

DOGWOOD ALLIANCE, INC.
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Dogwood Alliance, Inc.
Table of Contents
Year Ended December 31, 2015

Independent Auditor's Report	1 - 2
Financial Statements:	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5 - 7
<i>Statement of Cash Flows</i>	8
Notes to Financial Statements	9 - 12



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dogwood Alliance, Inc.
Asheville, North Carolina

We have audited the accompanying financial statements of Dogwood Alliance, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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 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 from 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dogwood Alliance, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Dogwood Alliance, Inc. 2014 financial statements, and our report dated May 12, 2015, 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 December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Salaman, PLLC

Asheville, North Carolina
June 8, 2016

Dogwood Alliance, Inc.
Statement of Financial Position

As of December 31, 2015

(With summarized comparative totals as of December 31, 2014)

	2015	2014
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 1,130,135	\$ 769,328
Contributions Receivable	707,079	711,279
Grants Receivable	85,422	33,254
Sales Tax Receivable	-	1,003
Security Deposit	2,000	2,000
Prepaid Expenses	23,696	1,895
Total Current Assets	1,948,332	1,518,759
<u>Long-Term Assets</u>		
Property and Equipment, Net	17,330	13,196
Total Long-Term Assets	17,330	13,196
Total Assets	1,965,662	1,531,955
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	34,550	40,000
Accrued Salaries	28,939	18,201
Payroll Tax Liabilities	5,899	1,284
Flexible Benefits	4,514	3,599
Total Current Liabilities	73,902	63,084
<u>Net Assets</u>		
Unrestricted	922,951	453,159
Temporarily Restricted	968,809	1,015,712
Total Net Assets	1,891,760	1,468,871
Total Liabilities and Net Assets	\$ 1,965,662	\$ 1,531,955

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

Dogwood Alliance, Inc.
Statement of Activities

Year Ended December 31, 2015

(With summarized comparative totals from the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Support				
Foundation Grants	\$ 46,985	\$ 611,500	\$ 658,485	324,264
Contributions	380,771	705,119	1,085,890	1,070,699
Fundraising Events	4,789	-	4,789	-
Interest Income	1,121	-	1,121	875
Rental Income	-	-	-	2,854
Other Revenue	1,035	-	1,035	1,002
Net Assets Released from Restrictions				
By Expiration of Time	700,000	(700,000)	-	-
By Expenditure	663,522	(663,522)	-	-
Total Support	<u>1,798,223</u>	<u>(46,903)</u>	<u>1,751,320</u>	<u>1,399,694</u>
Expenses				
Program Services				
Packaging Campaign	145,825	-	145,825	88,186
Carbon Canopy	93,480	-	93,480	121,236
Bioenergy	601,352	-	601,352	264,134
Total Program Services	<u>840,657</u>	<u>-</u>	<u>840,657</u>	<u>473,556</u>
Management and General	275,796	-	275,796	188,628
Fundraising	211,978	-	211,978	191,077
Total Expenses	<u>1,328,431</u>	<u>-</u>	<u>1,328,431</u>	<u>853,261</u>
Change in Net Assets	<u>469,792</u>	<u>(46,903)</u>	<u>422,889</u>	<u>546,433</u>
Net Assets Beginning of Year	<u>453,159</u>	<u>1,015,712</u>	<u>1,468,871</u>	<u>922,438</u>
Net Assets at End of Year	<u>\$ 922,951</u>	<u>\$ 968,809</u>	<u>\$ 1,891,760</u>	<u>\$ 1,468,871</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2015

