

DOGWOOD ALLIANCE, INC.
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Dogwood Alliance, Inc.

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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, 2014, 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 required 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, 2014, 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. 2013 financial statements, and our report dated May 5, 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 December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Corliss & Solomon, PLLC

Asheville, North Carolina
May 12, 2015

Dogwood Alliance, Inc.
Statement of Financial Position

As of December 31, 2014

(With summarized comparative totals as of December 31, 2013)

	2014	2013
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 769,328	\$ 536,827
Pledges Receivable	711,279	406,366
Grants Receivable	33,254	4,242
Sales Tax Receivable	1,003	-
Security Deposit	2,000	1,400
Prepaid Rent	1,895	1,895
Total Current Assets	1,518,759	950,730
<u>Long-Term Assets</u>		
Property and Equipment, Net	13,196	7,114
Total Long-Term Assets	13,196	7,114
Total Assets	1,531,955	957,844
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	40,000	16,784
Accrued Salaries	18,201	13,758
Payroll Tax Liabilities	1,284	1,640
Flexible Benefits	3,599	1,980
Deposits Held	-	600
Deferred Revenue	-	644
Total Current Liabilities	63,084	35,406
<u>Net Assets</u>		
Unrestricted	453,159	386,724
Temporarily Restricted	1,015,712	535,714
Total Net Assets	1,468,871	922,438
Total Liabilities and Net Assets	\$ 1,531,955	\$ 957,844

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

Dogwood Alliance, Inc.

Statement of Activities

Year Ended December 31, 2014

(With summarized comparative totals from the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
<u>Support</u>				
Foundation Grants	\$ 89,264	\$ 235,000	\$ 324,264	385,542
Contributions	70,699	1,000,000	1,070,699	651,028
Fundraising Events	-	-	-	14,959
Interest Income	875	-	875	766
Rental Income	2,854	-	2,854	7,595
Other Revenue	1,002	-	1,002	2,700
Net Assets Released from Restrictions				
By Expiration of Time	400,000	(400,000)	-	-
By Expenditure	355,002	(355,002)	-	-
Total Support	<u>919,696</u>	<u>479,998</u>	<u>1,399,694</u>	<u>1,062,590</u>
<u>Expenses</u>				
Program Services				
Packaging Campaign	88,186	-	88,186	71,048
Carbon Canopy	121,235	-	121,235	186,507
Bioenergy	264,134	-	264,134	170,367
Total Program Services	<u>473,555</u>	<u>-</u>	<u>473,555</u>	<u>427,922</u>
Management and General	188,628	-	188,628	119,901
Fundraising	191,077	-	191,077	146,539
Total Expenses	<u>853,261</u>	<u>-</u>	<u>853,261</u>	<u>694,362</u>
Change in Net Assets	<u>66,435</u>	<u>479,998</u>	<u>546,433</u>	<u>368,228</u>
Net Assets Beginning of Year	<u>386,724</u>	<u>535,714</u>	<u>922,438</u>	<u>554,210</u>
Net Assets at End of Year	<u>\$ 453,159</u>	<u>\$ 1,015,712</u>	<u>\$ 1,468,871</u>	<u>\$ 922,438</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2014

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services			Total 2014	Total 2013
	Packaging Campaign	Carbon Canopy	Bioenergy	Total Programs	Management & General	Fund Raising		
<u>Personnel Expenses</u>								
Salaries	\$ 43,056	\$ 41,394	\$ 118,821	\$ 203,271	\$ 102,112	\$ 61,156	\$ 366,539	\$ 344,209
Payroll Taxes	3,238	3,289	9,525	16,052	8,553	5,979	30,585	27,241
Retirement Plan	927	948	1,997	3,872	1,941	1,399	7,212	6,279
Health Insurance	3,550	3,384	11,089	18,023	8,475	4,478	30,976	24,281
Total Personnel	<u>50,771</u>	<u>49,015</u>	<u>141,432</u>	<u>241,218</u>	<u>121,081</u>	<u>73,012</u>	<u>435,312</u>	<u>402,010</u>
<u>Marketing and Education</u>								
Publication Design	1,038	1,038	4,204	6,280	-	1,081	7,361	6,541
Advertising	925	3,716	3,509	8,150	907	1,553	10,610	3,647
Media Consulting	1,938	2,938	3,938	8,814	-	2,436	11,250	9,600
Events	-	-	-	-	-	116	116	7,052
Website/Webmaster	902	939	1,143	2,984	-	821	3,805	1,077
Materials Fact Sheets/Post Card	835	1,412	1,752	3,999	-	2,801	6,800	5,592
Materials Video Production	-	-	3,721	3,721	-	-	3,721	4,521
Supplies	-	-	3,431	3,431	89	283	3,803	1,688
Total Marketing and Education	<u>5,638</u>	<u>10,043</u>	<u>21,698</u>	<u>37,379</u>	<u>996</u>	<u>9,091</u>	<u>47,466</u>	<u>39,718</u>
<u>Professional Services</u>								
Carbon Canopy Project Development	-	42,557	-	42,557	-	-	42,557	93,754
Consulting	5,622	3,269	29,485	38,376	18,110	73,993	130,479	17,350
Information Technology	657	650	1,964	3,271	1,943	957	6,171	5,723
Accounting	439	433	791	1,663	12,244	678	14,585	12,898
Legal	45	39	173	257	94	43	394	158
Total Professional Services	<u>6,763</u>	<u>46,948</u>	<u>32,413</u>	<u>86,124</u>	<u>32,391</u>	<u>75,671</u>	<u>194,186</u>	<u>129,883</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2014

