

Huron River Watershed Council
Financial Statements
March 31, 2014
With Comparative Totals
For the Year Ended March 31, 2013

COLE, NEWTON & DURAN

CERTIFIED PUBLIC ACCOUNTANTS
33762 SCHOOLCRAFT ROAD, 2ND FLOOR
LIVONIA, MICHIGAN 48150-1506

(734) 427-2030

FAX (734) 427-3004

EMAIL: CND@CNDCPA.COM

WEBSITE: WWW.CNDCPA.COM

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Huron River Watershed Council (a nonprofit organization), which comprise the statement of financial position as of March 31, 2014, 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 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.

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 of material misstatement.

An audit involves performing procedures to obtain 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the Huron River Watershed's 2013 financial statements, and our report dated June 27, 2013, 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 March 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

June 16, 2014

Huron River Watershed Council

Statement of Financial Position

March 31, 2014

With Comparative Totals for the Year Ended March 31, 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 221,848	\$ 298,914
Certificates of deposit	549,070	546,244
Accounts receivable	114,531	123,524
Prepaid expenses	6,437	5,644
TOTAL CURRENT ASSETS	<u>891,886</u>	<u>974,326</u>
FIXED ASSETS		
Equipment	81,011	80,571
Less accumulated depreciation	(71,285)	(69,253)
TOTAL FIXED ASSETS	<u>9,726</u>	<u>11,318</u>
OTHER ASSETS		
Trust held by third party	5,000	5,000
TOTAL ASSETS	<u>\$ 906,612</u>	<u>\$ 990,644</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 27,402	\$ 45,214
Unearned grants	227,201	342,615
Accrued expenses	79,700	77,264
TOTAL CURRENT LIABILITIES	<u>334,303</u>	<u>465,093</u>
NET ASSETS		
Unrestricted	572,309	525,551
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 906,612</u>	<u>\$ 990,644</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, 2014

With Comparative Totals for the Year Ended March 31, 2013

	Unrestricted	
	<u>2014</u>	<u>2013</u>
REVENUE AND SUPPORT		
Government	\$ 503,218	\$ 435,592
Foundations and corporations	524,030	535,140
Membership dues	144,733	150,698
Contributions	41,346	48,754
Special events	34,737	20,937
Program income	25,779	2,945
Interest income	3,185	3,453
Miscellaneous	800	2,279
Total Revenue	<u>1,277,828</u>	<u>1,199,798</u>
EXPENSES		
Program Service Costs		
Watershed Planning & Management	411,121	380,222
Education	215,047	254,257
Development of Stewards	386,911	315,858
Total Program Service Costs	<u>1,013,079</u>	<u>950,337</u>
Supporting Service Costs		
Management and general	84,174	93,533
Fundraising	133,817	125,668
Total Supporting Service Costs	<u>217,991</u>	<u>219,201</u>
TOTAL EXPENSES	<u>1,231,070</u>	<u>1,169,538</u>
INCREASE (DECREASE) IN NET ASSETS	46,758	30,260
NET ASSETS-BEGINNING OF YEAR	<u>525,551</u>	<u>495,291</u>
NET ASSETS-END OF YEAR	<u>\$ 572,309</u>	<u>\$ 525,551</u>

See Accompanying Notes to Financial Statements.