(With summarized comparative totals from the prior year)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total 2015</u>	<u>Total 2014</u>
	<u>Packaging Campaign</u>	<u>Carbon Canopy</u>	<u>Bioenergy</u>	<u>Total Programs</u>	<u>Management & General</u>	<u>Fundraising</u>		
<u>Personnel Expenses</u>								
Salaries	\$ 72,403	\$ 50,262	\$ 264,656	\$ 387,321	\$ 174,047	\$ 102,280	\$ 663,648	\$ 366,539
Payroll Taxes	4,475	2,622	21,272	28,369	14,594	7,820	50,783	30,585
Retirement Plan	1,210	746	4,694	6,650	3,027	1,222	10,899	7,212
Health Insurance	4,470	3,061	16,210	23,741	9,210	6,173	39,124	30,976
Total Personnel	<u>82,558</u>	<u>56,691</u>	<u>306,832</u>	<u>446,081</u>	<u>200,878</u>	<u>117,495</u>	<u>764,454</u>	<u>435,312</u>
<u>Marketing and Education</u>								
Publication Design	8,300	458	1,750	10,508	424	2,159	13,091	7,361
Advertising	4,772	2,420	15,565	22,757	1,067	4,384	28,208	10,610
Media Consulting	-	-	-	-	-	-	-	11,250
Events	500	-	870	1,370	-	1,883	3,253	116
Website/Webmaster	596	1,072	548	2,216	17	650	2,883	3,805
Materials Fact Sheets/Post Card	46	35	925	1,006	174	4,087	5,267	6,800
Materials Video Production	1,947	1,791	13,931	17,669	-	2,121	19,790	3,721
Supplies	858	341	3,734	4,933	175	1,248	6,356	3,803
Total Marketing and Education	<u>17,019</u>	<u>6,117</u>	<u>37,323</u>	<u>60,459</u>	<u>1,857</u>	<u>16,532</u>	<u>78,848</u>	<u>47,466</u>
<u>Professional Services</u>								
Carbon Canopy Project Development	-	-	-	-	-	-	-	42,557
Consulting	11,258	14,232	109,787	135,277	11,956	18,909	166,142	130,479
Information Technology	1,297	834	3,829	5,960	2,075	1,767	9,802	6,171
Accounting and Human Resources	1,261	878	4,557	6,696	22,068	1,208	29,972	14,585
Legal	-	-	4,940	4,940	1,292	-	6,232	394
Total Professional Services	<u>13,816</u>	<u>15,944</u>	<u>123,113</u>	<u>152,873</u>	<u>37,391</u>	<u>21,884</u>	<u>212,148</u>	<u>194,186</u>

(Continued on next page)

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2015

(With summarized comparative totals from the prior year)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total 2015</u>	<u>Total 2014</u>
	<u>Packaging Campaign</u>	<u>Carbon Canopy</u>	<u>Bioenergy</u>	<u>Total Programs</u>	<u>Management & General</u>	<u>Fundraising</u>		
<i>(Continued from previous page)</i>								
<u>Meetings</u>								
Bioenergy Meetings	-	-	568	568	-	-	568	815
Board of Directors	1,690	1,115	5,382	8,187	3,350	2,465	14,002	9,738
Other Meetings	1,033	477	2,600	4,110	965	1,132	6,207	4,171
Total Meetings	<u>2,723</u>	<u>1,592</u>	<u>8,550</u>	<u>12,865</u>	<u>4,315</u>	<u>3,597</u>	<u>20,777</u>	<u>14,724</u>
<u>Database</u>								
Growth	-	-	20,017	20,017	-	-	20,017	8,822
Maintenance	3,109	1,981	8,756	13,846	143	7,080	21,069	2,575
Total Database	<u>3,109</u>	<u>1,981</u>	<u>28,773</u>	<u>33,863</u>	<u>143</u>	<u>7,080</u>	<u>41,086</u>	<u>11,397</u>
<u>Telephone and Internet</u>								
Mobile and VoIP	1,178	822	5,901	7,901	3,554	1,798	13,253	11,553
Internet	307	204	1,336	1,847	842	542	3,231	2,304
Total Telephone and Internet	<u>1,485</u>	<u>1,026</u>	<u>7,237</u>	<u>9,748</u>	<u>4,396</u>	<u>2,340</u>	<u>16,484</u>	<u>13,857</u>
<u>Occupancy</u>								
Rent	2,543	1,703	10,811	15,057	5,618	3,699	24,374	23,511
Utilities	456	303	1,830	2,589	1,122	661	4,372	4,247
Maintenance	276	188	888	1,352	968	385	2,705	2,225
Total Occupancy	<u>3,275</u>	<u>2,194</u>	<u>13,529</u>	<u>18,998</u>	<u>7,708</u>	<u>4,745</u>	<u>31,451</u>	<u>29,983</u>

(Continued on next page)

