist of the following as of June 30:

	<u>2002</u>	<u>2001</u>
Marketable securities, at cost	\$ 3,448,381	\$ 3,327,894
Marketable securities, at market	<u>3,635,219</u>	<u>3,555,566</u>
Net unrealized gain before income tax effect	<u>\$ 186,838</u>	<u>\$ 227,672</u>

Non Profits United utilizes the specific identification method in computing realized gains and losses from the sales of its available-for-sale marketable securities. Realized gains from the sale of the securities are shown in the revenue section of the statement of revenues, expenses, and changes in retained earnings and were \$55,224 and \$18,284 for June 30, 2002 and 2001, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### June 30, 2002 and 2001

#### 3. LOSSES RECOVERABLE

Losses recoverable represent the portion of gross claims expected to be recovered from other sources. As of June 30, 2002 the projected recoverable is as follows:

<u>Policy year</u>	<u>Subrogation</u>	<u>Stop loss</u>	<u>Excess</u>	<u>Totals</u>
1994-95	417	225,168	20,616	246,201
1995-96	2,311	181,969	46,535	230,815
1996-97	2,730	306,564	-	309,294
1997-98			25,219	25,219
1998-99	24,077	354,480	222,371	600,928
1999-2000	19,242	-	-	19,242
Total Recoverable	48,777	1,068,211	314,741	1,431,729
Less Provision for Uncollectable Amounts (1)	-	(540,016)	-	(540,016)
Net Recorded Recoverable	<u>\$ 48,777</u>	<u>\$ 528,195</u>	<u>\$ 314,741</u>	<u>\$ 891,713</u>

(1) The provision to cover certain claims administration expenses is disputed by the stop loss insurance carrier NonProfits United believes these costs are covered under the policy.

#### 4. FIXED ASSETS

NonProfits United's fixed assets consist of the following:

	<u>2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>2002</u>
Furniture, Fixtures, Equipment	\$ 83,621	\$ 0	\$ 0	\$ 83,621
Less Accumulated Depreciation	(70,465)	(10,445)	\$ 0	(80,910)
Net Fixed Assets	<u>\$ 13,156</u>	<u>\$ (10,445)</u>	<u>\$ 0</u>	<u>\$ 2,711</u>

#### 5. CLAIMS LIABILITY

The Corporation establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in those aggregate liabilities for all program during the year ended June 30:

	<u>2002</u>	<u>2001</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	\$ 2,091,990	\$ 3,118,898
Incurred Claims and Claim Adjustment Expenses:		
Provisions for Incurred Events of the Current Fiscal Year	2,004,660	2,461,177
Increases (Decreases) in Provision for Insured Events of Prior Fiscal Years	<u>760,444</u>	<u>(1,846,088)</u>
Total Incurred Claims and Claim Adjustment Expense	2,765,104	615,089
Payments/Recoveries:		
Claims and Claim Adjustment Expenses Attributable to		
Insured Events of the Current Fiscal Year	757,951	658,463
Recoveries	(292,886)	(68,304)
Claims and Claim Adjustment Expenses Attributable to		
Insured Events of the Prior Fiscal Year	<u>930,486</u>	<u>1,051,838</u>
Total Payments	1,395,551	1,641,997
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$ 3,461,543</u>	<u>\$ 2,091,990</u>
Reserve for Open Claims	\$ 2,136,939	\$ 2,436,292
IBNR and Claims Development	2,216,397	2,192,445
Less Losses Recoverable	<u>(819,713)</u>	<u>(2,536,747)</u>
Net Outstanding Claims at Pooled Layer	<u>\$ 3,461,623</u>	<u>\$ 2,091,990</u>

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2002 and 2001

## 6. DEFERRED INCOME TAXES

Deferred tax assets (liability) represent the tax effects of taxable and deductible temporary differences in book and tax reporting. The Corporation's deferred tax asset (liability) at June 30 are as follows:

	<u>2002</u>	<u>2001</u>
Deferred tax asset related to:		
Net operating loss carryforward	\$ 390,262	\$ 393,543
Deferred tax liability related to:		
Unrealized gain on securities	(28,026)	(34,151)
Net deferred tax asset (liability)	<u>\$ 362,236</u>	<u>\$ 359,392</u>

## 7. LEASE COMMITMENTS

The Corporation has entered into a lease agreement for office space which calls for monthly payments of \$5,119. The lease is due to expire August, 2005. The terms of future lease payments are as follows:

Minimum Lease Payment	Office Space
June 30, 2003	\$ 61,430
June 30, 2004	61,430
June 30, 2005	61,430
June 30, 2006	10,238
Total Future Lease Payments	<u>\$ 194,528</u>

The aggregate rental expense for the years ended June 30, 2002 and 2001 totaled \$61,430 and \$61,430 respectively.

