

DOGWOOD ALLIANCE, INC.
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Dogwood Alliance, Inc.
Table of Contents
Year Ended December 31, 2017

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, 2017, 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, 2017, 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. 2016 financial statements, and our report dated May 10, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina

May 1, 2018

Dogwood Alliance, Inc.
Statement of Financial Position

As of December 31, 2017

(With summarized comparative totals as of December 31, 2016)

	2017	2016
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 1,331,908	\$ 1,166,988
Contributions Receivable	1,006,985	711,168
Grants Receivable	138,000	145,000
Security Deposit	7,116	2,941
Prepaid Expenses	18,414	25,633
Total Current Assets	2,502,423	2,051,730
<u>Long-Term Assets</u>		
Property and Equipment, Net	6,102	11,522
Total Long-Term Assets	6,102	11,522
Total Assets	\$ 2,508,525	\$ 2,063,252
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 30,140	\$ 33,982
Accrued Salaries	41,484	38,967
Payroll Tax and Benefit Liabilities	8,004	8,298
Total Current Liabilities	79,628	81,247
<u>Net Assets</u>		
Unrestricted	1,047,694	803,234
Temporarily Restricted	1,381,203	1,178,771
Total Net Assets	2,428,897	1,982,005
Total Liabilities and Net Assets	\$ 2,508,525	\$ 2,063,252

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

Dogwood Alliance, Inc.

Statement of Activities

Year Ended December 31, 2017

(With summarized comparative totals from the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Support				
Foundation Grants	\$ 54,500	\$ 547,567	\$ 602,067	\$ 696,000
Contributions	378,157	1,005,130	1,383,287	899,511
Fundraising Events	8,160	-	8,160	6,595
Interest Income	10,071	-	10,071	1,235
In-Kind Contributions	13,463	-	13,463	6,174
Net Assets Released from Restrictions				
By Expiration of Time	700,000	(700,000)	-	-
By Expenditure	650,265	(650,265)	-	-
Total Support	<u>1,814,616</u>	<u>202,432</u>	<u>2,017,048</u>	<u>1,609,515</u>
Expenses				
Program Services				
Paper Campaign	97,479	-	97,479	97,154
Wetland Forest Initiative	214,568	-	214,568	167,072
Our Forests Aren't Fuel	695,897	-	695,897	688,778
Total Program Services	<u>1,007,944</u>	<u>-</u>	<u>1,007,944</u>	<u>953,004</u>
Management and General	260,440	-	260,440	285,456
Fundraising	301,772	-	301,772	280,810
Total Expenses	<u>1,570,156</u>	<u>-</u>	<u>1,570,156</u>	<u>1,519,270</u>
Change in Net Assets	<u>244,460</u>	<u>202,432</u>	<u>446,892</u>	<u>90,245</u>
Net Assets Beginning of Year	<u>803,234</u>	<u>1,178,771</u>	<u>1,982,005</u>	<u>1,891,760</u>
Net Assets at End of Year	<u>\$ 1,047,694</u>	<u>\$ 1,381,203</u>	<u>\$ 2,428,897</u>	<u>\$ 1,982,005</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2017

(With summarized comparative totals from the prior year)

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total 2017</u>	<u>Total 2016</u>
	<u>Paper Campaign</u>	<u>Wetland Forest Initiative</u>	<u>Our Forests Aren't Fuel</u>	<u>Total Programs</u>	<u>Management & General</u>	<u>Fundraising</u>		
<u>Personnel Expenses</u>								
Salaries	\$ 45,984	\$ 87,053	\$ 370,262	\$ 503,299	\$ 155,545	\$ 163,900	\$ 822,744	\$ 756,103
Payroll Taxes	3,496	6,419	29,222	39,137	11,460	12,648	63,245	59,112
Retirement Plan	908	1,677	6,285	8,870	3,026	2,393	14,289	13,839
Health Insurance and HSA	3,603	11,044	34,709	49,356	12,817	14,128	76,301	73,973
Total Personnel	<u>53,991</u>	<u>106,193</u>	<u>440,478</u>	<u>600,662</u>	<u>182,848</u>	<u>193,069</u>	<u>976,579</u>	<u>903,027</u>
<u>Marketing and Education</u>								
Publication Design	186	4,733	4,748	9,667	-	913	10,580	6,891
Advertising	1,368	2,732	31,618	35,718	3	3,921	39,642	69,972
Research and Consulting	173	356	2,007	2,536	-	680	3,216	73,781
Events	432	1,649	7,414	9,495	478	22,050	32,023	24,539
Website	468	1,825	4,965	7,258	-	1,837	9,095	9,228
Printed Materials	190	405	5,606	6,201	32	3,424	9,657	8,812
Video Production	538	2,183	8,706	11,427	-	2,117	13,544	6,937
Supplies	323	713	5,322	6,358	12	1,997	8,367	7,880
Total Marketing and Education	<u>3,678</u>	<u>14,596</u>	<u>70,386</u>	<u>88,660</u>	<u>525</u>	<u>36,939</u>	<u>126,124</u>	<u>208,040</u>
<u>Professional Services</u>								
Consulting	487	47,972	26,569	75,028	17,994	18,641	111,663	155,279
Information Technology	230	821	2,584	3,635	1,934	1,052	6,621	5,796
Accounting and Human Resources	48	172	543	763	20,883	221	21,867	24,310
Legal	-	-	293	293	1,939	-	2,232	3,837
Total Professional Services	<u>765</u>	<u>48,965</u>	<u>29,989</u>	<u>79,719</u>	<u>42,750</u>	<u>19,914</u>	<u>142,383</u>	<u>189,222</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, 2017

