

DOGWOOD ALLIANCE, INC.
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Dogwood Alliance, Inc.
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Year Ended December 31, 2016

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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, 2016, 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, 2016, 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. 2015 financial statements, and our report dated June 8, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina
May 10, 2017

Dogwood Alliance, Inc.
Statement of Financial Position

As of December 31, 2016

(With summarized comparative totals as of December 31, 2015)

	2016	2015
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 1,166,988	\$ 1,130,135
Contributions Receivable	711,168	707,079
Grants Receivable	145,000	85,422
Security Deposit	2,941	2,000
Prepaid Expenses	25,633	23,696
Total Current Assets	2,051,730	1,948,332
<u>Long-Term Assets</u>		
Property and Equipment, Net	11,522	17,330
Total Long-Term Assets	11,522	17,330
Total Assets	2,063,252	1,965,662
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	33,982	34,550
Accrued Salaries	38,967	28,939
Payroll Tax Liabilities	5,267	5,899
Flexible Benefits	3,031	4,514
Total Current Liabilities	81,247	73,902
<u>Net Assets</u>		
Unrestricted	803,234	922,951
Temporarily Restricted	1,178,771	968,809
Total Net Assets	1,982,005	1,891,760
Total Liabilities and Net Assets	\$ 2,063,252	\$ 1,965,662

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

Dogwood Alliance, Inc.
Statement of Activities

Year Ended December 31, 2016

(With summarized comparative totals from the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Support				
Foundation Grants	\$ 42,000	\$ 654,000	\$ 696,000	658,485
Contributions	193,711	705,800	899,511	1,085,890
Fundraising Events	6,595	-	6,595	4,789
Interest Income	1,235	-	1,235	1,121
In-Kind Contributions	6,174	-	6,174	-
Other Revenue	-	-	-	1,035
Net Assets Released from Restrictions				
By Expiration of Time	700,000	(700,000)	-	-
By Expenditure	449,838	(449,838)	-	-
Total Support	<u>1,399,553</u>	<u>209,962</u>	<u>1,609,515</u>	<u>1,751,320</u>
Expenses				
Program Services				
Paper Campaign	97,154	-	97,154	145,825
Carbon Canopy	-	-	-	93,480
Conservation Initiative	167,072	-	167,072	-
Bioenergy	688,778	-	688,778	601,352
Total Program Services	<u>953,004</u>	<u>-</u>	<u>953,004</u>	<u>840,657</u>
Management and General	285,456	-	285,456	275,796
Fundraising	<u>280,810</u>	<u>-</u>	<u>280,810</u>	<u>211,978</u>
Total Expenses	<u>1,519,270</u>	<u>-</u>	<u>1,519,270</u>	<u>1,328,431</u>
Change in Net Assets	<u>(119,717)</u>	<u>209,962</u>	<u>90,245</u>	<u>422,889</u>
Net Assets Beginning of Year	<u>922,951</u>	<u>968,809</u>	<u>1,891,760</u>	<u>1,468,871</u>
Net Assets at End of Year	<u>\$ 803,234</u>	<u>\$ 1,178,771</u>	<u>\$ 1,982,005</u>	<u>\$ 1,891,760</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2016

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services			Total 2016	Total 2015
	Paper Campaign	Conservation Initiative	Bioenergy	Total Programs	Management & General	Fundraising		
<u>Personnel Expenses</u>								
Salaries	\$ 36,122	\$ 67,741	\$ 344,607	\$ 448,470	\$ 170,809	\$ 136,824	\$ 756,103	\$ 663,648
Payroll Taxes	3,429	4,686	26,961	35,076	12,972	11,064	59,112	50,783
Retirement Plan	1,145	1,310	6,466	8,921	2,776	2,142	13,839	10,899
Health Insurance and HSA	7,253	8,340	31,591	47,184	14,565	12,224	73,973	39,124
Total Personnel	<u>47,949</u>	<u>82,077</u>	<u>409,625</u>	<u>539,651</u>	<u>201,122</u>	<u>162,254</u>	<u>903,027</u>	<u>764,454</u>
<u>Marketing and Education</u>								
Publication Design	85	1,606	4,838	6,529	-	362	6,891	13,091
Advertising	4,120	5,082	44,993	54,195	1,400	14,377	69,972	28,208
Research and Consulting	2,229	7,115	54,888	64,232	-	9,549	73,781	-
Events	111	201	8,463	8,775	19	15,745	24,539	3,253
Website/Webmaster	481	883	5,814	7,178	-	2,050	9,228	2,883
Materials Fact Sheets/Post Card	117	160	2,478	2,755	122	5,935	8,812	5,267
Materials Video Production	201	2,122	3,751	6,074	-	863	6,937	19,790
Supplies	189	348	3,915	4,452	79	3,349	7,880	6,356
Total Marketing and Education	<u>7,533</u>	<u>17,517</u>	<u>129,140</u>	<u>154,190</u>	<u>1,620</u>	<u>52,230</u>	<u>208,040</u>	<u>78,848</u>
<u>Professional Services</u>								
Consulting	22,153	36,449	53,989	112,591	18,822	23,866	155,279	166,142
Information Technology	317	412	1,656	2,385	2,845	566	5,796	9,802
Accounting and Human Resources	139	90	1,017	1,246	22,862	202	24,310	29,972
Legal	-	-	-	-	3,837	-	3,837	6,232
Total Professional Services	<u>22,609</u>	<u>36,951</u>	<u>56,662</u>	<u>116,222</u>	<u>48,366</u>	<u>24,634</u>	<u>189,222</u>	<u>212,148</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, 2016