## 8. LINE OF CREDIT

Non Profits United was approved for a \$150,000 Union Bank of California Line of Credit on May 17, 2002. The interest rate on the line of credit is Wall Street Journal West Coast Prime Rate plus 2.25%. The Prime Rate at June 30, 2002 was 4.75%. A fee of \$250 is advanced annually against the line of credit. The line of credit had no balance at June 30, 2002.

## 9. RETIREMENT PLAN

NonProfits United offers a salary reduction plan under IRS section 401(k). Eligible employees may contribute up to 15% of their gross earnings. The employer matching contributions vary from year to year based on budget. Employees vest in the employer contributions over a 5-year period.

## 10. INCOME TAX CARRYOVERS

As of June 30, 2002, a net operating loss carry forward of \$2,018,007 is available to offset future taxable income for federal tax purposes.

## 11. PRIOR-PERIOD ADJUSTMENT

It has been determined by consulting the Financial Accounting Standards Board (FASB) that although NonProfits United is a non-profit corporation, its accounting does not follow the non-profit accounting model but instead must follow the for-profit accounting model. Based on this determination, the financial statements for 2001 have been restated to properly reflect the unrealized gains and losses in marketable securities together with the related deferred tax liability as components of comprehensive income. The effect of the restatement was to decrease net income by \$227,672 and increase accumulated other comprehensive income by \$193,521.

In addition, the 2001 financial statements were adjusted to correct the accounting for losses recoverable. The losses recoverable were overstated by \$1,317,726. The effect of the restatement was to decrease net income for 2001 by \$1,280,634.

Retained earnings at the beginning of the 2000-2001 year has been adjusted to correct the accounting treatment of deferred tax and comprehensive income. The effect was to increase net income for 2000 by \$356,451.

## MEMBERS

### **SAN DIEGO METROPOLITAN AREA**

Southern Indian Health Council  
Mission Air Service  
San Diego American Indian Health Center  
George G. Glenner Alzheimers Family Center, Inc.  
MAAC Project  
Camp Fire Council of San Diego County  
House of Metamorphosis  
Mama's Kitchen  
Mountain Health & Community Services, Inc.  
Family Health Centers of San Diego  
Wahupa Educational Enterprises, Inc.  
Horizon Transitional Programs  
Samahan Senior Center  
Jacobs Center for Nonprofit Innovation  
Family Services Association of San Diego County  
New Haven Youth & Family Services

### **GREATER SOUTHERN CALIFORNIA**

Pemarro  
Poway Valley Senior Citizens  
Ramona Adult Day Health Care  
Ramona Senior Nutrition Program  
Vista Community Clinic  
Fraternity House  
Ramona Food & Clothes Closet  
Senior Gleaners  
North County Lifeline  
Developmentally Vocational Transportation  
Delhaven Community Center  
Human Svcs. Consortium of the East San Gabriel Valley  
Penn Rehabilitation Center  
WAPADH  
YWCA of San Gabriel Valley  
Assistance League/Pasadena  
Monte Vista Grove Home  
The Villa  
The Mainstream Group, Inc.  
Huntington Beach Council on Aging  
Friends of Moreno Valley Senior Center  
Transportation Specialists, Inc.  
Needles Senior Center  
West Shores Health and Education Association  
Inland AIDS Project  
Bonnie Baker Senior Citizens Club, Inc.  
Riverside Recovery Resources, Inc.  
Valley Orthopaedic Clinic  
Needles TEAM  
Canine Support Teams, Inc.  
The Ranch Recovery Center, Inc.  
Care A Van Basic Occupational Training Center  
Boojum Institute for Experiential Education  
Clinicas de Salud Del Pueblo  
Blindness Support Services  
Quail Valley Healthy Communities/Project LIFT  
Pacoima Jr. Optimist Foundation

Glendale Association for the Retarded  
Independent Living Center of Southern California,  
Kare Youth League  
Mothers' Club Community Center  
Trumbo's Welcome Home  
Prince of Peace Episcopal Church  
Specialized Health Services  
Northeast Valley Health Corp  
Women's Care Cottage  
Samuel Dixon Family Health Center, Inc.  
New Horizon Family Center  
Service Center for Independent Living  
Free To Be Programs, Inc.  
Vocational Improvement Program  
Emerson Village  
Starshine Treatment Center  
Valley Community Clinic  
San Antonio Community Hospital  
Shamrock Cottage, Inc.  
Cicero's HOPE Youth Center  
California Family Life Center  
Celebrate Freedom Outreach, Inc.  
Wheels For Humanity