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services		Total 2017	Total 2016	
	Paper Campaign	Wetland Forest Initiative	Our Forests Aren't Fuel	Total Programs	Management & General			Fundraising
<i>(Continued from previous page)</i>								
<u>Meetings</u>								
Board of Directors	323	1,155	3,634	5,112	2,479	1,479	9,070	19,732
Other Meetings	<u>623</u>	<u>11,848</u>	<u>5,631</u>	<u>18,102</u>	<u>614</u>	<u>2,004</u>	<u>20,720</u>	<u>9,293</u>
Total Meetings	<u>946</u>	<u>13,003</u>	<u>9,265</u>	<u>23,214</u>	<u>3,093</u>	<u>3,483</u>	<u>29,790</u>	<u>29,025</u>
<u>Database</u>								
Growth	-	-	-	-	-	423	423	1,838
Maintenance	<u>1,532</u>	<u>4,450</u>	<u>16,732</u>	<u>22,714</u>	<u>384</u>	<u>10,213</u>	<u>33,311</u>	<u>16,652</u>
Total Database	<u>1,532</u>	<u>4,450</u>	<u>16,732</u>	<u>22,714</u>	<u>384</u>	<u>10,636</u>	<u>33,734</u>	<u>18,490</u>
<u>Telephone and Internet</u>								
Mobile and VoIP	457	1,644	6,937	9,038	3,680	2,453	15,171	13,952
Internet	<u>105</u>	<u>375</u>	<u>1,210</u>	<u>1,690</u>	<u>439</u>	<u>480</u>	<u>2,609</u>	<u>2,725</u>
Total Telephone and Internet	<u>562</u>	<u>2,019</u>	<u>8,147</u>	<u>10,728</u>	<u>4,119</u>	<u>2,933</u>	<u>17,780</u>	<u>16,677</u>
<u>Occupancy</u>								
Rent	2,222	7,985	25,038	35,245	10,138	10,195	55,578	30,283
Utilities	195	695	2,188	3,078	858	888	4,824	5,104
Maintenance	<u>358</u>	<u>1,282</u>	<u>4,032</u>	<u>5,672</u>	<u>1,203</u>	<u>1,641</u>	<u>8,516</u>	<u>2,287</u>
Total Occupancy	<u>2,775</u>	<u>9,962</u>	<u>31,258</u>	<u>43,995</u>	<u>12,199</u>	<u>12,724</u>	<u>68,918</u>	<u>37,674</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, 2017

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services		Total 2017	Total 2016	
	Paper Campaign	Wetland Forest Initiative	Our Forests Aren't Fuel	Total Programs	Management & General			Fundraising
<i>(Continued from previous page)</i>								
<u>Operating and Other Expenses</u>								
Dues and Subscriptions	288	474	3,653	4,415	254	2,159	6,828	2,643
License and Fees	27	95	299	421	157	2,380	2,958	3,705
Insurance	258	1,023	2,906	4,187	1,056	1,184	6,427	9,127
IT Hardware and Software	562	1,794	7,870	10,226	2,086	2,465	14,777	6,745
Office Supplies & Postage	841	2,121	6,449	9,411	3,668	4,928	18,007	16,295
Travel	2,643	7,779	49,149	59,571	1,068	5,818	66,457	55,621
Trainings and Conferences	701	2,094	19,316	22,111	828	3,140	26,079	13,854
Total Operating and Other	<u>5,320</u>	<u>15,380</u>	<u>89,642</u>	<u>110,342</u>	<u>9,117</u>	<u>22,074</u>	<u>141,533</u>	<u>107,990</u>
Sub-total Expenses	<u>69,569</u>	<u>214,568</u>	<u>695,897</u>	<u>980,034</u>	<u>255,035</u>	<u>301,772</u>	<u>1,536,841</u>	<u>1,510,145</u>
Grant Disbursements	25,000	-	-	25,000	-	-	25,000	-
Depreciation Expense	<u>2,910</u>	<u>-</u>	<u>-</u>	<u>2,910</u>	<u>5,405</u>	<u>-</u>	<u>8,315</u>	<u>9,125</u>
Total Expenses	<u>\$ 97,479</u>	<u>\$ 214,568</u>	<u>\$ 695,897</u>	<u>\$ 1,007,944</u>	<u>\$ 260,440</u>	<u>\$ 301,772</u>	<u>\$ 1,570,156</u>	<u>\$ 1,519,270</u>

