Friends of the Rouge

Financial Statements

August 31, 2014

With Comparative Totals
For the Year Ended August 31, 2013

CND Cole, Newton & Duran
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of the Rouge
Dearborn, Michigan

We have audited the accompanying financial statements of Friends of the Rouge (a nonprofit organization), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities and changes in net assets and cash flows for the year 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. 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 includes 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 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 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 Friends of the Rouge as of August 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.

Report on Summarized Comparative Information

We have previously audited Friends of the Rouge 2013 financial statements, and in our report dated February 10, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

COLE, NEWTON & DURAN

Cole, Newton & Duran

January 6, 2015

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Friends of the Rouge

Statement of Financial Position

August 31, 2014

With Comparative Totals for the Year Ended August 31, 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 96,748	$ 158,165
Investments	499,204	451,297
Grant reimbursements receivable	34,634	26,349
Grant receivable-promise to give	35,000	71,479
Prepaid expenses	2,660	2,809
TOTAL CURRENT ASSETS	668,246	710,099
PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	37,650	37,650
Less accumulated depreciation	(32,991)	(29,790)
NET PROPERTY AND EQUIPMENT	4,659	7,860
TOTAL ASSETS	$ 672,905	$ 717,959

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accrued expenses	$ 11,918	$ 11,984
NET ASSETS		
Unrestricted	590,987	600,975
Temporarily restricted	70,000	105,000
TOTAL NET ASSETS	660,987	705,975
TOTAL LIABILITIES AND NET ASSETS	$ 672,905	$ 717,959

See Accompanying Notes to Financial Statements.

Friends of the Rouge

Statement of Activities and Changes in Net Assets

For the Year Ended August 31, 2014

With Comparative Totals for the Year Ended August 31, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Totals	Totals
SUPPORT AND REVENUE				
Contributions	$ 83,694	$ -	$ 83,694	$ 71,411
In-kind donations	1,747	-	1,747	5,907
Grants	177,315	-	177,315	311,908
Membership dues	24,568	-	24,568	18,278
Investment income (loss)	47,934	-	47,934	(28,797)
Special events and appeals, net of direct benefit to donors of $14,861 and $15,749, respectively	21,685	-	21,685	20,208
Gain (loss) on disposal of equipment	-	-	-	(919)
Miscellaneous income	4,787	-	4,787	8,275
Subtotal	361,730	-	361,730	406,271
Net assets released from restrictions	35,000	(35,000)	-	-
Total Support and Revenue	396,730	(35,000)	361,730	406,271
EXPENSES				
Salaries, wages and benefits	285,568	-	285,568	268,777
Project expenses	43,751	-	43,751	48,556
Supplies and database	8,679	-	8,679	9,127
Travel and entertainment	3,127	-	3,127	2,314
Auto maintenance	1,988	-	1,988	1,555
Training/professional development expense	1,149	-	1,149	215
Contract and professional fees	11,676	-	11,676	12,172
Membership meeting expense	2,926	-	2,926	1,456
Board functions	571	-	571	1,060
Insurance	2,985	-	2,985	3,944
Maintenance	-	-	-	659
Postage and shipping	1,901	-	1,901	1,011
Rent	21,000	-	21,000	18,786
Moving and storage expense	2,216	-	2,216	1,706
Depreciation	3,201	-	3,201	1,826
Outside printing and copier	6,443	-	6,443	6,953
Newsletter	675	-	675	-
Special event expenses	4,092	-	4,092	3,791
Other fundraising expenses	626	-	626	930
Bank and miscellaneous expense	1,975	-	1,975	3,205
Telephone	2,169	-	2,169	2,352
Total Expenses	406,718	-	406,718	390,395
CHANGE IN NET ASSETS	(9,988)	(35,000)	(44,988)	15,876
NET ASSETS-BEGINNING OF YEAR	600,975	105,000	705,975	690,099
NET ASSETS-END OF YEAR	$ 590,987	$ 70,000	$ 660,987	$ 705,975

See Accompanying Notes to Financial Statements.

