

**Huron River Watershed Council**  
**Financial Statements**  
**March 31, 2012**  
**With Comparative Totals**  
**For the Year Ended March 31, 2011**

# COLE, NEWTON & DURAN

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Huron River Watershed Council  
Ann Arbor, Michigan

We have audited the accompanying statement of financial position of Huron River Watershed Council as of March 31, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Huron River Watershed Council's 2011 financial statements and, in our report dated July 5, 2011, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huron River Watershed Council as of March 31, 2012, 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

*Cole, Newton & Duran*

June 18, 2012

# Huron River Watershed Council

## Statement of Financial Position

March 31, 2012

With Comparative Totals for the Year Ended March 31, 2011

### ASSETS

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 490,266	\$ 440,711
Certificates of deposit	355,929	231,944
Accounts receivable	118,530	181,796
Prepaid expenses	5,530	5,022
<b>TOTAL CURRENT ASSETS</b>	<u>970,255</u>	<u>859,473</u>
<b>FIXED ASSETS</b>		
Equipment	69,039	69,039
Less accumulated depreciation	<u>(66,434)</u>	<u>(63,605)</u>
<b>TOTAL FIXED ASSETS</b>	<u>2,605</u>	<u>5,434</u>
<b>OTHER ASSETS</b>		
Trust held by third party	<u>5,000</u>	<u>5,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 977,860</u>	<u>\$ 869,907</u>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,654	\$ 7,042
Unearned revenue	409,604	347,148
Accrued expenses	<u>62,311</u>	<u>68,923</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>482,569</u>	<u>423,113</u>
<b>NET ASSETS</b>		
Unrestricted	<u>495,291</u>	<u>446,794</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 977,860</u>	<u>\$ 869,907</u>

See Accompanying Notes to Financial Statements.

# Huron River Watershed Council

## Statement of Activities and Changes in Net Assets

For the Year Ended March 31, 2012

With Comparative Totals for the Year Ended March 31, 2011

	Unrestricted	
	<u>2012</u>	<u>2011</u>
<b>REVENUE AND SUPPORT</b>		
Government	\$ 392,760	\$ 439,264
Foundations and corporations	440,486	242,265
Membership dues	145,788	152,528
Contributions	42,471	21,251
Special events	36,617	23,050
Interest income	2,271	2,133
Miscellaneous	<u>4,278</u>	<u>6,341</u>
<b>Total Revenue</b>	<u>1,064,671</u>	<u>886,832</u>
<b>EXPENSES</b>		
<b>Program Service Costs</b>		
Watershed Planning & Management	351,625	319,292
Education	177,472	69,956
Development of Stewards	<u>288,616</u>	<u>261,028</u>
<b>Total Program Service Costs</b>	<u>817,713</u>	<u>650,276</u>
<b>Supporting Service Costs</b>		
Management and general	86,630	87,634
Fundraising	<u>111,831</u>	<u>108,612</u>
<b>Total Supporting Service Costs</b>	<u>198,461</u>	<u>196,246</u>
<b>TOTAL EXPENSES</b>	<u>1,016,174</u>	<u>846,522</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	48,497	40,310
<b>NET ASSETS-BEGINNING OF YEAR</b>	<u>446,794</u>	<u>406,484</u>
<b>NET ASSETS-END OF YEAR</b>	<u>\$ 495,291</u>	<u>\$ 446,794</u>

See Accompanying Notes to Financial Statements.

