

**Alliance of Rouge Communities**

**Financial Statements  
December 31, 2012 and 2011**

**Alliance of Rouge Communities**

**Financial Statements  
Years Ended  
December 31, 2012 and 2011**



**COLE, NEWTON & DURAN  
CERTIFIED PUBLIC ACCOUNTANTS  
LIVONIA, MICHIGAN**

**Alliance of Rouge Communities**

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For the Years Ended December 31, 2012 and 2011**

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# COLE, NEWTON & DURAN

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## Independent Auditor's Report

To the Board of Directors  
Alliance of Rouge Communities  
Detroit, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of Alliance of Rouge Communities (a not for profit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended, 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 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 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 financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Alliance of Rouge Communities as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2013, on our consideration of Alliance of Rouge Communities' internal control over financial reporting and on our tests of its 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 Alliance of Rouge Communities' internal control over financial reporting and compliance.



Cole, Newton & Duran  
Certified Public Accountants  
Livonia, Michigan  
September 25, 2013

**Alliance of Rouge Communities**

**Statements of Financial Position  
For the Years Ended December 31, 2012 and 2011**

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**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 170,706	\$ 45,878
Accounts receivable	589,526	285,403
Inventory	<u>600</u>	<u>25,660</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>760,832</u></b>	<b>\$ <u>356,941</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ <u>610,906</u>	\$ <u>319,299</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>610,906</b>	<b>319,299</b>
<b>NET ASSETS - unrestricted</b>	<b>24,792</b>	<b>37,642</b>
- temporarily restricted	<u>125,134</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<b><u>149,926</u></b>	<b><u>37,642</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>760,832</u></b>	<b>\$ <u>356,941</u></b>

## Alliance of Rouge Communities

### Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2012 and 2011

	Temporarily		Total	Unrestricted
	Unrestricted	Restricted		
	2012	2012	2012	2011
<b>REVENUE:</b>				
Membership dues	\$ 268,445	\$ -	\$ 268,445	\$ 266,687
Grants	2,181,582	125,134	2,306,716	681,615
Contributions	452	-	452	3,893
Rain barrel sales, net of costs \$25,607 (2012), \$10,729 (2011)	423	-	423	1,508
Total Revenue	<u>2,450,902</u>	<u>125,134</u>	<u>2,576,036</u>	<u>953,703</u>
<b>EXPENSES:</b>				
Public Involvement and Education Committee				
Green Infrastructure Campaign	69,282	-	69,282	93,493
Public education materials and website	31,832	-	31,832	30,636
Watershed steward. and reporting/Friends of the Rouge	9,914	-	9,914	14,785
Initiatives	1,935	-	1,935	-
Total Public Involvement and Education Committee	<u>112,963</u>	<u>-</u>	<u>112,963</u>	<u>138,914</u>
Technical Committee				
Rouge River Watershed monitoring activities	21,819	-	21,819	66,230
ARC Collaborative IDEP and E. coli TMDL Plan	96,098	-	96,098	108,356
Monitor E.coli TMDL	12,614	-	12,614	-
Compliance initiatives	23,376	-	23,376	11,708
Pursuing grant opportunities	19,939	-	19,939	9,909
Total Technical Committee	<u>173,846</u>	<u>-</u>	<u>173,846</u>	<u>196,203</u>
Great Lakes Restoration Initiative Projects				
Transforming the Rouge	484,038	-	484,038	244,640
Danvers Pond Dam Removal and Stream Restoration	443,670	-	443,670	42,867
Restoring Community Trees in an Urban Watershed	111,740	-	111,740	-
Total GLRI Projects	<u>1,039,448</u>	<u>-</u>	<u>1,039,448</u>	<u>287,507</u>
NOAA Project				
Wayne Road Dam Removal	849,804	-	849,804	44,844
Great Lakes Commission Projects				
River Raisin Area of Concern Facilitation	33,333	-	33,333	-
Rouge River BUI Strategies	11,588	-	11,588	23,621
Total Great Lakes Commission Projects	<u>44,921</u>	<u>-</u>	<u>44,921</u>	<u>23,621</u>
Rouge Round X Grant Projects				
RGC Urban Habitat	13,421	-	13,421	3,262
Wayne Road Dam Removal	-	-	-	114,855
Total Rouge Round X Grant Projects	<u>13,421</u>	<u>-</u>	<u>13,421</u>	<u>118,117</u>
CMI Project				
TMDL monitoring	11,431	-	11,431	6,853
Erb Family Foundation				
Legacy Proposal Project	24,866	-	-	-
Executive director services	171,414	-	171,414	168,663
General and administrative expenses	21,638	-	21,638	13,218
Total Expenses	<u>2,463,752</u>	<u>125,134</u>	<u>2,463,752</u>	<u>997,940</u>
<b>CHANGE IN NET ASSETS</b>	(12,850)	125,134	112,284	(44,237)
<b>NET ASSETS - beginning of year</b>	<u>37,642</u>	<u>-</u>	<u>37,642</u>	<u>81,879</u>
<b>NET ASSETS - end of year</b>	<u>\$ 24,792</u>	<u>\$ 125,134</u>	<u>\$ 149,926</u>	<u>\$ 37,642</u>

