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**ALLIANCE OF ROUGE COMMUNITIES**

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

**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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**

Canton, Michigan

I have audited the accompanying financial statements of **ALLIANCE OF ROUGE COMMUNITIES** (a non-profit organization), which comprise the statements of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Alliance of Rouge Communities as of December 31, 2013, were audited by other auditors whose report dated September 26, 2014, expressed an unqualified opinion on those 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



TINA L. CUSAC, CPA

Clarkston, MI 48348

June 22, 2015

**ALLIANCE OF ROUGE COMMUNITIES  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013**

**ASSETS**

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 124,910	\$ 99,363
Accounts receivable	50,991	257,074
Inventory	450	500
<b>TOTAL ASSETS</b>	<b>\$ 176,351</b>	<b>\$ 356,937</b>

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES:		
Accounts payable	\$ 102,177	\$ 296,517
<b>TOTAL CURRENT LIABILITIES</b>	102,177	296,517
NET ASSETS - unrestricted	74,174	60,420
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 176,351</b>	<b>\$ 356,937</b>

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

**ALLIANCE OF ROUGE COMMUNITIES**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Unrestricted 2014	Unrestricted 2013	Temporarily Restricted 2013	Total 2013
<b>REVENUE:</b>				
Membership Dues	\$ 251,449	\$ 269,195	\$	\$ 269,195
Grants	354,396	691,752		691,752
Contributions and Other	(25)	2,730		2,730
Temporarily Restricted Net Assets Released from Restrictions	-	125,134	(125,134)	-
Total Revenue	<u>605,820</u>	<u>1,088,811</u>	<u>(125,134)</u>	<u>963,677</u>
<b>EXPENSES:</b>				
Organization Committee				
Executive director services	103,592	183,542		183,542
Public Involvement and Education Committee				
Green Infrastructure Campaign	19,875	50,354		50,354
Public Education Materials	12,756	22,467		22,467
Website Maintenance	4,819	5,292		5,292
Watershed Steward. & Reporting/Septic System	14,013	19,270		19,270
Total Public Involvement and Education Committee	<u>51,463</u>	<u>97,383</u>		<u>97,383</u>
Technical Committee				
Rouge River Watershed Monitoring Activities	25,827	126,066		126,066
ARC Collaborative IDEP and E. coli TMDL Plan	71,984	48,184		48,184
Pursuing Grant Opportunities	35,721	28,613		28,613
Total Technical Committee	<u>133,532</u>	<u>202,863</u>		<u>202,863</u>
Great Lakes Restoration Initiative Projects				
Transforming the Rouge	-	92,324		92,324
Danvers Pond Dam Removal and Stream Restoration	-	3,486		3,486
Restoring Community Trees in an Urban Watershed	28,124	232,837		232,837
Total GLRI Projects	<u>28,124</u>	<u>328,647</u>		<u>328,647</u>
Great Lakes Commission Projects				
River Raisin Area of Concern Facilitation	-	16,874		16,874
RRAC Facilitation 2013	23,724	4,790		4,790
RRAC Facilitation 2014	16,677	-		-
Total Great Lakes Commission Projects	<u>40,401</u>	<u>21,664</u>		<u>21,664</u>
CMI Project				
TMDL Monitoring	-	18,978		18,978
NOAA Projects				
Wayne Road Dam Removal	-	133,313		133,313
Oxbow Phase III Design	217,373	14,258		14,258
Total NOAA Projects	<u>217,373</u>	<u>147,571</u>		<u>147,571</u>
Erb Family Foundation				
Legacy Proposal Project	-	36,386		36,386
General and Administrative Expenses				
Legal and Accounting	16,077	12,082		12,082
Registration Fees	20	20		20
Insurance	885	3,360		3,360
Other	599	687		687
Total General and Administrative Expenses	<u>17,581</u>	<u>16,149</u>		<u>16,149</u>
Total Expenses	<u>592,066</u>	<u>1,053,183</u>	<u>-</u>	<u>1,053,183</u>
<b>CHANGE IN NET ASSETS</b>	13,754	35,628	(125,134)	(89,506)
<b>NET ASSETS - beginning of year</b>	<u>60,420</u>	<u>24,792</u>	<u>125,134</u>	<u>149,926</u>
<b>NET ASSETS - end of year</b>	<u>\$ 74,174</u>	<u>\$ 60,420</u>	<u>\$ -</u>	<u>\$ 60,420</u>

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

**ALLIANCE OF ROUGE COMMUNITIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOW TO OPERATING ACTIVITIES:</b>		
CHANGE IN NET ASSETS	\$ 13,754	\$ (89,506)
Changes in operating assets and liabilities which increase (decrease) cash flow -		
Accounts receivable	206,083	332,452
Inventory	50	100
Accounts payable	(194,340)	(314,389)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 25,547</b>	<b>\$ (71,343)</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>\$ 25,547</b>	 <b>\$ (71,343)</b>
 <b>CASH AND CASH EQUIVALENTS</b>		
<b>BALANCE - beginning of year</b>	99,363	170,706
<b>BALANCE - end of year</b>	<b>\$ 124,910</b>	<b>\$ 99,363</b>
 <b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	-	-

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

## 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.

#### 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, 2014 and 2013, ARC had no temporarily restricted funds.

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

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

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 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 authorities for years before 2011.

**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. for services and reimbursable expenses were \$447,034 for 2014 and \$487,502 for 2013.

**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, 2014 and 2013, 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