**Huron River Watershed Council**  
**Statement of Functional Expenses**

**For the Year Ended March 31, 2012**  
**With Comparative Totals for the Year Ended March 31, 2011**

	Program Service Costs				Support Services			Totals	
	Watershed Planning & Management	Education	Development of Stewards	Total Programs	Management and General	Fund Raising	Total Support Services	Year ended March 31, 2012	Year ended March 31, 2011
Salaries and wages	\$ 181,226	\$ 106,190	\$ 185,367	\$ 472,783	\$ 58,037	\$ 65,618	\$ 123,655	\$ 596,438	\$ 529,115
Payroll taxes	14,284	8,425	14,566	37,275	4,350	5,145	9,495	46,770	40,957
Employee benefits	17,848	21,853	37,541	77,242	9,403	9,345	18,748	95,990	88,745
Total compensation	213,358	136,468	237,474	587,300	71,790	80,108	151,898	739,198	658,817
Consultants	79,726	10,237	13,180	103,143	1,375	2,000	3,375	106,518	49,267
Media buys	5,018	398	407	5,823	-	639	639	6,462	11,276
Travel and meetings	5,255	5,452	6,220	16,927	2,222	1,257	3,479	20,406	13,754
Dues and publications	263	748	289	1,300	364	106	470	1,770	4,248
Postage and copies	1,931	481	1,102	3,514	351	3,401	3,752	7,266	6,066
Printing and reproduction	23,171	3,447	3,744	30,362	960	2,092	3,052	33,414	12,542
Supplies and equipment	3,798	8,637	6,310	18,745	941	1,337	2,278	21,023	12,965
Telephone and internet	964	545	1,006	2,515	544	377	921	3,436	3,702
Rent	8,497	4,802	9,093	22,392	3,269	3,322	6,591	28,983	28,303
Professional fees	1,891	1,069	1,974	4,934	727	739	1,466	6,400	6,301
Depreciation	1,326	356	658	2,340	242	246	488	2,828	7,371
Payroll service	465	263	486	1,214	179	182	361	1,575	1,516
Repairs and maintenance	1,083	612	1,131	2,826	417	424	841	3,667	1,356
Insurance	1,470	831	1,535	3,836	566	575	1,141	4,977	3,706
Newsletter and mailings	3,283	1,855	3,426	8,564	1,263	1,284	2,547	11,111	11,772
Other	126	1,271	581	1,978	1,420	13,742	15,162	17,140	13,560
<b>TOTAL EXPENSES</b>	<b>\$ 351,625</b>	<b>\$ 177,472</b>	<b>\$ 288,616</b>	<b>\$ 817,713</b>	<b>\$ 86,630</b>	<b>\$ 111,831</b>	<b>\$ 198,461</b>	<b>\$ 1,016,174</b>	<b>\$ 846,522</b>

See Accompanying Notes to Financial Statements.

# Huron River Watershed Council

## Statement of Cash Flows

For the Year Ended March 31, 2012

With Comparative Totals for the Year Ended March 31, 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 48,497	\$ 40,310
Adjustments to reconcile excess revenue over expenses to net cash used by operating activities		
Depreciation	2,828	7,371
Changes in operating assets and liabilities		
Accounts receivable	63,266	(67,190)
Prepaid expenses	(508)	(860)
Accounts payable	3,612	878
Unearned grants	62,456	258,566
Accrued expenses	<u>(6,611)</u>	<u>10,259</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>173,540</u>	<u>249,334</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds (purchase) of certificates of deposit	(123,985)	(93,717)
Purchase of equipment	<u>-</u>	<u>(1,106)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>(123,985)</u>	<u>(94,823)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	49,555	154,511
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>440,711</u>	<u>286,200</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 490,266</u>	<u>\$ 440,711</u>
<b>Supplemental Cash Flows Disclosures:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

# Huron River Watershed Council

## Notes to Financial Statements

March 31, 2012 and 2011

### NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Tax Status** – The Huron River Watershed Council (the Council) is a public non-profit coalition of local governments, businesses and citizens in southeastern Michigan established in 1965 under Michigan's Local River Management Act to protect the Huron River and its tributary streams, lakes, wetlands and groundwater. The Council works to facilitate watershed-based management of water resources by providing hands-on citizen education, technical assistance in policy development, and by conducting direct river protection projects. One of the primary responsibilities of the Council is to educate citizens and local decision-makers on the wise use and management of water resources.

The Council is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. Contributions to the Council are deductible by the donor for federal tax purposes. In addition, the Internal Revenue Service has determined that the Council is not a private foundation within the meaning of §509(a) of the Code. The Council is no longer subject to U.S. federal tax examinations by tax authorities for years before 2008.