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services			Total 2016	Total 2015
	Paper Campaign	Conservation Initiative	Bioenergy	Total Programs	Management & General	Fundraising		
<i>(Continued from previous page)</i>								
Meetings								
Board of Directors	1,611	1,210	9,464	12,285	5,037	2,410	19,732	14,002
Other Meetings	<u>545</u>	<u>2,050</u>	<u>3,453</u>	<u>6,048</u>	<u>2,178</u>	<u>1,067</u>	<u>9,293</u>	<u>6,775</u>
Total Meetings	<u>2,156</u>	<u>3,260</u>	<u>12,917</u>	<u>18,333</u>	<u>7,215</u>	<u>3,477</u>	<u>29,025</u>	<u>20,777</u>
Database								
Growth	-	-	-	-	-	1,838	1,838	20,017
Maintenance	<u>1,190</u>	<u>913</u>	<u>6,332</u>	<u>8,435</u>	<u>-</u>	<u>8,217</u>	<u>16,652</u>	<u>21,069</u>
Total Database	<u>1,190</u>	<u>913</u>	<u>6,332</u>	<u>8,435</u>	<u>-</u>	<u>10,055</u>	<u>18,490</u>	<u>41,086</u>
Telephone and Internet								
Mobile and VoIP	1,049	1,271	6,392	8,712	3,068	2,172	13,952	13,253
Internet	<u>280</u>	<u>180</u>	<u>1,593</u>	<u>2,053</u>	<u>297</u>	<u>375</u>	<u>2,725</u>	<u>3,231</u>
Total Telephone and Internet	<u>1,329</u>	<u>1,451</u>	<u>7,985</u>	<u>10,765</u>	<u>3,365</u>	<u>2,547</u>	<u>16,677</u>	<u>16,484</u>
Occupancy								
Rent	2,912	3,497	12,901	19,310	6,012	4,961	30,283	24,374
Utilities	502	587	2,175	3,264	993	847	5,104	4,372
Maintenance	<u>197</u>	<u>244</u>	<u>1,040</u>	<u>1,481</u>	<u>461</u>	<u>345</u>	<u>2,287</u>	<u>2,705</u>
Total Occupancy	<u>3,611</u>	<u>4,328</u>	<u>16,116</u>	<u>24,055</u>	<u>7,466</u>	<u>6,153</u>	<u>37,674</u>	<u>31,451</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, 2016

(With summarized comparative totals from the prior year)

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total 2016</u>	<u>Total 2015</u>	
	<u>Paper Campaign</u>	<u>Conservation Initiative</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	291	158	1,147	1,596	538	509	2,643	24,836
License and Fees	-	-	-	-	351	3,354	3,705	7,434
Insurance	867	927	4,091	5,885	1,818	1,424	9,127	4,978
IT Hardware and Software	507	445	2,922	3,874	2,073	798	6,745	6,552
Office Supplies & Postage	744	975	5,302	7,021	3,339	5,935	16,295	15,747
Travel	4,305	13,316	29,764	47,385	1,354	6,882	55,621	86,122
Trainings and Conferences	873	4,754	6,775	12,402	894	558	13,854	8,712
Total Operating and Other	<u>7,587</u>	<u>20,575</u>	<u>50,001</u>	<u>78,163</u>	<u>10,367</u>	<u>19,460</u>	<u>107,990</u>	<u>154,381</u>
Sub-total Expenses	<u>93,964</u>	<u>167,072</u>	<u>688,778</u>	<u>949,814</u>	<u>279,521</u>	<u>280,810</u>	<u>1,510,145</u>	<u>1,319,629</u>
Depreciation Expense	<u>3,190</u>	<u>-</u>	<u>-</u>	<u>3,190</u>	<u>5,935</u>	<u>-</u>	<u>9,125</u>	<u>8,802</u>
Total Expenses	<u>\$ 97,154</u>	<u>\$ 167,072</u>	<u>\$ 688,778</u>	<u>\$ 953,004</u>	<u>\$ 285,456</u>	<u>\$ 280,810</u>	<u>\$ 1,519,270</u>	<u>\$ 1,328,431</u>