See notes to financial statements

## Alliance of Rouge Communities

### Statements of Cash Flows For the Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 112,284	\$ (44,237)
Changes in operating assets and liabilities which increase (decrease) cash flow -		
Accounts receivable	(304,123)	(159,156)
Inventory	25,060	(25,660)
Accounts payable	291,607	162,724
	124,828	(66,329)
NET CASH FROM OPERATING ACTIVITIES		
	124,828	(66,329)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	124,828	(66,329)
CASH AND CASH EQUIVALENTS		
BALANCE - beginning of year	45,878	112,207
	45,878	112,207
BALANCE - end of year	\$ 170,706	\$ 45,878
	170,706	45,878
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
	-	-

See notes to financial statements

# Alliance of Rouge Communities

## Notes to Financial Statements For the Years Ended December 31, 2012 and 2011

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### 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.

#### Financial Statement Presentation

Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the Accounting Standards Codification. Net assets of ARC are classified as unrestricted, temporarily restricted, or permanently restricted. Contributions and income received by ARC are held in various funds which are classified as follows:

Unrestricted net assets consist of resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets consist of resources of which the use by ARC is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of ARC pursuant to those stipulations. As of December 31, 2012 and 2011, ARC had \$124,134, and \$ 0, respectively were temporarily restricted for work related to remediation of contaminated sediments in the Rouge River Area of Concern (AOC.)

Permanently restricted net assets would consist of beneficial interest in perpetual trusts and funds created by donors. There are no permanently restricted funds.

#### 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 generally 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.

## Alliance of Rouge Communities

### Notes to Financial Statements For the Years Ended December 31, 2012 and 2011

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Income Tax Status

Alliance of Rouge Communities is exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service may examine the form 990 of the organization for a period of three years after the return is filed or the due date, whichever is later. Therefore, the organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2009.

#### NOTE 2 - RELATED PARTY TRANSACTIONS

The Organization has a contract with ECT, Inc. for Executive Director services. The Executive Director is a shareholder and an employee of ECT, Inc. The total amount billed from ECT, Inc. for services and reimbursable expenses were \$742,837 for 2012 and \$643,279 for 2011.

#### 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, 2012 and 2011 the balance was fully insured.

#### NOTE 4 - RECEIVABLES

Accounts receivable consists of membership dues that have not been paid at the end of each year and unsubmitted requests for reimbursement from local and federal agencies under the various grant agreements.

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

#### NOTE 5 - DONATED SERVICES

The Organization receives donated services from ECT, Inc. for executive director services. The Organization also received donated services from a non-profit organization and local government agencies for assistance with tasks related to the GLRI projects and Rouge Round X Grant projects. The fair value of these donated services received approximate \$72,000 for 2012 and \$95,000 for 2011.

#### NOTE 6 - RECLASSIFICATIONS

Certain amounts shown in the 2011 column of the Statement of Activities have been reclassified for a more concise comparison to the 2012 presentation.

#### NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 25, 2013, the date which the financial statements were available to be issued.