Huron River Watershed Council
Statement of Functional Expenses

For the Year Ended March 31, 2014

With Comparative Totals for the Year Ended March 31, 2013

	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, 2014	Year ended March 31, 2013
Salaries and wages	\$ 209,294	\$ 139,932	\$ 215,273	\$ 564,499	\$ 51,193	\$ 75,592	\$ 126,785	\$ 691,284	\$ 675,221
Payroll taxes	16,649	11,062	17,134	44,845	4,044	6,028	10,072	54,917	53,119
Employee benefits	23,374	15,152	36,970	75,496	16,125	10,474	26,599	102,095	95,343
Total compensation	249,317	166,146	269,377	684,840	71,362	92,094	163,456	848,296	823,683
Consultants	79,628	14,333	72,523	166,484	-	1,763	1,763	168,247	172,204
Media buys	4,316	3,397	542	8,255	-	-	-	8,255	9,976
Travel and meetings	3,932	2,753	9,560	16,245	4,141	1,014	5,155	21,400	20,833
Dues and publications	438	1,334	569	2,341	450	343	793	3,134	3,004
Postage and copies	2,617	1,287	1,120	5,024	314	4,129	4,443	9,467	8,066
Printing and reproduction	45,266	2,956	3,550	51,772	1,713	8,352	10,065	61,837	27,528
Supplies and equipment	2,229	3,980	4,576	10,785	784	1,026	1,810	12,595	15,835
Telephone and internet	800	535	823	2,158	421	313	734	2,892	3,364
Rent	9,980	6,672	10,515	27,167	2,641	3,900	6,541	33,708	34,074
Professional fees	1,969	1,316	2,025	5,310	769	521	1,290	6,600	6,600
Depreciation	995	665	1,024	2,684	263	389	652	3,336	2,820
Payroll service	632	422	650	1,704	167	247	414	2,118	1,915
Repairs and maintenance	1,595	1,066	1,641	4,302	422	623	1,045	5,347	4,168
Insurance	681	456	701	1,838	291	180	471	2,309	4,364
Newsletter and mailings	5,242	3,504	5,391	14,137	-	-	-	14,137	11,744
Other	1,484	4,225	2,324	8,033	436	18,923	19,359	27,392	19,360
TOTAL EXPENSES	\$ 411,121	\$ 215,047	\$ 386,911	\$ 1,013,079	\$ 84,174	\$ 133,817	\$ 217,991	\$ 1,231,070	\$ 1,169,538

See Accompanying Notes to Financial Statements.

Huron River Watershed Council

Statement of Cash Flows

For the Year Ended March 31, 2014

With Comparative Totals for the Year Ended March 31, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 46,758	\$ 30,260
Adjustments to reconcile excess revenue over expenses to net cash used by operating activities		
Depreciation	3,336	2,820
Changes in operating assets and liabilities		
Accounts receivable	8,993	(4,994)
Prepaid expenses	(793)	(114)
Accounts payable	(17,812)	34,560
Unearned grants	(115,414)	(66,988)
Accrued expenses	2,437	14,952
Net Cash Provided By (Used In) Operating Activities	<u>(72,495)</u>	<u>10,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchase) of certificates of deposit	(2,826)	(190,316)
Purchase of equipment	<u>(1,745)</u>	<u>(11,532)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(4,571)</u>	<u>(201,848)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(77,066)	(191,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>298,914</u>	<u>490,266</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 221,848</u>	<u>\$ 298,914</u>
Supplemental Cash Flows Disclosures:		
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, 2014 and 2013

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 2009.

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, 2014 and 2013. 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, 2013, 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 original 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 \$3,336 and \$2,820 for the years ended March 31, 2014 and March 31, 2013, respectively.

Huron River Watershed Council

Notes to Financial Statements

March 31, 2014 and 2013

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 \$22,708 and \$20,515 for the years ended December 31, 2013 and 2012, 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, 2014 and 2013, 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 5,344 and 7,734, respectively for the years ended March 31, 2014 and 2013.

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, 2014 and 2013 are as follows:

2014	Michigan Department of Environmental Quality	<u>\$ 62,035</u>
2013	Michigan Department of Environmental Quality	<u>\$ 76,891</u>

Huron River Watershed Council

Notes to Financial Statements

March 31, 2014 and 2013

NOTE 3 — LEASE

The Council's lease for office space expired March 31, 2014. The lease is currently month-to-month with payments of \$2,048 as base rent and \$720 per month for utilities.

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, 2014 and 2013 were \$32,574 and \$31,070 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 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 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.

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.

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.

NOTE 7 — PRIOR YEAR INFORMATION

Certain prior year amounts were re-stated to conform to the current year presentation.