### **LOS ANGELES METROPOLITAN AREA**

Westside Food Bank  
Wilmington Jaycee Foundation  
House of Bethesda, Inc.  
Hollywood Beautification Team  
Community Action Inc  
Wilmington Community Free Clinic  
International Seafarers Center  
Dickison Community Lighted Schools  
St. Barnabas Senior Center  
Central City Action Committee  
Minority AIDS Project  
Los Angeles Gay & Lesbian Community Services Center  
Community Health Foundation of East Los Angeles, Inc.  
The Gospel Army  
Keiro Services  
St. Paul's Group Home  
Unity Fellowship Church  
SHIELDS For Families  
Hollywood Sunset Free Clinic  
L A Works  
Children's Home Society of California  
Sunshine Adult Day Care Center  
Pico Union Westlake Cluster Network, Inc.  
Abrazar, Inc.  
City Help Wellness Center  
Victory Outreach - E. Los Angeles  
Peace And Joy Christian Church

## MEMBERS

### SACRAMENTO METROPOLITAN AREA

River City Recovery Center  
California Vehicle Foundation  
Developmental Disabilities Service Organization, Inc.  
Health for All, Inc.  
Resources for Independent Living, Inc.  
Senior Center of Elk Grove  
United Christian Centers  
Sacramento Lao Family Community  
Consumer Self Help Center  
Voluncare  
Firefighters Pacific Burn Institute  
Integrated Employment/Community Enterprises  
Northern California Lions Sight Association  
Harm Reduction Services  
Capitol Area Indian Resources  
The Lazarus Project, Inc.  
President John Adams Manor III  
Easter Seals Superior California  
Eskaton Properties, Inc.  
The Effort, Inc.  
Family Service of Sacramento  
Sacramento Urban Indian Health  
Senior Gleaners, Inc.  
Fairhaven Retirement Community  
ACORN  
Paratransit, Inc.  
Southside Arts Center

### GREATER CENTRAL CALIFORNIA

Community Transportation Agency, Inc.  
Galt Community Concilio dba Social Services Dept.  
UCPA of Stanislaus County  
Lewis Residential Care, Inc.  
Youth Today  
Mount Pisgah African Methodist Episcopal Zion Church  
ABLE Industries  
Community Services & Employment Training  
Porterville Sheltered Workshop  
United Cerebral Palsy of Central California  
Jad Canning Foundation  
Fresno County EOC  
Avenal Community Health Center  
Fresno County Economic Opportunities Commission  
Pacific Family Health, Inc.; dba. Fresno Dialysis Clinic  
Tule River Indian Mission  
Buttonwillow Pioneer Senior Citizen's  
Community Action Partnership of Kern  
Kern River Valley Senior Citizens  
Trona Community Senior Center Operations, Inc.  
ARC Taft



Valley Haven Senior Daycare Center  
Valley Achievement Center  
Santa Ynez Valley People Helping People  
Kings View  
Congregation of Rogationist Fathers  
Fresno Community Services  
Friendship Center  
Easy Lift Transportation  
Help of Carpinteria  
All Saints by the Sea  
Hinchee Foundation  
Boys & Girls Club of Santa Clara Valley  
Wilderness Youth Project  
Santa Barbara Foresters Baseball  
Ohana Programs, Inc.  
Orcutt Area Seniors in Service  
Senior Citizens United of Atascadero  
Cambria Community Council  
Shandon Senior Community Center  
Cayucos Senior Citizens  
Easy Lift Transportation  
Santa Cruz Community Counseling Center  
Community Support Services  
A.J. Robinson Foundation  
Monterey County AIDS Project  
Santa Cruz Barrios Unidos  
Aaron's Boys Home  
Foundation for Preservation of Mahayana Tradition

## MEMBERS

Women's Center - High Desert

### **SAN FRANCISCO METROPOLITAN AREA**

Cambridge Community Center  
Imani Facilities, Inc.  
Special Olympics of Northern California  
Voices for Pets  
Brentwood Police Activity League  
Family Bridges, Inc.  
Alameda County Food Bank  
Center for Elders Independence  
St. Mary's Gardens  
Hergl Center  
Posada de Colores  
Stepping Stones Growth Center  
Solid Rock Baptist Church  
Oakland Potluck  
J.L. Richard Terrace  
The Genesis Project  
Gethsemane Community Church  
Clausen House Auxiliary  
Easy Does It  
Girls Incorporated of the Island City  
Bayview Hunter's Point Foundation  
Centro Latino de San Francisco  
Kimochi, Inc.  
Hunter's Point Community Youth Park Foundation  
Haight Ashbury Food Program  
Kimochi, Inc.  
San Francisco Mime Troupe  
La Raza Centro Legal  
West Portal Care  
Samoan Community Development Center  
Self Help for the Elderly  
Seven Tepees Youth Program; dba Fluid Living  
San Francisco Friends School  
Second Chance Inc.  
Child, Family & Community Services, Inc.  
Bay Area Youth Centers  
Benicia CAC  
VALCORE Recycling  
Area Agency On Aging Serving Napa and Solano  
Griffin Family Home  
Continental of Omega Boys & Girls Club, Inc.  
Meals on Wheels of Solano County  
Coastside Adult Day Health Center  
Coastside Opportunity Center, Inc.  
Yu-Ai Kai  
West Valley Japanese American Citizens League  
Northside Community Center  
Santa Clara Valley Blind Center  
Senior Coastsiders  
Planned Parenthood Golden Gate  
Korean American Community Services, Inc.  
Pathways Hospice Foundation  
Today's Youth Matter  
Vaishnava Seva Society, Inc.  
Senior's Emergency Grocery Bag Program  
Volunteer Center of Silicon Valley  
Victory Outreach - Hayward  
Childrens Discovery Museum