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2015

(With summarized comparative totals from the prior year)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total 2015</u>	<u>Total 2014</u>
	<u>Packaging Campaign</u>	<u>Carbon Canopy</u>	<u>Bioenergy</u>	<u>Total Programs</u>	<u>Management & General</u>	<u>Fundraising</u>		
<i>(Continued from previous page)</i>								
<u>Operating and Other Expenses</u>								
Dues and Subscriptions	613	1,056	8,241	9,910	2,253	12,673	24,836	13,581
License and Fees	3	2	9	14	475	6,945	7,434	2,711
Insurance	403	276	1,879	2,558	1,841	579	4,978	3,283
IT Hardware and Software	722	473	2,960	4,155	1,289	1,108	6,552	5,197
Office Supplies & Postage	1,303	906	5,718	7,927	3,866	3,954	15,747	21,111
Travel	15,476	4,474	52,505	72,455	3,196	10,471	86,122	51,875
Trainings and Conferences	234	748	4,683	5,665	472	2,575	8,712	4,289
Total Operating and Other	<u>18,754</u>	<u>7,935</u>	<u>75,995</u>	<u>102,684</u>	<u>13,392</u>	<u>38,305</u>	<u>154,381</u>	<u>102,047</u>
Sub-total Expenses	<u>142,739</u>	<u>93,480</u>	<u>601,352</u>	<u>837,571</u>	<u>270,080</u>	<u>211,978</u>	<u>1,319,629</u>	<u>848,972</u>
Depreciation Expense	<u>3,086</u>	<u>-</u>	<u>-</u>	<u>3,086</u>	<u>5,716</u>	<u>-</u>	<u>8,802</u>	<u>4,289</u>
Total Expenses	<u>\$ 145,825</u>	<u>\$ 93,480</u>	<u>\$ 601,352</u>	<u>\$ 840,657</u>	<u>\$ 275,796</u>	<u>\$ 211,978</u>	<u>\$ 1,328,431</u>	<u>\$ 853,261</u>

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

Dogwood Alliance, Inc.
Statement of Cash Flows

Year Ended December 31, 2015

(With summarized comparative totals from the prior year)

	2015	2014
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 422,889	\$ 546,433
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	8,802	4,289
(Increase)/Decrease in Operating Assets		
Grants Receivable	(52,168)	(29,012)
Pledges Receivable	4,200	(304,913)
Sales Tax Receivable	1,003	(1,003)
Security Deposit	-	(600)
Prepaid Expenses	(21,801)	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(5,450)	23,216
Payroll Liabilities	4,615	(356)
Accrued Salaries	10,738	4,443
Flexible Benefits	915	1,619
Deposits Held	-	(600)
Deferred Revenue	-	(644)
Net Cash Provided by Operating Activities	<u>373,743</u>	<u>242,872</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(12,936)	(10,371)
Net Cash Used by Investing Activities	<u>(12,936)</u>	<u>(10,371)</u>
Net Change in Cash and Equivalents	360,807	232,501
Cash and Equivalents at Beginning of Year	<u>769,328</u>	<u>536,827</u>
Cash and Equivalents at End of Year	\$ 1,130,135	\$ 769,328

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

Dogwood Alliance, Inc.
Notes to Financial Statements
Year Ended December 31, 2015

1. **Description of Organization and Summary of Significant Accounting Policies**

Description of the Organization

Dogwood Alliance, Inc. (Dogwood) “mobilizes diverse voices to defend the unique forests and communities of the Southern U.S. from destruction by industrial forestry.”

Corporate and Tax-Exempt Status

Dogwood was incorporated in 1998 under the North Carolina Non-Profit Corporation Act, and was recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code in July 1999. Dogwood is classified as a publicly supported organization under Section 509(a)(1).

Funding

The organization is funded by foundation grants and contributions from the public.

Basis of Accounting

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets--Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets--Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets--Net assets subject to donor-imposed restrictions that the asset be maintained permanently by the organization. (The organization had no permanently restricted net assets as of December 31, 2015)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as “Net assets released from restrictions.”

