

DOGWOOD ALLIANCE, INC.
REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Dogwood Alliance, Inc.

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Year Ended December 31, 2013

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CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

242 Charlotte Street
Suite 1
Asheville, NC 28801

Phone 828-236-0206
Fax 828-236-0209
www.candspllc.com

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, 2013, 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, 2013, 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. 2012 financial statements, and our report dated April 30, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Corliss & Solomon, PLLC

Corliss & Solomon, PLLC
Asheville, North Carolina
May 5, 2014

Dogwood Alliance, Inc.
Statement of Financial Position

As of December 31, 2013

(With summarized comparative totals as of December 31, 2012)

	2013	2012
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 536,827	\$ 299,386
Pledges Receivable	406,366	200,000
Grants Receivable	4,242	75,000
Security Deposit	1,400	1,400
Prepaid Rent	1,895	1,840
Investments	-	6
Total Current Assets	950,730	577,632
<u>Long-Term Assets</u>		
Property and Equipment, Net	7,114	3,437
Total Long-Term Assets	7,114	3,437
Total Assets	957,844	581,069
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	16,784	7,517
Accrued Salaries	13,758	13,633
Payroll Tax Liabilities	1,640	2,690
Flexible Benefits	1,980	1,794
Deposits Held	600	600
Deferred Revenue	644	625
Total Current Liabilities	35,406	26,859
<u>Net Assets</u>		
Unrestricted	386,724	185,057
Temporarily Restricted	535,714	369,153
Total Net Assets	922,438	554,210
Total Liabilities and Net Assets	\$ 957,844	\$ 581,069

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

Dogwood Alliance, Inc.

Statement of Activities

Year Ended December 31, 2013

(With summarized comparative totals from the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
<u>Support</u>				
Foundation Grants	\$ 34,542	\$ 351,000	\$ 385,542	\$ 296,500
Contributions	228,528	422,500	651,028	352,755
Fundraising Events	14,959	-	14,959	15,820
Interest Income	766	-	766	809
In-Kind Contributions	255	-	255	2,632
Rental Income	7,595	-	7,595	7,325
Other Revenue	2,445	-	2,445	-
Net Assets Released from Restrictions				
By Expiration of Time	200,000	(200,000)	-	-
By Expenditure	406,939	(406,939)	-	-
Total Support	<u>896,029</u>	<u>166,561</u>	<u>1,062,590</u>	<u>675,841</u>
<u>Expenses</u>				
Program Services				
Packaging Campaign	71,048	-	71,048	171,946
Carbon Canopy	186,507	-	186,507	89,459
Bioenergy	170,368	-	170,368	71,052
Total Program Services	<u>427,922</u>	<u>-</u>	<u>427,922</u>	<u>332,457</u>
Management and General	119,901	-	119,901	111,493
Fundraising	146,539	-	146,539	143,843
Total Expenses	<u>694,362</u>	<u>-</u>	<u>694,362</u>	<u>587,793</u>
Change in Net Assets	<u>201,667</u>	<u>166,561</u>	<u>368,228</u>	<u>88,048</u>
Net Assets Beginning of Year	<u>185,057</u>	<u>369,153</u>	<u>554,210</u>	<u>466,162</u>
Net Assets at End of Year	<u>\$ 386,724</u>	<u>\$ 535,714</u>	<u>\$ 922,438</u>	<u>\$ 554,210</u>