Philharmonia Baroque Orchestra

### **GREATER NORTHERN CALIFORNIA**

Siskiyou Opportunity Center  
Alliance for Workforce Development, Inc.  
Plumas County Senior Nutrition & Transportation Pgm  
Resources for Rural Community Development, Inc.  
Trinity Occupational Training, Inc.  
Area 1 Agency on Aging  
Shingletown Medical Center  
Indian Senior Center, Inc.  
Anderson Valley Senior Center  
Ukiah Senior Citizens Center  
Willits Seniors, Inc.  
Redwood Coast Seniors  
South Coast Seniors, Inc.  
Camp Rubber Soul  
Pacific Environmental Education Center  
North Coast Opportunities  
Willits Community Services  
Northern California Indian Development Council  
Mobile Medical Office  
Mendocino Coast Clinics, Inc  
Hospice of Napa Valley, Inc.  
Golden Rays Senior Citizens  
Lake Tahoe Vacation Home Owners Association  
Gold Country Telecare, Inc.  
Mountain Circle Foster Family  
Sierra Services For The Blind  
Christmas Cheer, Inc.  
Music In The Mountains  
Firefighters Pacific Burn Institute  
Neighborhood Center of the Arts  
Community Recovery Resources  
Chapa De Indian Health Program  
Heaven on Earth Ministries  
Blue Mountain Wilderness Program  
Council on Aging Services for Seniors  
Old Adobe Developmental Services, Inc.  
Petaluma People Services Center  
West County Community Services, Inc.  
The Volunteer Center of Sonoma County  
City Clear Lake Gleaners, Inc.  
West County Theater Arts Guild  
Community Baptist Church  
Redwood Empire Food Bank  
Marin Treatment Center  
Sunburst Projects Inc.  
Oaks of Hebron  
The Assistance Dog Institute  
Bay Area Creative Re-Use  
Redwood Inst for Designed Education  
Canine Companions for Independence  
Santa Rosa Boys & Girls Club  
SAFE-BIDCO  
Volunteer Wheels of Sonoma County  
Nevada County Cultural Preservation Trust  
Project Jump Start

## Coverages

NonProfits' United provides a layered form of **liability coverage**, self-insuring losses up to \$300,000 and group-purchasing excess insurance on members' behalf, at levels ranging from \$1 million up, from the commercial market.

Both of these strategies are designed to cushion our members from the vagaries of the commercial market: self-insuring saves the need to purchase the first layer of coverage at all, and group purchasing the excess coverages gives members the advantage of any bulk discounts available.

The pool also offers **Physical Damage (Comprehensive and Collision) Coverage** for up to Actual Cash Value of vehicles. All members accept a \$500 deductible with this coverage, although the deductible is waived in cases of vandalism or fire. Limited rental reimbursement is included, with full **Rental Reimbursement** coverage available for additional purchase.

Additionally, the pool offers **Uninsured Motorist Physical Damage (UMPD)**, a cost-saving alternative for owners of older vehicles who don't need full Physical Damage coverage. Members pay only \$20 annually to receive coverage of up to \$3,500 in case the vehicle is damaged in a situation in which damages are unrecoverable from the party at fault.

## Services

**"I recently had to file a claim for vandalism.... I really appreciate your staff and level of professionalism."**

Our mission is to enhance the professionalism of our nonprofit members. Mindful of this, our focus remains on assisting members to administer their insurance and risk management programs as effectively as possible.

In the office, we pride ourselves on our availability and responsiveness when members have questions or need assistance with their claims, policies, drivers, vehicles, records, or training programs. We produce quotes quickly, answer questions directly, and strive to inform and empower our members.

Our risk management services include free on-site defensive driver training, monthly safety bulletins, and financial assistance for the purchase of backing aids such as mirrors and sensors.

**"The Safety Focus...has always played a large role in the training of drivers and as an ongoing awareness tool. This is a highly valued publication..."**

**"The Defensive Driving talk was great! Our experienced and newer drivers really enjoyed the common-sense discussion of what it's like on the road out there".**



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