Friends of the Rouge

Statement of Cash Flows

For the Year Ended August 31, 2014

With Comparative Totals for the Year Ended August 31, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (44,988)	$ 15,876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,201	1,826
Net gains and losses on disposal of assets	-	919
Net unrealized (gains) losses on investments	(30,647)	29,095
Decrease (increase) in operating assets:		
Grant reimbursements receivable	(8,285)	37,925
Grant receivable-promise to give	36,479	(70,000)
Prepaid expenses	149	120
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(66)	1,059
Total Adjustments	831	944
Net Cash Provided By (Used In) Operating Activities	(44,157)	16,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(17,260)	(480,392)
Net Cash Provided By (Used In) Investing Activities	(17,260)	(480,392)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(61,417)	(463,572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	158,165	621,737
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 96,748	$ 158,165

Supplemental Cash Flows Disclosures:

Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

See Accompanying Notes to Financial Statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Friends of the Rouge (the Organization) was incorporated for the purpose of promoting the restoration and stewardship of the Rouge River watershed through public education and public involvement. The Organization's principal services include facilitating and coordinating Public Involvement Programs and the Rouge Education Project. The Organization's principal revenue sources include grants as well as contributions from metropolitan Detroit companies, communities, and other corporations and individuals.

The following accounting principles and policies generally accepted in the United States of America are followed by the organization:

Basis of Accounting – The accrual basis of accounting has been adopted for purposes of financial reporting.

Investments — Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of $1,000. Property and equipment are recorded at cost and depreciated over the estimated useful life of the underlying asset. Donated assets are recorded at fair market value at the time of donation. Depreciation is recognized using the straight-line method over the estimated life of the asset.

Major repairs and improvements are capitalized and depreciated while minor repairs and replacements are charged to expenditures as incurred. Gains and losses on dispositions are reflected in current operations.

Depreciation expense for the years ended August 31, 2014 and 2013 amounted to $3,201 and $1,826, respectively.

Contributed Support – The Organization recognizes all contributed support received as income in the period received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Promises to give as of August 31, 2014, are all considered collectible within one year.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Conditional contributions are recorded as revenue when the condition set by the donor is substantially met. Conditional contributions received in advance are reported as deferred revenue.

Use of Estimates – The preparation of financial statements in conformity with the United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grants Receivable – Amounts due to the Organization from Wayne County are recorded on a conditional, cost-reimbursement basis. Management considers the amounts to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Service Revenue – The final determination of revenue is subject to the acceptance of program costs by the contracting agency. To the extent that costs are disallowed by the contracting agency, Organization monies would be required to reimburse the applicable agency. The Organization does not believe that any potential disallowed costs would be material to the financial statements.

In-Kind Contributions – Use of workshop facilities, donated professional services and donated goods and materials, are recorded at estimated fair value as revenue and expense in the amount of $1,747 and $5,907 for the years ended August 31, 2014 and 2013, respectively.

Classification of Net Assets – Net assets are classified as permanently restricted, temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in these assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings and gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or applicable state law.

Functional Allocation of Expenses – The cost of providing program and support services have been reported on a functional basis in the schedule of functional expenses. Indirect costs have been allocated between the various programs and supporting services based on estimates by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results. The Organization incurred $54,239 and $27,514 of general and administrative expenses and $57,309 and $28,116 of fundraising expenses for the years ended August 31, 2014 and 2013, respectively. All other expenses pertain to program related services.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with maturity of three months or less to be cash equivalents. Money market funds that are managed by an investment broker are considered investments.

Concentrations of Credit Risk – Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash and marketable securities.

Cash and cash equivalents on deposit during the year may exceed levels insured by the Federal Deposit Insurance Corporation amount of $250,000. At times during the year, the Organization's deposits may exceed the insurance amount. The Organization has not experienced any losses with regards to uninsured deposits.

Advertising – Advertising expenditures are charged to expense as incurred.

Subsequent events – Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report which was the first date the financial statements were available to be issued.

2. TAX STATUS

The Organization is exempt from federal income taxes under Section 501(C) (3) of the United States Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Organization is no longer subject to Internal Revenue Service examinations for years prior to 2011.