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

Dogwood Alliance, Inc.
Statement of Cash Flows
Year Ended December 31, 2017

(With summarized comparative totals from the prior year)

	2017	2016
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 446,892	\$ 90,245
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	8,315	9,125
(Increase)/Decrease in Operating Assets		
Grants Receivable	7,000	(59,578)
Pledges Receivable	(295,817)	(4,089)
Security Deposit	(4,175)	(941)
Prepaid Expenses	7,219	(1,937)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(3,842)	(568)
Payroll Tax and Benefit Liabilities	(294)	(632)
Accrued Salaries	2,517	10,028
Net Cash Provided by Operating Activities	167,815	41,653
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(2,895)	(3,317)
Net Cash Used by Investing Activities	(2,895)	(3,317)
Net Change in Cash and Equivalents	164,920	36,853
Cash and Equivalents at Beginning of Year	1,166,988	1,130,135
Cash and Equivalents at End of Year	\$ 1,331,908	\$ 1,166,988

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

Dogwood Alliance, Inc.
Notes to Financial Statements
Year Ended December 31, 2017

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.”

Our Forests Aren’t Fuel (OFAF) – Biomass energy has emerged as a new threat to Southern forests. Despite the fact that deforestation is the third largest cause of carbon pollution just behind cars and power plants, European policy makers are promoting the burning of Southern forests for electricity to meet their “clean energy” targets. Our standing forests gather and store carbon, which makes them a key solution for carbon pollution. In response, Dogwood Alliance has a major campaign, *Our Forests Aren’t Fuel*, supporting alternative and competitive energy sources like solar and wind while pressuring companies who stand to gain from this practice to put a stop to it. We’re educating and activating citizens, policy makers and industry on both sides of the Atlantic to the dangers of this false energy solution.

Wetland Forest Initiative (WFI) – Wetland forests span nearly 25 million acres across nine states and are critical for community health and safety. They have some of the highest rates of biodiversity and carbon sequestration of any forest type in the US. In 2016, Dogwood Alliance, Inc. launched the Wetland Forests Initiative to engage partners, citizens, political leaders, landowners and many others in a legacy landscape conservation initiative that will protect millions of acres throughout the Southeast.

Paper Campaign – The Southern United States is the largest paper producing region in the world – a region where unsustainable clear cutting was once standard practice. Through a combination of unrelenting campaign pressure and strategic collaborations, our paper campaign has transformed the forestry and paper-buying practices of some of the largest corporations on Earth—including 4 of the 5 major paper producers. Our paper campaign continues to hold paper producers and large paper buyers accountable for their actions.

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, 2017).

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, 2017 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>2017</u>	<u>2016</u>
Checking Account	\$ 23,342	\$ 41,859
Savings Account	-	768,123
Money Market Accounts	1,306,042	357,006
Undeposited Funds	2,524	-
Total Cash and Equivalents	<u>\$ 1,331,908</u>	<u>\$ 1,166,988</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 \$692,750 at one bank and \$161,403 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 \$1,006,985 as of December 31, 2017 comprises one pledge from an individual in the amount of \$1,000,000, in which Dogwood received payment in January 2018. 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 Foundation Grants to be received in the following year. The balance was \$138,000 and \$145,000 as of December 31, 2017 and 2016, respectively.

5. *Property and Equipment*

Property and Equipment consisted of the following:

<u>As of December 31:</u>	<u>2017</u>	<u>2016</u>
Computer and Telephone Equipment	\$ 42,747	\$ 39,852
Less: Accumulated Depreciation	(36,645)	(28,330)
Property and Equipment, Net	<u>\$ 6,102</u>	<u>\$ 11,522</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>2017</u>	<u>2016</u>
Our Forests Aren't Fuel	\$ 349,065	\$ 416,235
Wetland Forest Initiative	29,736	52,542
Paper Campaign	2,402	9,994
Time Restricted	1,000,000	700,000
Total Temporarily Restricted Net Assets	<u>\$ 1,381,203</u>	<u>\$ 1,178,771</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 \$14,289 and \$13,839 for the years ended December 31, 2017 and 2016 respectively.

8. Lease Commitments

Dogwood leases office space on a three-year lease expiring July 31, 2020. Rental payments are adjusted for inflation annually. The rental payment at the end of the audit year was \$5,144 per month. Rent expense was \$55,578 and \$30,283 for the years ended December 31, 2017 and 2016 respectively for this lease commitment. Future minimum lease obligations by year are as follows:

<u>Year Ending December 31:</u>	
2018	\$ 61,728
2019	61,728
2020	36,008
Total	<u>\$ 159,464</u>

9. Concentration of Support

In 2017, Dogwood received 61% of its total support from a single donor. In 2016, Dogwood received 50% of its total support from the same single 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, 2016, 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 1, 2018, which is the date the financial statements were available to be issued.