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

Dogwood Alliance, Inc.
Statement of Functional Expenses

Year Ended December 31, 2013

(With summarized comparative totals from the prior year)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total 2013</u>	<u>Total 2012</u>
	<u>Packaging Campaign</u>	<u>Carbon Canopy</u>	<u>Bioenergy</u>	<u>Total Programs</u>	<u>Managemen t & General</u>	<u>Fund Raising</u>		
<u>Personnel Expenses</u>								
Salaries	\$ 34,459	\$ 49,927	\$ 99,690	\$ 184,076	\$ 75,149	\$ 84,984	\$ 344,209	\$ 322,952
Payroll Taxes	2,512	3,455	8,173	14,140	6,282	6,819	27,241	25,700
Retirement Plan	689	999	1,713	3,401	1,269	1,609	6,279	6,201
Health Insurance	2,347	3,051	7,510	12,907	4,803	6,571	24,281	18,416
Total Personnel	<u>40,007</u>	<u>57,432</u>	<u>117,086</u>	<u>214,524</u>	<u>87,503</u>	<u>99,983</u>	<u>402,010</u>	<u>373,269</u>
<u>Marketing and Education</u>								
Publication Design	1,180	3,729	1,139	6,048	-	493	6,541	12,063
Advertising	288	2,427	482	3,197	-	450	3,647	2,389
Media Consulting	8,600	1,000	-	9,600	-	-	9,600	-
Events	282	1,500	1,587	3,369	-	3,683	7,052	17,986
Website/Webmaster	350	115	420	885	131	61	1,077	2,541
Materials Fact Sheets/Post Card	200	1,930	516	2,646	-	2,946	5,592	6,740
Materials Video Production	1,500	-	3,021	4,521	-	-	4,521	16
Supplies	42	144	420	606	104	978	1,688	3,759
Total Marketing and Education	<u>12,442</u>	<u>10,845</u>	<u>7,585</u>	<u>30,872</u>	<u>235</u>	<u>8,611</u>	<u>39,718</u>	<u>45,494</u>
<u>Professional Services</u>								
Carbon Canopy Project Development	-	93,754	-	93,754	-	-	93,754	19,519
Consulting	4,100	3,750	5,750	13,600	-	3,750	17,350	5,500
Information Technology	563	700	1,818	3,081	1,082	1,560	5,723	9,918
Accounting	-	-	-	-	12,898	-	12,898	12,105
Legal	-	-	-	-	158	-	158	-
Total Professional Services	<u>4,663</u>	<u>98,204</u>	<u>7,568</u>	<u>110,435</u>	<u>14,138</u>	<u>5,310</u>	<u>129,883</u>	<u>47,042</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, 2013

(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>Managemen t & General</u>	<u>Fund Raising</u>	<u>Total 2013</u>	<u>Total 2012</u>
<i>(Continued from previous page)</i>								
<u>Meetings</u>								
Bioenergy Meetings	-	-	8	8	-	-	8	692
Board of Directors	288	365	576	1,229	541	766	2,536	5,951
Other Meetings	234	4,076	1,692	6,002	372	873	7,247	5,716
Total Meetings	<u>522</u>	<u>4,441</u>	<u>2,276</u>	<u>7,239</u>	<u>913</u>	<u>1,639</u>	<u>9,791</u>	<u>12,359</u>
<u>Database Growth and Maintenance</u>								
Growth	768	1,207	2,947	4,922	-	1,078	6,000	5,000
Maintenance	414	502	514	1,430	400	3,290	5,120	2,400
Total Database	<u>1,182</u>	<u>1,709</u>	<u>3,461</u>	<u>6,352</u>	<u>400</u>	<u>4,368</u>	<u>11,120</u>	<u>7,400</u>
<u>Telephone and Internet</u>								
Mobile and VoIP	1,030	1,282	3,010	5,322	2,086	2,857	10,265	8,285
Internet	196	244	572	1,012	395	543	1,950	2,289
Total Telephone and Internet	<u>1,226</u>	<u>1,526</u>	<u>3,582</u>	<u>6,334</u>	<u>2,481</u>	<u>3,400</u>	<u>12,215</u>	<u>10,574</u>
<u>Occupancy</u>								
Rent	2,242	2,797	6,862	11,901	4,262	6,247	22,410	21,762
Utilities	512	650	1,576	2,738	981	1,355	5,074	4,073
Maintenance	237	241	771	1,249	458	447	2,154	2,116
Total Occupancy	<u>2,991</u>	<u>3,688</u>	<u>9,209</u>	<u>15,888</u>	<u>5,701</u>	<u>8,049</u>	<u>29,638</u>	<u>27,951</u>
<u>Operating and Other Expenses</u>								
Dues and Subscriptions	110	164	34	308	19	23	350	4,357

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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, 2013

(With summarized comparative totals from the prior year)

	Program Services			Supporting Services		Total 2013	Total 2012	
	Packaging Campaign	Carbon Canopy	Bioenergy	Total Programs	Managemen t & General			Fund Raising
License and Fees	-	-	-	-	325	2,637	2,962	3,979
Insurance	365	413	1,310	2,088	587	1,401	4,076	4,161
IT Hardware and Software	1,150	1,380	3,449	5,979	2,299	3,218	11,496	4,652
Office Supplies & Postage	398	545	1,208	2,151	2,490	2,435	7,076	7,758
Travel	5,904	6,048	12,912	24,864	73	5,357	30,294	32,989
Trainings and Conferences	88	112	688	888	402	108	1,398	2,413
Total Operating and Other	8,015	8,662	19,601	36,278	6,195	15,179	57,652	60,309
Sub-total Expenses	71,048	186,507	170,368	427,922	117,566	146,539	692,027	584,398
Depreciation Expense	-	-	-	-	2,335	-	2,335	2,529
Loss on Disposal of Assets	-	-	-	-	-	-	-	866
Total Expenses	\$ 71,048	\$ 186,507	\$ 170,368	\$ 427,922	\$ 119,901	\$ 146,539	\$ 694,362	\$ 587,793

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

Dogwood Alliance, Inc.

