Friends of the Rouge

Financial Statements

For the Sixteen-Month Period

Ended December 31, 2015

CND Cole, Newton & Duran
Certified Public Accountants

INDEPENDENT AUDITORS' 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 December 31, 2015, and the related statements of activities and changes in net assets and cash flows for the sixteen-month period 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.

Auditors' 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 auditors' 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 December 31, 2015, and the changes in its net assets and its cash flows for the sixteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

COLE, NEWTON & DURAN
Cole, Newton & Duran

March 11, 2016

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Friends of the Rouge

Statement of Financial Position

December 31, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 79,176
Investments	511,519
Grant reimbursements receivable	42,947
Grant receivable-promise to give	2,500
Prepaid expenses	3,605
TOTAL CURRENT ASSETS	639,747
PROPERTY AND EQUIPMENT	
Furniture, fixtures and equipment	41,149
Less accumulated depreciation	(34,674)
NET PROPERTY AND EQUIPMENT	6,475
TOTAL ASSETS	$ 646,222

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 3,241
Accrued expenses	9,798
Deferred revenue	35,000
TOTAL CURRENT LIABILITIES	48,039
NET ASSETS, UNRESTRICTED	598,183
TOTAL LIABILITIES AND NET ASSETS	$ 646,222

Friends of the Rouge

Statement of Activities and Changes in Net Assets

For the Sixteen-Month Period Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE			
Contributions	$ 185,875	$ -	$ 185,875
In-kind donations	6,650	-	6,650
Grants	207,568	-	207,568
Membership dues	34,501	-	34,501
Investment income (loss)	12,315	-	12,315
Special events and appeals, net of direct benefit to donors of $16,450	37,977	-	37,977
Miscellaneous income	3,243	-	3,243
Subtotal	488,129	-	488,129
Net assets released from restrictions	70,000	(70,000)	-
Total Support and Revenue	558,129	(70,000)	488,129
EXPENSES			
Salaries, wages and benefits	392,874	-	392,874
Project expenses	38,657	-	38,657
Supplies and database	13,250	-	13,250
Travel and business expense	2,862	-	2,862
Auto maintenance	1,727	-	1,727
Training/professional development expense	2,799	-	2,799
Contract and professional fees	14,108	-	14,108
Board functions	847	-	847
Insurance	4,485	-	4,485
Postage and shipping	1,804	-	1,804
Rent	28,000	-	28,000
Moving and storage expense	1,331	-	1,331
Depreciation	2,583	-	2,583
Outside printing and copier	5,341	-	5,341
Newsletter	2,475	-	2,475
FOTR - ARC Re-org Investigation	31,266	-	31,266
Bank and miscellaneous expense	3,188	-	3,188
Telephone	3,336	-	3,336
Total Expenses	550,933	-	550,933
CHANGE IN NET ASSETS	7,196	(70,000)	(62,804)
NET ASSETS-BEGINNING OF YEAR	590,987	70,000	660,987
NET ASSETS-END OF YEAR	$ 598,183	$ -	$ 598,183

See Accompanying Notes to Financial Statements.

Friends of the Rouge

Statement of Cash Flows

For the Sixteen-Month Period Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$	(62,804)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		2,583
Net unrealized (gains) losses on investments		6,121
In-kind vehicle donation		(4,400)
Decrease (increase) in operating assets:		
Grant reimbursements receivable		(8,313)
Grant receivable-promise to give		32,500
Prepaid expenses		(945)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses		1,122
Deferred revenue		35,000
Total Adjustments		63,668
Net Cash Provided By (Used In) Operating Activities		864
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(18,436)
Net Cash Provided By (Used In) Investing Activities		(18,436)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(17,572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		96,748
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	79,176

Supplemental Cash Flows Disclosures:

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

See Accompanying Notes to Financial Statements.

Friends of the Rouge
Notes to Financial Statements
December 31, 2015

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 sixteen-month period ended December 31, 2015 amounted to $2,583.

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 December 31, 2015, 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 cost reimbursement grantors 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 $6,650 for the sixteen-month period ended December 31, 2015.

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 $96,193 of general and administrative expenses and $53,915 of fundraising expenses for the sixteen-month period ended December 31, 2015. 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 auditors' 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 2013.

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 December 31, 2016	$ 21,000
2017	21,000
2018	3,500
	$ 45,500

Office equipment
The Organization entered an agreement for a 39-month lease through April, 2016, with monthly payments of $158. Future minimum rental commitments under this lease amount to $632 for the year ending December 31, 2016.

4. INVESTMENTS - MUTUAL FUNDS

The Organization held investments in mutual funds stated at fair value as of December 31, 2015. The cost and fair value as of December 31, 2015 amounted to $516,931 and $511,519, respectively. Total unrealized loss for the sixteen-month period ended December 31, 2015 amounted to $6,121.

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.

5. 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

5. FAIR VALUE MEASUREMENT (continued)

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 December 31, 2015, management considers all investments to be level 1 in the fair value hierarchy.

6. PENSION

A 401k plan is available to all eligible employees. The Organization matches 2% of salaries. Pension expense was $6,534 for the sixteen-month period ended December 31, 2015.

7. CHANGE OF FISCAL YEAR END

During the sixteen-month period ended December 31, 2015, the board of directors agreed to change the Organization's year end from an August 31, fiscal year end, to a December 31, calendar year end. These financial statements are for the sixteen-month period of September 1, 2014 to December 31, 2015.

Friends of the Rouge

Additional Information

For the Sixteen-Month Period

Ended December 31, 2015

CND Cole, Newton & Duran
Certified Public Accountants

INDEPENDENT AUDITORS' 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 sixteen-month period ended December 31, 2015, and have issued our report thereon dated March 11, 2016, 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

March 11, 2016

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Friends of the Rouge

Schedule of Functional Expenses

For the Sixteen-Month Period Ended December 31, 2015

	Program	Management and General	Fundraising	Total
Salaries, wages and fringe benefits	$ 293,329	$ 49,754	$ 49,791	$ 392,874
Project expenses	38,657	-	-	38,657
Supplies and data base	11,110	1,133	1,007	13,250
Travel and business expense	2,135	551	176	2,862
Auto maintenance	1,555	-	172	1,727
Training	2,223	576	-	2,799
Contract and professional fees	14,108	-	-	14,108
Board functions	-	847	-	847
Insurance	3,503	801	181	4,485
Postage and shipping	942	286	576	1,804
Rent	19,600	8,400	-	28,000
Moving and storage expense	1,331	-	-	1,331
Depreciation	1,808	775	-	2,583
Outside printing and copier	4,626	235	480	5,341
Newsletter	2,227	-	248	2,475
FOTR - ARC Re-org Investigation	-	31,266	-	31,266
Bank and miscellaneous expense	719	1,185	1,284	3,188
Telephone	2,952	384	-	3,336
	$ 400,825	$ 96,193	$ 53,915	$ 550,933