**Alliance of Rouge Communities**

**Year Ended  
December 31, 2012**



**Single Audit Act Compliance**

**COLE, NEWTON & DURAN  
CERTIFIED PUBLIC ACCOUNTANTS  
LIVONIA, MICHIGAN**

# Alliance of Rouge Communities

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## **Independent Auditor's Report of the Schedule of Expenditures of Federal Awards**

To the Board of Directors of  
Alliance of Rouge Communities  
Detroit, Michigan

We have audited the financial statements of Alliance of Rouge Communities, as of and for the year ended December 31, 2012, and have issued our report thereon dated September 25, 2013. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Alliance of Rouge Communities' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements taken as a whole.



Cole, Newton & Duran  
Certified Public Accountants  
Livonia, Michigan

September 25, 2013

**Alliance of Rouge Communities**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

Federal Agency / Cluster or Program Title	Direct or Pass-Through Grantor	Pass-Through Grant Number	CFDA Number	2012 Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Forest Service				
Urban and Community Forestry Program Northeastern Area, State and Private Forestry GLRI: Restoring Community Trees in an Urban Watershed	Great Lakes Restoration Initiative	12-DG-11420004-13	10.675	\$ 111,740
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Great Lakes Programs Danvers Pond Dam Removal & Stream Restoration Transforming the Rouge AOC	Great Lakes National Program Office	GL-00E00639 & GL -000E00643	66.469	1,757,283
Rouge River National Wet Weather Demonstration Project	Wayne County	XP995743-09	66.202	215,599
<b>Total U.S. Environmental Protection Agency</b>				<u>1,972,882</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 2,084,622</u>

See notes to schedule of expenditures of federal awards.

# Alliance of Rouge Communities

## Notes to Schedule of Expenditures of Federal Awards December 31, 2012

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Alliance of Rouge Communities under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Alliance of Rouge Communities, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Alliance of Rouge Communities.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 of the Alliance of Rouge Communities' financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Trail Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE STATEMENT OF ACTIVITIES**

Grants reported on the Statement of Activities	\$ 2,306,716
Less: Matching and other grant income	( <u>222,094</u> )
Total Federal Awards	<u>\$ 2,084,622</u>

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## **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 of  
Alliance of Rouge Communities  
Detroit, Michigan

We have audited, in accordance with the 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 financial statements of Alliance of Rouge Communities (a Michigan not for profit organization) (the Organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alliance of Rouge Communities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alliance of Rouge Communities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alliance of Rouge Communities' internal control over financial reporting.

*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 entity'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 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.

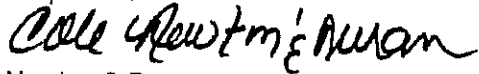
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alliance of Rouge Communities' 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the audit committee, management, the County of Wayne, The United States Environmental Protection Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cole, Newton & Duran  
Certified Public Accountants  
Livonia, Michigan

September 25, 2013

# COLE, NEWTON & DURAN

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## **Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133**

To the Board of Directors of  
Alliance of Rouge Communities  
Detroit, Michigan

### Report on Compliance for Each Major Federal Program

We have audited Alliance of Rouge Communities' 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 Alliance of Rouge Communities' major federal programs for the year ended December 31, 2012. Alliance of Rouge Communities' 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 Alliance of Rouge Communities' 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 Alliance of Rouge Communities' 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 Alliance of Rouge Communities' compliance.

### Opinion on Each Major Federal Program

In our opinion, Alliance of Rouge Communities 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.

### Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with OMB Circular A-133.

### Report on Internal Control over Compliance

Management of Alliance of Rouge Communities 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 Alliance of Rouge Communities' 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 Alliance of Rouge Communities' internal control over compliance.

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.



Cole, Newton & Duran  
Certified Public Accountants  
Livonia, Michigan

September 25, 2013

## Alliance of Rouge Communities

### Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

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#### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a unqualified opinion on the financial statements of Alliance of Rouge Communities.
2. Internal control over financial reporting: No significant deficiencies relating to the audit of the financial statements are reported in the Auditor's Report on Internal Controls Over Financial Reporting.
3. No instances of noncompliance material to the financial statements of the Alliance of Rouge Communities were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in Report on Compliance.
5. The auditor's report on compliance for major programs expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include: U.S. Department of the Environmental Protection Act, Great Lakes Programs (GLNPO) CFDA 66.469 and 66.202
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Alliance of Rouge Communities qualifies as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT  
None

FINDINGS—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
None