**Financial Statement Presentation** – The Council is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets were unrestricted at March 31, 2012 and 2011. The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended March 31, 2011, from which this summarized information was derived.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Contributions** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

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

**Cash and Cash Equivalents** – Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Fixed Assets** – It is the Council's policy to capitalize fixed assets over \$1,000. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of property are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time. Fixed assets are classified as equipment with useful lives of five years. Depreciation amounted to \$2,828 and \$7,371 for the years ended March 31, 2012 and March 31, 2011, respectively.

# Huron River Watershed Council

## Notes to Financial Statements

March 31, 2012 and 2011

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

**Trust Held by Third Party** – During the year ended March 31, 2004 the Council transferred \$5,000 to the Ann Arbor Area Community Foundation and granted the foundation a variance power which allows the Foundation the unilateral power to redirect the use of any gifts or assets to another beneficiary. The Council has elected to indefinitely defer drawing earnings from the fund. Annual statements are provided and the fund balance was \$24,500 and \$24,934 for the years ended December 31, 2011 and 2010, respectively. No cash earnings have been requested or received during the current fiscal year. Under ASC 958-20-15-3 and ASC 958-605-15-10 (formerly known as SFAS 136, *Transfers of Assets to a Not-for Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*) the asset is being treated as a beneficial interest in assets held by others.

**Revenue Recognition** – Revenue for grants is recognized based on expenses incurred since the grants are mainly on a cost-reimbursement basis. Contributions are recognized as revenue in the year received from the donor.

**Contributed Services** – During the years ended March 31, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Council at the office as well as the program locations, but these services do not meet the criteria for recognition as contributed services. Total volunteer hours were 5,827 and 8,832, respectively for the years ended March 31, 2012 and 2011.

**Functional Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising** – The Council expenses advertising costs as they are incurred.

**Bad Debts** – The direct write off method of accounting for uncollectible accounts receivable is utilized whereby an account is written off only when determined to be uncollectible. The results of this method do not vary materially from the generally accepted method.

### NOTE 2 — CONTINGENCIES AND CONCENTRATIONS OF CREDIT RISK

The Council maintains its cash balances in several banks located in southeastern Michigan. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in any one bank. At times during the year, balances on deposit in any one bank may exceed the insured amount. The Council has not experienced any losses with respect to uninsured cash balances.

The Council receives a portion of its revenues from certain government grants that may be subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to the government entity. Until the reported costs have been audited and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Accounts receivable due from a single source and representing, in the aggregate, more than 20% of total accounts receivable at March 31, 2012 and 2011 are as follows:

2012	City of Ann Arbor	<u>\$ 40,740</u>
2011	Washtenaw County	<u>\$ 42,985</u>

# Huron River Watershed Council

## Notes to Financial Statements

March 31, 2012 and 2011

### NOTE 3 — LEASE

The Council has a lease dated March 14, 2012 for the period April 1, 2012 through March 31, 2014. The lease requires minimum monthly payments of \$2,048 as base rent and \$720 per month for utilities. Future minimum rental payments required under the lease are as follows:

March 31, 2013	\$33,216
March 31, 2014	<u>33,216</u>
	<u>\$66,432</u>

### NOTE 4 — EMPLOYEE BENEFIT PLAN

The Council has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Council contributes three percent of each eligible employee's compensation and also matches dollar for dollar up to another two percent of each eligible employee's compensation. Plan expenses incurred by Council during the years ended March 31, 2012 and 2011 were \$27,857 and \$24,077 respectively. The Council is considered a government instrumentality for purposes of the plan and is ERISA exempt.

### NOTE 5 — FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Council has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Council's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Council measures its investments in certificates of deposit at fair value on a recurring basis. The fair value of certificates of deposit is based primarily on Level 1 inputs as described above.

Due to the short-term nature of receivables and other assets, their fair values approximate carrying values and are not prioritized among the fair value hierarchy.

### NOTE 6 — EVENTS OCCURRING AFTER REPORTING DATE

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