

Huron River Watershed Council
Financial Statements
March 31, 2015
With Comparative Totals
For the Year Ended March 31, 2014

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, 2015, 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, 2015, 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 2014 financial statements, and our report dated June 16, 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 March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cole, Newton & Duran

COLE, NEWTON & DURAN

June 22, 2015

Huron River Watershed Council

Statement of Financial Position

March 31, 2015

With Comparative Totals for the Year Ended March 31, 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 376,714	\$ 221,848
Certificates of deposit	550,483	549,070
Accounts receivable	210,603	114,531
Prepaid expenses	4,979	6,437
TOTAL CURRENT ASSETS	<u>1,142,779</u>	<u>891,886</u>
FIXED ASSETS		
Equipment	81,144	81,011
Less accumulated depreciation	<u>(71,965)</u>	<u>(71,285)</u>
TOTAL FIXED ASSETS	<u>9,179</u>	<u>9,726</u>
OTHER ASSETS		
Trust held by third party	<u>-</u>	<u>5,000</u>
TOTAL ASSETS	<u><u>\$ 1,151,958</u></u>	<u><u>\$ 906,612</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 10,198	\$ 27,402
Unearned grants	480,960	227,201
Accrued expenses	88,140	79,700
TOTAL CURRENT LIABILITIES	<u>579,298</u>	<u>334,303</u>
NET ASSETS		
Unrestricted	<u>572,660</u>	<u>572,309</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,151,958</u></u>	<u><u>\$ 906,612</u></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, 2015

With Comparative Totals for the Year Ended March 31, 2014

	Unrestricted	
	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT		
Government	\$ 410,114	\$ 503,218
Foundations, corporations and public support	715,750	524,030
Membership dues	138,553	144,733
Contributions	39,058	41,346
Special events	54,650	34,737
Program income	22,034	25,779
Interest income	2,850	3,185
Miscellaneous	<u>1,140</u>	<u>800</u>
Total Revenue	<u>1,384,149</u>	<u>1,277,828</u>
EXPENSES		
Program Service Costs		
Watershed Planning & Management	390,181	411,121
Education	188,225	215,047
Development of Stewards	<u>555,071</u>	<u>386,911</u>
Total Program Service Costs	<u>1,133,477</u>	<u>1,013,079</u>
Supporting Service Costs		
Management and general	108,426	84,174
Fundraising	<u>141,895</u>	<u>133,817</u>
Total Supporting Service Costs	<u>250,321</u>	<u>217,991</u>
TOTAL EXPENSES	<u>1,383,798</u>	<u>1,231,070</u>
INCREASE (DECREASE) IN NET ASSETS	351	46,758
NET ASSETS-BEGINNING OF YEAR	<u>572,309</u>	<u>525,551</u>
NET ASSETS-END OF YEAR	<u>\$ 572,660</u>	<u>\$ 572,309</u>

See Accompanying Notes to Financial Statements.

Huron River Watershed Council
Statement of Functional Expenses
For the Year Ended March 31, 2015