3. OPERATING LEASES

Office space
The Organization has renewed a lease agreement for office space beginning March 31, 2013 through February, 2018. Monthly lease payments are $1,750. Future minimum rental commitments under this lease are as follows:

Year ending August 31, 2015	$ 21,000
2016	21,000
2017	21,000
2018	10,500
	$ 73,500

Office equipment
The Organization entered an agreement for a 39-month lease through June, 2016, with monthly payments of $158. Future minimum rental commitments under this lease are as follows:

Year ending August 31, 2015	$ 1,896
2016	1,422
	$ 3,318

4. GRANT AWARDS

The Organization recognized approximately $123,099 and $137,762 in grant revenue for the years ended August 31, 2014 and 2013, respectively, from Wayne County, for the purpose of establishing educational programs that promote preservation and restoration of the Rouge River watershed. These awards were granted to the Organization on a conditional, cost-reimbursement basis. In the years ended August 31, 2014 and 2013, the Organization received approximately $54,216 and $174,146, respectively, from other grant sources. Funds received in advance of qualifying expenses are reported as deferred revenue. Grants (promises to give) received with timing restrictions are classified as temporarily restricted revenue in the year in which the grant was received, and are reclassified to unrestricted revenue when the time restrictions expire.

5. INVESTMENTS - MUTUAL FUNDS

Investments are invested in mutual funds and stated at fair value as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
	$496,777	$499,204	$480,360	$451,297
Realized and Unrealized gains (losses)		$ 30,647		$ (38,676)

Investment Risks – Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

6. FAIR VALUE MEASUREMENT

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurement inputs consist of unadjusted quoted prices in active markets for identical, actual assets and have the highest priority. The Organization considers cash, cash equivalents, including certificates of deposits, mutual funds, publicly traded equities and US Treasury securities to be Level 1 inputs.

Level 2 Fair Value Measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include: quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market makers for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates. The Organization considers corporate bonds, and annuities to be Level 2 inputs.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

As of August 31, 2014, management considers all investments to be level 1 in the fair value hierarchy.

7. PENSION

A 401k plan is available to all eligible employees. The Organization matches 2% of salaries. Pension expense was $4,219 and $3,171 for the years ended August 31, 2014 and 2013, respectively.

8. PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized financial information in total. That information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2013, from which the summarized information was derived.

Friends of the Rouge

Additional Information

For the Year Ended August 31, 2014

With Comparative Totals
For the Year Ended August 31, 2013

CND Cole, Newton & Duran
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Friends of the Rouge
Dearborn, Michigan

We have audited the financial statements of Friends of the Rouge, as of and for the year ended August 31, 2014, and have issued our report thereon dated January 6, 2015, which contained an unqualified opinion on those financial statements. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the 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 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 financial statements taken as a whole.

COLE, NEWTON & DURAN

Cole, Newton & Duran

January 6, 2015

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Friends of the Rouge

Schedule of Functional Expenses

For the Year Ended August 31, 2014

With Comparative Totals for the Year Ended August 31, 2013

	2014				2013
	Program	Management and General	Fundraising	Total	Totals
Salaries, wages and fringe benefits	$ 191,639	$ 45,915	$ 48,014	$ 285,568	$ 268,777
Project expenses	43,751	-	-	43,751	48,556
Supplies and data base	6,755	962	962	8,679	9,127
Travel and entertainment	1,253	1,523	351	3,127	2,314
Auto maintenance	1,789	-	199	1,988	1,555
Training	974	88	87	1,149	215
Contract and professional fees	11,676	-	-	11,676	12,172
Membership meeting expense	2,048	439	439	2,926	1,456
Board functions	-	571	-	571	1,060
Insurance	2,089	448	448	2,985	3,944
Maintenance	-	-	-	-	659
Postage and shipping	1,495	203	203	1,901	1,011
Rent	19,770	1,230	-	21,000	18,786
Moving and storage expense	1,108	369	739	2,216	1,706
Depreciation	2,241	480	480	3,201	1,826
Outside printing and copier	5,605	516	322	6,443	6,953
Newsletter	608	-	67	675	-
Special event expenses	-	-	4,092	4,092	3,791
Other fundraising expenses	-	-	626	626	930
Bank and miscellaneous expense	356	1,417	202	1,975	3,205
Telephone	2,013	78	78	2,169	2,352
	$ 295,170	$ 54,239	$ 57,309	$ 406,718	$ 390,395

See Independent Auditor's Report on Additional Information and Accompany Notes to the Financial Statements.