Statement of Cash Flows

Year Ended December 31, 2013

(With summarized comparative totals from the prior year)

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 368,228	\$ 88,048
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation Expense	2,335	2,529
Loss from Asset Disposal	-	866
(Increase)/Decrease in Operating Assets		
Grants Receivable	70,758	(55,000)
Pledges Receivable	(206,366)	(94,400)
Prepaid Rent	(55)	(53)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	9,267	4,467
Payroll Liabilities	(1,050)	874
Accrued Salaries	125	5,740
Flexible Benefits	186	(216)
Deferred Revenue	19	25
Net Cash Used/(Provided) by Operating Activities	<u>243,447</u>	<u>(47,120)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Equipment	(6,012)	(852)
Sale of Investments	6	83
Net Cash Used by Investing Activities	<u>(6,006)</u>	<u>(769)</u>
Net Change in Cash and Equivalents	237,441	(47,889)
Cash and Equivalents at Beginning of Year	<u>299,386</u>	<u>347,275</u>
Cash and Equivalents at End of Year	<u>\$ 536,827</u>	<u>\$ 299,386</u>

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

Dogwood Alliance, Inc.
Notes to Financial Statements
Year Ended December 31, 2013

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, 2013)

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, 2013 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 2010, 2011 and 2012 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>2013</u>	<u>2012</u>
Checking Account	\$ 27,599	\$ 49,656
Wells Fargo Sweep Account	303,175	80,287
Money Market Account	173,950	153,565
Undeposited Funds	32,103	15,878
Total Cash and Equivalents	<u>\$ 536,827</u>	<u>\$ 299,386</u>

3. Grants Receivable

Grants Receivable consisted of the following:

<u>As of December 31:</u>	<u>2013</u>	<u>2012</u>
Bluemoon Fund	\$ -	\$ 25,000
Wells Fargo Foundation	-	50,000
NRCS Gov Grant Reimbursement	4,242	-
Total Grants Receivable	<u>\$ 4,242</u>	<u>\$ 75,000</u>

4. Pledges Receivable

The year-end pledges receivable balance of \$405,563 consists of one main pledge from an individual, on which Dogwood received payment in January 2014. Accordingly no allowance account has been established for this account.

5. Property and Equipment

Property and Equipment consisted of the following:

<u>As of December 31:</u>	<u>2013</u>	<u>2012</u>
Computer and Telephone Equipment	\$ 14,099	\$ 8,816
Less: Accumulated Depreciation	(6,985)	(5,379)
Property and Equipment, Net	<u>\$ 7,114</u>	<u>\$ 3,437</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>2013</u>	<u>2012</u>
Packaging Campaign	\$ 23,693	\$ 3,480
Carbon Canopy	72,605	114,503
Bioenergy	9,266	50,000
Bioenergy: Virginia Focal Area	30,150	1,170
General Support for 2013	-	200,000
General Support for 2014	400,000	-
Total Temporarily Restricted Net Assets	<u>\$ 535,714</u>	<u>\$ 369,153</u>

7. Retirement Plan

Dogwood provides a SIMPLE IRA account for each eligible employee. It matched two percent of salary to the employee accounts in 2012. Total retirement plan expense to the organization was \$7,550 and \$6,201 for the years ended December 31, 2013 and 2012 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 \$1,895 per month. Rent expense for 2013 was \$22,410. Required lease payments by year for the remainder of the lease term are as follows:

Year Ending December 31:

2014	\$	22,740
2015		22,740
2016		11,370
Total	\$	<u>56,850</u>

9. Concentration of Support

In 2013 Dogwood received 52% of its total support from a single donor. In previous years Dogwood received 45% of its 2012 support and 19% of its 2011 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, 2012, 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 5, 2014, which is the date the financial statements were available to be issued.