In Kind Contributions

The organization recognizes in-kind contributions such as items contributed for fundraising events and equipment contributed at estimated fair market value at the date of receipt.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fair Value Measurements

Dogwood follows FASB ASC 820-10 Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP). This standard also expands disclosures about fair value measurements. Fair Value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market.” Dogwood had no items carried at fair value on a recurring basis.

Functional Allocation of Expenses

The organization reports its expenses in the functional areas of program, management and general and fundraising. Expenses that can be identified with a specific area are assigned directly to that area. Other expenses that are common to two or more functions are allocated by management estimate.

Property and Equipment

The organization's policy is to capitalize property and equipment expenditures of \$500 or more. The basis of valuation is cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Income Taxes/Uncertain Tax Positions

Dogwood is generally exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had less than \$1,000 of income from unrelated business activities in the year ended December 31, 2015 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

2. Cash and Equivalents

Cash and equivalents consists of the following bank accounts balances:

<u>As of December 31:</u>	<u>2015</u>	<u>2014</u>
Wells Fargo Checking Account	\$ 179,182	\$ 47,459
Wells Fargo Savings Account	465,921	485,551
Money Market Account	356,649	236,318
Undeposited Funds	128,383	-
Total Cash and Equivalents	<u>\$ 1,130,135</u>	<u>\$ 769,328</u>

Dogwood maintains cash balances at two financial institutions. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2015, cash held by Dogwood exceeded the FDIC insured limit by \$405,361 at one bank and \$106,649 at the other bank. Management believes it is not exposed to any significant credit risk on its cash balances.

3. Pledges Receivable

The year-end pledges receivable balance of \$707,079 as of December 31, 2015 consists of one pledge from an individual in the amount of \$700,000, in which Dogwood received payment in January 2016. The remaining balance consists of various smaller amounts that are believed to be fully collectible. Accordingly, no allowance account or discount to present value has been established for this account.

4. Grants Receivable

Grants Receivable consisted of the following:

<u>As of December 31:</u>	<u>2015</u>	<u>2014</u>
Foundation Grants Receivables	\$ 70,000	\$ 20,000
Gov Grant Reimbursements	15,422	13,254
Total Grants Receivable	<u>\$ 85,422</u>	<u>\$ 33,254</u>

5. Property and Equipment

Property and Equipment consisted of the following:

<u>As of December 31:</u>	<u>2015</u>	<u>2014</u>
Computer and Telephone Equipment	\$ 36,536	\$ 23,600
Less: Accumulated Depreciation	(19,206)	(10,404)
Property and Equipment, Net	<u>\$ 17,330</u>	<u>\$ 13,196</u>

6. Temporarily Restricted Net Assets

At year-end, temporarily restricted net assets were available for the following purposes:

<u>As of December 31:</u>	<u>2015</u>	<u>2014</u>
Bioenergy	\$ 184,824	\$ 314,482
Conservation Initiative	30,000	-
Organization Development	50,000	-
Packaging Campaign	3,985	1,230
Time Restricted	700,000	700,000
Total Temporarily Restricted Net Assets	<u>\$ 968,809</u>	<u>\$ 1,015,712</u>

7. Retirement Plan

Dogwood provides a SIMPLE IRA account for each eligible employee and matches up to two percent of their salary. Total retirement plan expense to the organization was \$10,899 and \$7,212 for the years ended December 31, 2015 and 2014 respectively.

8. Lease Commitments

Dogwood leases office space on a three-year lease expiring June 30, 2016. Rental payments are adjusted for inflation annually on July 1st. The rental payment at the end of the audit year was \$2,048 per month. Rent expense was \$24,374 and \$23,511 for the years ended December 31, 2015 and 2014 respectively for this lease commitment. Required lease payments expected to be paid in the following year total \$12,288.

9. *Concentration of Support*

In 2015 Dogwood received 57% of its total support from a single donor. In the previous year Dogwood received 71% of its 2014 support from this same donor.

10. *Summarized Comparative Data*

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2014, from which the comparative information was derived. In addition, certain reclassifications have been made to the prior year information to facilitate comparison to the current year.

11. *Subsequent Events*

As of the date of the report, the organization is in the process of extending their office lease (see note 8) for one additional year through June 30, 2017. Management does not anticipate any problems related to this extension.

Subsequent Events have been evaluated through June 8, 2016, which is the date the financial statements were available to be issued.