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

Dogwood Alliance, Inc.
Statement of Cash Flows
Year Ended December 31, 2016

(With summarized comparative totals from the prior year)

	2016	2015
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 90,245	\$ 422,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	9,125	8,802
(Increase)/Decrease in Operating Assets		
Grants Receivable	(59,578)	(52,168)
Pledges Receivable	(4,089)	4,200
Sales Tax Receivable	-	1,003
Security Deposit	(941)	-
Prepaid Expenses	(1,937)	(21,801)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(568)	(5,450)
Payroll Liabilities	(632)	4,615
Accrued Salaries	10,028	10,738
Flexible Benefits	(1,483)	915
Net Cash Provided by Operating Activities	40,170	373,743
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(3,317)	(12,936)
Net Cash Used by Investing Activities	(3,317)	(12,936)
Net Change in Cash and Equivalents	36,853	360,807
Cash and Equivalents at Beginning of Year	1,130,135	769,328
Cash and Equivalents at End of Year	\$ 1,166,988	\$ 1,130,135

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

Dogwood Alliance, Inc.
Notes to Financial Statements
Year Ended December 31, 2016

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, 2016)

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

In accordance with U.S. GAAP, Dogwood follows “Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon 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 no income from unrelated business activities in the year ended December 31, 2016 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>2016</u>	<u>2015</u>
Wells Fargo Checking Account	\$ 41,859	\$ 179,182
Wells Fargo Savings Account	768,123	465,921
Money Market Account	357,006	356,649
Undeposited Funds	-	128,383
Total Cash and Equivalents	<u>\$ 1,166,988</u>	<u>\$ 1,130,135</u>

Dogwood maintains cash balances at two financial institutions. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2016, cash held by Dogwood exceeded the FDIC insured limit by \$357,006 at one bank and \$107,006 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 \$711,168 as of December 31, 2016 consists of one pledge from an individual in the amount of \$700,000, in which Dogwood received payment in January 2017. 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 consists of the following:

<u>As of December 31:</u>	<u>2016</u>	<u>2015</u>
Foundation Grants Receivables	\$ 145,000	\$ 70,000
Gov Grant Reimbursements	-	15,422
Total Grants Receivable	<u>\$ 145,000</u>	<u>\$ 85,422</u>

5. Property and Equipment

Property and Equipment consisted of the following:

<u>As of December 31:</u>	<u>2016</u>	<u>2015</u>
Computer and Telephone Equipment	\$ 39,852	\$ 36,536
Less: Accumulated Depreciation	(28,330)	(19,206)
Property and Equipment, Net	<u>\$ 11,522</u>	<u>\$ 17,330</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>2016</u>	<u>2015</u>
Bioenergy	\$ 416,235	\$ 184,824
Conservation Initiative	52,542	30,000
Organization Development	-	50,000
Paper Campaign	9,994	3,985
Time Restricted	700,000	700,000
Total Temporarily Restricted Net Assets	<u>\$ 1,178,771</u>	<u>\$ 968,809</u>

7. Retirement Plan

Dogwood provides a SIMPLE IRA account for each eligible employee and make a non-elective contribution of two percent of their salary. Total retirement plan expense to the organization was \$13,839 and \$10,899 for the years ended December 31, 2016 and 2015 respectively.

8. Lease Commitments

Dogwood leases office space on a three-year lease expiring June 30, 2017. Rental payments are adjusted for inflation annually on July 1st. The rental payment at the end of the audit year was \$2,839 per month. Rent expense was \$30,283 and \$24,374 for the years ended December 31, 2016 and 2015 respectively for this lease commitment. Required lease payments expected to be paid in the following year total \$17,034.

9. Concentration of Support

In 2016, Dogwood received 50% of its total support from a single donor. In the previous year Dogwood received 57% of its 2015 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, 2015, 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

In April 2017, Dogwood extended their current office lease for three additional months and was notified that the office space described in note 8 would not be available for renewal after September 30, 2017.

Subsequent Events have been evaluated through May 10, 2017, which is the date the financial statements were available to be issued.