(With summarized comparative totals from the prior year)

	<u>Program Services</u>			<u>Supporting Services</u>				
	<u>Packaging Campaign</u>	<u>Carbon Canopy</u>	<u>Bioenergy</u>	<u>Total Programs</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total 2014</u>	<u>Total 2013</u>
<i>(Continued from previous page)</i>								
<u>Meetings</u>								
Bioenergy Meetings	-	-	815	815	-	-	815	8
Board of Directors	1,572	1,762	3,340	6,674	1,693	1,371	9,738	2,536
Other Meetings	338	1,554	693	2,585	1,058	528	4,171	7,247
Total Meetings	<u>1,910</u>	<u>3,316</u>	<u>4,848</u>	<u>10,074</u>	<u>2,751</u>	<u>1,899</u>	<u>14,724</u>	<u>9,791</u>
<u>Database Growth and Maintenance</u>								
Growth	10	8	8,780	8,798	17	7	8,822	6,000
Maintenance	538	181	564	1,283	755	537	2,575	5,120
Total Database	<u>548</u>	<u>189</u>	<u>9,344</u>	<u>10,081</u>	<u>772</u>	<u>544</u>	<u>11,397</u>	<u>11,120</u>
<u>Telephone and Internet</u>								
Mobile and VoIP	1,350	1,406	3,860	6,616	3,133	1,804	11,553	10,265
Internet	296	177	789	1,262	664	378	2,304	1,950
Total Telephone and Internet	<u>1,646</u>	<u>1,583</u>	<u>4,649</u>	<u>7,878</u>	<u>3,797</u>	<u>2,182</u>	<u>13,857</u>	<u>12,215</u>
<u>Occupancy</u>								
Rent	2,815	2,668	7,722	13,205	6,607	3,699	23,511	22,410
Utilities	433	436	1,093	1,962	1,610	675	4,247	5,074
Maintenance	234	215	700	1,149	796	280	2,225	2,154
Total Occupancy	<u>3,482</u>	<u>3,319</u>	<u>9,515</u>	<u>16,316</u>	<u>9,013</u>	<u>4,654</u>	<u>29,983</u>	<u>29,638</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2014

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services			Total 2014	Total 2013
	Packaging Campaign	Carbon Canopy	Bioenergy	Total Programs	Management & General	Fund Raising		
<i>(Continued from previous page)</i>								
<u>Operating and Other Expenses</u>								
Dues and Subscriptions	2,842	1,980	3,227	8,049	554	4,978	13,581	350
License and Fees	-	-	-	-	816	1,895	2,711	2,962
Insurance	675	316	1,256	2,247	719	317	3,283	4,076
IT Hardware and Software	520	624	1,559	2,703	1,039	1,455	5,197	11,496
Office Supplies & Postage	1,552	1,468	5,262	8,282	7,270	5,559	21,111	7,076
Travel	11,456	2,135	27,662	41,253	1,006	9,616	51,875	30,294
Trainings and Conferences	383	299	1,269	1,951	2,134	204	4,289	1,398
Total Operating and Other	<u>17,428</u>	<u>6,822</u>	<u>40,235</u>	<u>64,485</u>	<u>13,538</u>	<u>24,024</u>	<u>102,047</u>	<u>57,652</u>
Sub-total Expenses	<u>88,186</u>	<u>121,235</u>	<u>264,134</u>	<u>473,555</u>	<u>184,339</u>	<u>191,077</u>	<u>848,972</u>	<u>692,027</u>
Depreciation Expense	-	-	-	-	4,289	-	4,289	2,335
Total Expenses	<u>\$ 88,186</u>	<u>\$ 121,235</u>	<u>\$ 264,134</u>	<u>\$ 473,555</u>	<u>\$ 188,628</u>	<u>\$ 191,077</u>	<u>\$ 853,261</u>	<u>\$ 694,362</u>

