ALLYANCE OF ROUGE COMMUNITIES

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS -

Statements of Financial Position
Statements of Activities
Statements of Cash Flows
Notes to the Financial Statements
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

ALLIANCE OF ROUGE COMMUNITIES
Detroit, Michigan

I have audited the accompanying statements of financial position of ALLIANCE OF ROUGE COMMUNITIES as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ALLIANCE OF ROUGE COMMUNITIES organization's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require the I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALLIANCE OF ROUGE COMMUNITIES as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

TINA L. CUSAC, CPA
Clarkston, MI 48348
June 25, 2011
## ALLIANCE OF ROUGE COMMUNITIES
### STATEMENTS OF FINANCIAL POSITION
#### DECEMBER 31, 2010 AND 2009

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$112,207</td>
<td>$173,298</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$126,247</td>
<td>$130,848</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$238,454</strong></td>
<td><strong>$304,146</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$156,575</td>
<td>$180,468</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>156,575</td>
<td>180,468</td>
</tr>
<tr>
<td><strong>NET ASSETS - unrestricted</strong></td>
<td>81,879</td>
<td>123,678</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$238,454</strong></td>
<td><strong>$304,146</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.

TINA L. CUSAC, CPA
# ALLIANCE OF ROUGE COMMUNITIES
## STATEMENTS OF ACTIVITIES
### FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

### REVENUE:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues</td>
<td>$272,061</td>
<td>$289,345</td>
</tr>
<tr>
<td>Grants</td>
<td>314,015</td>
<td>228,195</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,095</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>1,733</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>587,171</td>
<td>519,273</td>
</tr>
</tbody>
</table>

### EXPENSES:

**Organization Committee**
- Executive director services | $181,991 | $160,248 |

**Public Involvement and Education Committee**
- Green Infrastructure Campaign | $90,934 | $85,831 |
- Detention Pond Maintenance Manual Update | - | $7,496 |
- Public Education Materials | 18,652 | $22,906 |
- Collaborative PEP | - | $944 |
- Website Maintenance | 5,920 | 5,383 |
- Rouge 2009 | - | 5,610 |
- Watershed Steward. & Reporting/Friends of the Rouge | 15,099 | 14,169 |
- WMP Revisions | 8,100 | - |
| **Total Public Involvement and Education Committee** | 138,705 | 142,339 |

**Technical Committee**
- Rouge River Watershed Monitoring Activities | 105,534 | 50,672 |
- ARC Collaborative IDEP and E. coli TMDL Plan | 106,757 | 36,165 |
- Green Infrastructure and Land Cover Inventory | 12,999 | 65,848 |
- Pursuing Grant Opportunities | 21,324 | 18,355 |
- NPDES Phase II Workgroup | - | 1,118 |
| **Total Technical Committee** | 246,614 | 172,158 |

**GLRI Projects**
- Transforming the Rouge | 18,182 | - |
- Danvers Pond Dam Removal and Stream Restoration | 8,941 | - |
| **Total GLRI Projects** | 27,123 | - |

**Great Lakes Commission Projects**
- Support Grant | 5,805 | - |
- Strategy to Delist BUIs in the Rouge River | 11,608 | - |
| **Total Great Lakes Commission Projects** | 17,413 | - |

**General**
- Legal and Accounting | 12,296 | 19,250 |

The accompanying notes are an integral part of the financial statements.

TINA L. CUSAC, CPA
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Fees</td>
<td>850</td>
<td>750</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,978</td>
<td>4,100</td>
</tr>
<tr>
<td>Total General</td>
<td>17,124</td>
<td>24,100</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>628,970</td>
<td>498,845</td>
</tr>
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**CHANGE IN NET ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(41,799)</td>
<td>20,428</td>
</tr>
</tbody>
</table>

**NET ASSETS - beginning of year**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>123,678</td>
<td>103,250</td>
</tr>
</tbody>
</table>

**NET ASSETS - end of year**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 81,879</td>
<td>$ 123,678</td>
</tr>
</tbody>
</table>
ALLIANCE OF ROUGE COMMUNITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

CASH FLOW TO (FROM) OPERATING ACTIVITIES:

CHANGE IN NET ASSETS
Changes in operating assets and liabilities which increase (decrease) cash flow -
Accounts receivable
4,601
(130,848)
Accounts payable
(23,893)
180,468
$ (41,799) $ 20,428

NET CASH TO (FROM) OPERATING ACTIVITIES
$ (61,091) $ 70,048

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
$ (61,091) $ 70,048

CASH AND CASH EQUIVALENTS
BALANCE - beginning of year
173,298
103,250
BALANCE - end of year
$ 112,207 $ 173,298

Supplemental disclosures of cash flow information:
Cash paid during the year for:
Interest
Income taxes

The accompanying notes are an integral part of the financial statements.
TINA L. CUSAC, CPA
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization
Alliance of Rouge Communities (ARC) was formed in 2005 as an unincorporated association operating under and authorized by Part 312 of the Michigan Natural Resources and Environmental Protection Act. ARC is a voluntary public watershed entity. Its members consist primarily of municipal governments located in Wayne, Oakland and Washtenaw counties. ARC’s purpose is to encourage watershed-wide cooperation and mutual support to meet water quality permit requirements and to restore beneficial uses of the Rouge River to the area residents.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents
The organization considers all cash and amounts due from depository institutions to be cash equivalents for purposes of the statement of cash flows.

Revenue and Expenses
Membership dues are recognized in the period for which they cover. Dues cover the calendar year in which they are billed. Grant reimbursements are recognized in the period in which the reimbursable expenses are recognized.

Use of Estimates
The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status
Alliance of Rouge Communities originally applied for Federal tax exempt status under Section 501(c)(4) but subsequently changed its application for exemption under Section 501(c)(3). See subsequent event note.
ALLIANCE OF ROUGE COMMUNITIES
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - RELATED PARTY TRANSACTIONS:

The Organization has a contract with ECT, Inc. for Executive Director services. The Executive Director is a shareholder and employee of ECT, Inc. The amount billed from ECT, Inc. totaled $340,366 and $320,840 for 2010 and 2009, respectively.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash account in a commercial bank located in Michigan. The account is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2010 and 2009, the balance was fully insured.

NOTE 4 - RECEIVABLES:

Accounts receivable consists of membership dues that have not been paid at December 31, 2010 and 2009 and unsubmitted requests for reimbursement from local and federal agencies under the various grant agreements.

The Organization believes all receivables are collectible and therefore has no allowance for doubtful accounts.

NOTE 5 - SUBSEQUENT EVENTS:

On April 11, 2011 ARC received approval for exemption of Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Subsequent events have been evaluated through June 25, 2011, the date which the financial statements were available to be issued.