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ALLIANCE OF ROUGE COMMUNITIES

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS -

Statements of Financial Position

Statements of Activities

Statements of Cash Flows

Notes to the Financial Statements

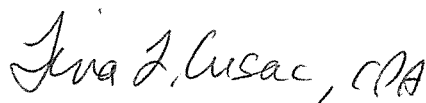
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ALLIANCE OF ROUGE COMMUNITIES
Detroit, Michigan

I have audited the accompanying statements of financial position of **ALLIANCE OF ROUGE COMMUNITIES** as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of **ALLIANCE OF ROUGE COMMUNITIES** organization's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ALLIANCE OF ROUGE COMMUNITIES** as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.



TINA L. CUSAC, CPA
Clarkston, MI 48348
June 25, 2011

**ALLIANCE OF ROUGE COMMUNITIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

ASSETS

	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 112,207	\$ 173,298
Accounts receivable	126,247	130,848
 TOTAL ASSETS	 \$ 238,454	 \$ 304,146

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 156,575	\$ 180,468
TOTAL CURRENT LIABILITIES	156,575	180,468
NET ASSETS - unrestricted	81,879	123,678
 TOTAL LIABILITIES AND NET ASSETS	 \$ 238,454	 \$ 304,146

The accompanying notes are an integral part of the financial statements.

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**ALLIANCE OF ROUGE COMMUNITIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
REVENUE:		
Membership dues	\$ 272,061	\$ 289,345
Grants	314,015	228,195
Contributions	1,095	-
Other	-	1,733
Total Revenue	587,171	519,273
EXPENSES:		
Organization Committee		
Executive director services	181,991	160,248
Public Involvement and Education Committee		
Green Infrastructure Campaign	90,934	85,831
Detention Pond Maintenance Manual Update	-	7,496
Public Education Materials	18,652	22,906
Collaborative PEP	-	944
Website Maintenance	5,920	5,383
Rouge 2009	-	5,610
Watershed Steward. & Reporting/Friends of the Rouge	15,099	14,169
WMP Revisions	8,100	-
Total Public Involvement and Education Committee	138,705	142,339
Technical Committee		
Rouge River Watershed Monitoring Activities	105,534	50,672
ARC Collaborative IDEP and E. coli TMDL Plan	106,757	36,165
Green Infrastructure and Land Cover Inventory	12,999	65,848
Pursuing Grant Opportunities	21,324	18,355
NPDES Phase II Workgroup	-	1,118
Total Technical Committee	246,614	172,158
GLRI Projects		
Transforming the Rouge	18,182	-
Danvers Pond Dam Removal and Stream Restoration	8,941	-
Total GLRI Projects	27,123	-
Great Lakes Commission Projects		
Support Grant	5,805	-
Strategy to Delist BUIs in the Rouge River	11,608	-
Total Great Lakes Commission Projects	17,413	-
General		
Legal and Accounting	12,296	19,250

The accompanying notes are an integral part of the financial statements.

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Registration Fees	850	750
Insurance	<u>3,978</u>	<u>4,100</u>
Total General	<u>17,124</u>	<u>24,100</u>
Total Expenses	<u>628,970</u>	<u>498,845</u>
CHANGE IN NET ASSETS	(41,799)	20,428
NET ASSETS - beginning of year	<u>123,678</u>	<u>103,250</u>
NET ASSETS - end of year	<u><u>\$ 81,879</u></u>	<u><u>\$ 123,678</u></u>

The accompanying notes are an integral part of the financial statements.
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ALLIANCE OF ROUGE COMMUNITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOW TO (FROM) OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (41,799)	\$ 20,428
Changes in operating assets and liabilities which increase (decrease) cash flow -		
Accounts receivable	4,601	(130,848)
Accounts payable	<u>(23,893)</u>	<u>180,468</u>
NET CASH TO (FROM) OPERATING ACTIVITIES	<u>\$ (61,091)</u>	<u>\$ 70,048</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ (61,091)	 \$ 70,048
 CASH AND CASH EQUIVALENTS		
BALANCE - beginning of year	<u>173,298</u>	<u>103,250</u>
BALANCE - end of year	<u>\$ 112,207</u>	<u>\$ 173,298</u>
 Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	-	-

The accompanying notes are an integral part of the financial statements.
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ALLIANCE OF ROUGE COMMUNITIES NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Alliance of Rouge Communities (ARC) was formed in 2005 as an unincorporated association operating under and authorized by Part 312 of the Michigan Natural Resources and Environmental Protection Act. ARC is a voluntary public watershed entity. Its members consist primarily of municipal governments located in Wayne, Oakland and Washtenaw counties. ARC's purpose is to encourage watershed-wide cooperation and mutual support to meet water quality permit requirements and to restore beneficial uses of the Rouge River to the area residents.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

The organization considers all cash and amounts due from depository institutions to be cash equivalents for purposes of the statement of cash flows.

Revenue and Expenses

Membership dues are recognized in the period for which they cover. Dues cover the calendar year in which they are billed. Grant reimbursements are recognized in the period in which the reimbursable expenses are recognized.

Use of Estimates

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

Income Tax Status

Alliance of Rouge Communities originally applied for Federal tax exempt status under Section 501(c)(4) but subsequently changed its application for exemption under Section 501(c)(3). See subsequent event note.

**ALLIANCE OF ROUGE COMMUNITIES
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - RELATED PARTY TRANSACTIONS:

The Organization has a contract with ECT, Inc. for Executive Director services. The Executive Director is a shareholder and employee of ECT, Inc. The amount billed from ECT, Inc. totaled \$340,366 and \$320,840 for 2010 and 2009, respectively.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash account in a commercial bank located in Michigan. The account is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2010 and 2009, the balance was fully insured.

NOTE 4 - RECEIVABLES:

Accounts receivable consists of membership dues that have not been paid at December 31, 2010 and 2009 and unsubmitted requests for reimbursement from local and federal agencies under the various grant agreements.

The Organization believes all receivables are collectible and therefore has no allowance for doubtful accounts.

NOTE 5 - SUBSEQUENT EVENTS:

On April 11, 2011 ARC received approval for exemption of Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Subsequent events have been evaluated through June 25, 2011, the date which the financial statements were available to be issued.