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

Dogwood Alliance, Inc.

Statement of Cash Flows

Year Ended December 31, 2014

(With summarized comparative totals from the prior year)

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 546,433	\$ 368,228
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation Expense	4,289	2,335
(Increase)/Decrease in Operating Assets		
Grants Receivable	(29,012)	70,758
Pledges Receivable	(304,913)	(206,366)
Sales Tax Receivable	(1,003)	-
Security Deposit	(600)	-
Prepaid Rent	-	(55)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	23,216	9,267
Payroll Liabilities	(356)	(1,050)
Accrued Salaries	4,443	125
Flexible Benefits	1,619	186
Deposits Held	(600)	-
Deferred Revenue	(644)	19
Net Cash Provided by Operating Activities	<u>242,872</u>	<u>243,447</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(10,371)	(6,012)
Sale of Investments	-	6
Net Cash Used by Investing Activities	<u>(10,371)</u>	<u>(6,006)</u>
Net Change in Cash and Equivalents	232,501	237,441
Cash and Equivalents at Beginning of Year	<u>536,827</u>	<u>299,386</u>
Cash and Equivalents at End of Year	<u>\$ 769,328</u>	<u>\$ 536,827</u>

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

Dogwood Alliance, Inc.

Notes to Financial Statements

Year Ended December 31, 2014

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, 2014)

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, 2014 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. The organization's Forms 990 for 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after being filed.

2. Cash and Equivalents

Cash and equivalents consists of the following bank accounts balances:

<u>As of December 31:</u>	<u>2014</u>	<u>2013</u>
Wells Fargo Checking Account	\$ 47,459	\$ 27,599
Wells Fargo Savings Account	485,551	303,175
Money Market Account	236,318	173,950
Undeposited Funds	-	32,103
Total Cash and Equivalents	<u>\$ 769,328</u>	<u>\$ 536,827</u>

3. Grants Receivable

Grants Receivable consisted of the following:

<u>As of December 31:</u>	<u>2014</u>	<u>2013</u>
Z. Smith Reynolds Foundation	\$ 20,000	\$ -
NRCS Gov Grant Reimbursement	13,254	4,242
Total Grants Receivable	<u>\$ 33,254</u>	<u>\$ 4,242</u>

4. Pledges Receivable

The year-end pledges receivable balance of \$711,279 as of December 31, 2014 consists of one pledge from an individual in the amount of \$700,000, in which Dogwood received payment in January 2015. 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.

5. Property and Equipment

Property and Equipment consisted of the following:

<u>As of December 31:</u>	<u>2014</u>	<u>2013</u>
Computer and Telephone Equipment	\$ 23,600	\$ 14,099
Less: Accumulated Depreciation	(10,404)	(6,985)
Property and Equipment, Net	<u>\$ 13,196</u>	<u>\$ 7,114</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>2014</u>	<u>2013</u>
Packaging Campaign	\$ 1,230	\$ 23,693
Carbon Canopy	-	72,605
Bioenergy	314,482	39,416
Time Restricted	700,000	400,000
Total Temporarily Restricted Net Assets	<u>\$ 1,015,712</u>	<u>\$ 535,714</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 \$7,212 and \$6,259 for the years ended December 31, 2014 and 2013 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 \$1,970 per month. Rent expense was \$23,511 and \$22,410 for the years ended December 31, 2014 and 2013 respectively. Required lease payments by year for the remainder of the lease term are as follows:

Year Ending December 31:

2015	\$	22,740
2016		<u>11,370</u>
Total	\$	<u><u>34,110</u></u>

9. Concentration of Support

In 2014 Dogwood received 72% of its total support from a single donor. In previous years Dogwood received 52% of its 2013 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, 2013, 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

Subsequent Events have been evaluated through May 12, 2015, which is the date the financial statements were available to be issued.