

Friends of the Rouge

**Financial Statements
December 31, 2016**

**Friends of the Rouge
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December 31, 2016**

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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, which comprise of the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, 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 the 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 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 auditors' 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 Friends of the Rouge as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cole, Newton & Duran



Livonia, Michigan
September 12, 2017

Friends of the Rouge
Statement of Financial Position
December 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 93,086
Investments	464,208
Grant reimbursements receivable	52,047
Prepaid expenses	<u>3,282</u>
Total current assets	<u>612,623</u>

PROPERTY AND EQUIPMENT,

Furniture, fixtures, and equipment	39,996
Less accumulated depreciation	<u>(32,684)</u>
Net property and equipment	<u>7,312</u>

TOTAL ASSETS

\$ 619,935

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,189
Accrued expenses	8,818
Deferred revenue	<u>26,000</u>
TOTAL CURRENT LIABILITIES	<u>42,007</u>

NET ASSETS

Unrestricted	<u>577,928</u>
TOTAL NET ASSETS	<u>577,928</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 619,935

Friends of the Rouge
Statement of Activities and Changes in Net Assets
December 31, 2016

	<u>Unrestricted</u>
SUPPORT AND REVENUE	
Contributions	\$ 92,536
Grants	219,692
Membership dues	29,484
Investment income (loss)	14,705
Special events and appeals, net of direct benefit to donors of \$11,507	10,777
Miscellaneous income	3
Total Support and Revenue	367,197
EXPENSES	
Salaries, wages, and benefits	252,876
Project expenses	56,201
Supplies and database	4,203
Travel and business expense	1,109
Auto maintenance	1,062
Training/professional development expense	564
Contract and professional fees	16,508
Board functions	471
Insurance	1,909
Postage and shipping	1,926
Rent	21,000
Depreciation	3,142
Outside printing and copier	6,311
FOTR-ARC Re-org Investigation	12,808
Bank and miscellaneous expense	5,050
Telephone	2,312
Total Expenses	387,452
Increase (Decrease) in Net Assets	(20,255)
Net Assets at Beginning of Year	598,183
Net Assets at End of Year	\$ 577,928

See Notes to the Financial Statements

Friends of the Rouge
Statement of Functional Expenses
December 31, 2016

	Program	Management and General	Fundraising	Totals
Salaries, wages, and benefits	\$ 192,888	\$ 46,550	\$ 13,438	\$ 252,876
Project expenses	56,201	-	-	56,201
Supplies and database	3,194	799	210	4,203
Travel and business expense	843	211	55	1,109
Auto maintenance	1,009	-	53	1,062
Training/professional development expense	429	107	28	564
Contract and professional fees	16,508	-	-	16,508
Board functions	-	471	-	471
Insurance	1,451	458	-	1,909
Postage and shipping	1,464	366	96	1,926
Rent	15,960	3,990	1,050	21,000
Depreciation	3,142	-	-	3,142
Outside printing and copier	4,797	1,199	315	6,311
FOTR-ARC Re-org Investigation	-	12,808	-	12,808
Bank and miscellaneous expense	4,005	520	525	5,050
Telephone	1,757	439	116	2,312
	<u>\$ 303,648</u>	<u>\$ 67,918</u>	<u>\$ 15,886</u>	<u>\$ 387,452</u>

See Notes to the Financial Statements

**Friends of the Rouge
Statement of Cash Flows
December 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (20,255)
Adjustments to reconcile net assets to net cash from operating activities:	
Unrealized (gains) losses on investments	2,244
Depreciation	3,142
(Increase) decrease in assets:	
Grant reimbursement receivable	(9,103)
Grant receivable-promise to give	2,500
Prepaid expenses	323
Increase (decrease) in liabilities:	
Accounts payable	3,948
Accrued expenses	(980)
Deferred revenue	(9,000)
	<u> </u>
Net Cash Provided By (Used In) Operating Activities	<u>(27,181)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(3,978)
Purchase of investments	(16,931)
Proceeds from sales of investments	62,000
	<u> </u>
Net Cash Provided By (Used In) Investing Activities	<u>41,091</u>
 Increase (Decrease) in Cash and Cash Equivalents	13,910
 Cash and Cash Equivalents at Beginning of Year	<u>79,176</u>
 Cash and Cash Equivalents at End of Year	<u>\$ 93,086</u>
 Supplemental disclosure:	
Cash paid for interest	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>

See Notes to the Financial Statements

Friends of the Rouge
Notes to the Financial Statements
December 31, 2016

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Organization and nature of activities

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.

Basis of accounting

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

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.

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.

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.

Property and equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost. 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.

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.

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.

Friends of the Rouge
Notes to the Financial Statements
December 31, 2016

NOTE 1 – Nature of Activities 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. There were no in-kind contributions for the period ended December 31, 2016.

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 the contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that 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, are classified as unrestricted unless specifically restricted by the donor or applicable state law.

Allocation of functional 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.

Advertising and promotion

Advertising and promotion expenditures are charged to expense as incurred. Advertising and promotion expenses for the year ended December 31, 2016, were \$5,132.

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.

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. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain positions.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

Friends of the Rouge
Notes to the Financial Statements
December 31, 2016

NOTE 2 – Concentration 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. Funds in brokerage accounts during the year may exceed levels insured by the Securities Investor Protection Corporation amount of \$250,000. The Organization has not experienced any losses with regards to uninsured deposits.

NOTE 3 – Operating Leases

Office space

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

December 31,	
2017	\$ 21,000
2018	5,250
Total	<u>\$ 26,250</u>

Office equipment

The Organization has a lease agreement for office equipment effective April 2016 through July 2021. Monthly lease payments are \$326. Future minimum rental commitments under this lease are as follows:

December 31,	
2017	\$ 3,912
2018	3,912
2019	3,912
2020	3,912
2021	1,956
Total	<u>\$ 17,604</u>

NOTE 4 – Investments

Investments consisted of the following as of December 31, 2016:

	<u>Fair Value</u>
Cash and money market funds	\$ 216
Mutual funds	463,992
Total	<u>\$ 464,208</u>

Investment income for the year ended December 31, 2016, is as follows:

Interest and dividends	\$ 11,778
Realized gains (losses)	5,171
Unrealized gains (losses)	(2,244)
Total investment income	<u>\$ 14,705</u>

Friends of the Rouge
Notes to the Financial Statements
December 31, 2016

NOTE 4 – Investments (continued)

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.

NOTE 5 – Fair Value Measurements

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 management 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 or liabilities and have the highest priority. Management considers cash, cash equivalents, including certificates of deposits, publicly traded equities, mutual funds, 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, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets in active markets. Quoted prices for identical or similar assets in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market markers for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset. 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, 2016, management considers all investments to be level 1 in the fair value hierarchy.

NOTE 6 – Retirement Plan

A 401k plan is available to all eligible employees. Under the plan, the Organization contributes 2% of each eligible employee's compensation to the plan. Employees may elect to contribute any amount up to the maximum amount allowed by law. The expense incurred by the Organization for the year ended December 31, 2016, was \$4,381.

NOTE 7 – Merger

At the annual membership meeting in March 2016, the Organization's membership approved pursuing a merger with Alliance of Rouge Communities. The merger is in the transition process and is not expected to be finalized until 2018. Friends of the Rouge and Alliance of Rouge Communities will continue operating as two separate organizations during the transition process.