With Comparative Totals for the Year Ended March 31, 2014

	Program Service Costs				Support Services			Totals	
	Watershed Planning & Management	Education	Development of Stewards	Total Programs	Management and General	Fund Raising	Support Services	Year ended March 31, 2015	Year ended March 31, 2014
Salaries and wages	\$ 215,620	\$ 127,416	\$ 225,603	\$ 568,639	\$ 59,524	\$ 80,002	\$ 139,526	\$ 708,165	\$ 691,284
Payroll taxes	17,052	9,830	17,854	44,736	4,680	6,316	10,996	55,732	54,917
Employee benefits	24,008	12,787	33,890	70,685	14,349	13,573	27,922	98,607	102,095
Total compensation	256,680	150,033	277,347	684,060	78,553	99,891	178,444	862,504	848,296
Consultants	69,243	9,943	191,051	270,237	5,376	3,241	8,617	278,854	168,247
Media buys	9,674	672	3,135	13,481	948	30	978	14,459	8,255
Travel and meetings	2,622	3,936	13,177	19,735	4,664	784	5,448	25,183	21,400
Dues and publications	1,133	1,513	3,618	6,264	89	355	444	6,708	3,134
Postage and copies	3,135	234	1,577	4,946	1,022	3,428	4,450	9,396	9,467
Printing and reproduction	20,876	1,070	27,410	49,356	1,536	5,978	7,514	56,870	61,837
Supplies and equipment	3,671	258	11,736	15,665	5,174	1,508	6,682	22,347	12,595
Telephone and internet	898	531	940	2,369	285	363	648	3,017	2,892
Rent	10,148	5,997	10,618	26,763	3,216	4,096	7,312	34,075	33,708
Professional fees	2,174	1,285	2,275	5,734	689	878	1,567	7,301	6,600
Depreciation	1,828	561	992	3,381	301	382	683	4,064	3,336
Payroll service	622	367	650	1,639	197	251	448	2,087	2,118
Repairs and maintenance	1,077	637	1,127	2,841	341	435	776	3,617	5,347
Insurance	1,125	665	1,177	2,967	357	454	811	3,778	2,309
Newsletter and mailings	4,516	2,669	4,725	11,910	-	-	-	11,910	14,137
Other	759	7,854	3,516	12,129	5,678	19,821	25,499	37,628	27,392
TOTAL EXPENSES	\$ 390,181	\$ 188,225	\$ 555,071	\$ 1,133,477	\$ 108,426	\$ 141,895	\$ 250,321	\$ 1,383,798	\$ 1,231,070

See Accompanying Notes to Financial Statements.

Huron River Watershed Council

Statement of Cash Flows

For the Year Ended March 31, 2015

With Comparative Totals for the Year Ended March 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 351	\$ 46,758
Adjustments to reconcile excess revenue over expenses to net cash used by operating activities		
Depreciation	4,064	3,336
Changes in operating assets and liabilities		
Accounts receivable	(96,072)	8,993
Prepaid expenses	1,458	(793)
Accounts payable	(17,204)	(17,812)
Unearned grants	253,759	(115,414)
Accrued expenses	8,440	2,437
Net Cash Provided By (Used In) Operating Activities	<u>154,796</u>	<u>(72,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (purchase) of certificates of deposit	(1,413)	(2,826)
Trust held by third party	5,000	-
Purchase of equipment	<u>(3,517)</u>	<u>(1,745)</u>
Net Cash Provided By (Used In) Investing Activities	<u>70</u>	<u>(4,571)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	154,866	(77,066)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>221,848</u>	<u>298,914</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 376,714</u>	<u>\$ 221,848</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, 2015 and 2014

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. 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, 2014, 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 \$4,064 and \$3,336 for the years ended March 31, 2015 and March 31, 2014, respectively.

Huron River Watershed Council

Notes to Financial Statements

March 31, 2015 and 2014

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 \$30,334 and \$22,708 for the calendar years ended December 31, 2014 and 2013, 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. During the year ended March 31, 2015, management reclassified the original \$5,000 deposit; due to the community foundation's variance power, the amount can be re-directed and is not for exclusive use of the Council.

Revenue Recognition – Contributions are recognized as revenue in the year received from the donor. The Council has entered into agreements to provide assistance with services relevant to the Huron River watershed. Revenues relating to these agreements are recognized when the corresponding expenses are incurred, with any excess revenue reported as deferred revenue on the balance sheet.

Contributed Services – During the years ended March 31, 2015 and 2014, 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 5,100 and 5,344, respectively for the years ended March 31, 2015 and 2014.

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.

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 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.

Huron River Watershed Council

Notes to Financial Statements

March 31, 2015 and 2014

NOTE 2 — CONTINGENCIES AND CONCENTRATIONS OF CREDIT RISK, CONTINUED

Accounts receivable due from a single source and representing, in the aggregate, more than 20% of total accounts receivable at March 31, 2015 and 2014 are as follows:

2015	Michigan Department of Environmental Quality	<u>\$ 48,426</u>
	Washtenaw County	<u>\$ 43,712</u>
2014	Michigan Department of Environmental Quality	<u>\$ 62,035</u>

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, 2015 and 2014 were \$33,856 and \$32,574 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.