

**SOUTHERN APPALACHIAN
WILDERNESS STEWARDS**

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Southern Appalachian Wilderness Stewards

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Appalachian Wilderness Stewards
Asheville, North Carolina

We have audited the accompanying financial statements of Southern Appalachian Wilderness Stewards, which comprise the statement of financial position as of September 30, 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 Southern Appalachian Wilderness Stewards as of September 30, 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.

Carliss and Solomon, PLLC

Asheville, North Carolina
April 29, 2016

Southern Appalachian Wilderness Stewards

Statement of Financial Position

As of September 30, 2015

Assets

Current Assets

Cash and Equivalents	\$	31,443
Contract Service Revenue Receivable		40,529
Security Deposits		4,916
Total Current Assets		<u>76,888</u>

Long-Term Assets

Property and Equipment, Net		<u>45,937</u>
Total Long-Term Assets		<u>45,937</u>

Total Assets

122,825

Liabilities and Net Assets

Current Liabilities

Accounts Payable		8,045
Accrued Vacation		458
Note Payable, Current Portion		8,114
Total Current Liabilities		<u>16,617</u>

Long-Term Liabilities

Note Payable, Long-Term Portion		<u>31,455</u>
Total Long-Term Liabilities		<u>31,455</u>
Total Liabilities		<u>48,072</u>

Net Assets

Unrestricted		72,753
Temporarily Restricted		2,000
Total Net Assets		<u>74,753</u>

Total Liabilities and Net Assets

\$ 122,825

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

Southern Appalachian Wilderness Stewards

Statement of Activities

Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support</u>			
Foundation Grants	\$ 303,000	\$ 55,520	\$ 358,520
Contract Service Revenue	59,569	-	59,569
Contributions	1,174	-	1,174
In-kind-Use of Facilities	13,500	-	13,500
Net Assets Released from Restriction	<u>53,520</u>	<u>(53,520)</u>	<u>-</u>
Total Revenue and Support	<u>430,763</u>	<u>2,000</u>	<u>432,763</u>
<u>Expenses</u>			
Program Support	250,569	-	250,569
Management and General	98,542	-	98,542
Fundraising Expenses	<u>8,899</u>	<u>-</u>	<u>8,899</u>
Total Expenses	<u>358,010</u>	<u>-</u>	<u>358,010</u>
Change in Net Assets	<u>72,753</u>	<u>2,000</u>	<u>74,753</u>
Net Assets, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 72,753</u>	<u>\$ 2,000</u>	<u>\$ 74,753</u>

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

Southern Appalachian Wilderness Stewards

Statement of Functional Expenses

Year Ended September 30, 2015

	Program Services	Management & General	Fundraising	Total
Salaries	\$ 164,939	\$ 34,834	\$ 4,642	\$ 204,415
Payroll Taxes	14,108	2,979	397	17,484
Health Insurance	5,980	1,263	169	7,412
Subtotal	<u>185,027</u>	<u>39,076</u>	<u>5,208</u>	<u>229,311</u>
Contract Services	1,616	-	-	1,616
Depreciation	3,628	680	227	4,535
Information Technology	512	2,047	-	2,559
Insurance	5,873	2,581	117	8,571
Interest Expense	-	1,102	-	1,102
Miscellaneous Expense	67	978	-	1,045
Office Expenses	185	647	92	924
Payroll Processing Fees	4,153	4,152	-	8,305
Printing and Postage	168	32	18	218
Professional Fees	6,941	40,328	-	47,269
Program Supplies	14,958	1,662	-	16,620
Promotional Items	-	-	1,980	1,980
Rent	1,440	270	90	1,800
Repairs and Maintenance	178	33	11	222
Staff Training	708	-	-	708
Telephone and Internet	1,652	310	103	2,065
Travel	11,628	2,180	727	14,535
Use of Facilities (In-kind)	10,935	2,295	270	13,500
Utilities	900	169	56	1,125
Total Expenses	<u>\$ 250,569</u>	<u>\$ 98,542</u>	<u>\$ 8,899</u>	<u>\$ 358,010</u>

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

Southern Appalachian Wilderness Stewards

Statement of Cash Flows

Year Ended September 30, 2015

Cash Flows from Operating Activities

Change in Net Assets	\$ 74,753
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:	
Depreciation	4,535
(Increase)/Decrease in Operating Assets	
Contract Service Revenue Receivable	(40,529)
Security Deposits	(4,916)
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	8,045
Accrued Vacation	458
Net Cash Provided/(Used) by Operating Activities	<u>42,346</u>

Cash Flows from Investing Activities

Purchase of Property and Equipment	<u>(50,472)</u>
Net Cash Provided(Used) by Investing Activities	<u>(50,472)</u>

Cash Flows from Financing Activities

Proceeds of Notes Payable	73,475
Principal Payments on Notes Payable	<u>(33,906)</u>
Net Cash Provided/(Used) by Financing Activities	<u>39,569</u>

Net Change in Cash During Year	31,443
Cash and Equivalents, Beginning of Year	<u>-</u>

Cash and Equivalents, End of Year	<u>\$ 31,443</u>
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The accompanying notes are an integral part of these financial statements.

Southern Appalachian Wilderness Stewards

Notes to Financial Statements

Year Ended September 30, 2015

1. Description of Organization and Summary of Significant Accounting Policies

A. Description of Organization

Southern Appalachian Wilderness Stewards (SAWS) is a conservation non-profit organization dedicated to providing stewardship to protected public lands in the Southern Appalachian region, which includes areas in Tennessee, North Carolina, South Carolina, Georgia, and Virginia. SAWS serves as a resource for the federal agencies, supplementing existing stewardship efforts and providing support where there are none. SAWS' specific programs include the following, among others:

- **Year-round volunteer opportunities in stewardship** focused on trail maintenance, trail construction, and campsite rehabilitation.
- **Internships and seasonal employment** providing conservation education through hands-on work experience.
- **The Wilderness Skills Institute**, hosted in partnership with the Appalachian Trail Conservancy and the US Forest Service. Volunteers and employees from both non-profits and federal agencies learn about techniques to maintain trails with traditional tools and interacting with the public.
- **Wilderness rangers** who assist the recreating public, foster collaboration between recreational user groups, monitor wilderness character, and inventory non-native and invasive species.
- **Educational workshops** on public lands conservation, stewardship, volunteerism, and wilderness.

SAWS is funded mainly by grants and contract service revenue.

Corporate and Tax-Exempt Status

SAWS incorporated as a non-profit organization in Tennessee in November 2014. In May 2015, the organization obtained tax exempt status under Section 501(c)(3) of the Internal Revenue Code, retroactive to its incorporation date. The organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as a publicly supported organization under Section 509(a)(1).

Prior to becoming a separate entity, SAWS functioned as a program of The Wilderness Society in a relationship dating back to 2010. The spin-off of SAWS from The Wilderness Society was planned by the two entities over an extended period of time.

B. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying basic financial statements have been prepared on the accrual basis of accounting and 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 generally available for 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 they be maintained permanently by the organization. The organization had no permanently restricted net assets as of September 30, 2015.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

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 restriction.”

Grants and Contracts Service Revenue

Foundation grants are recognized in full when awarded by the grantor on an unconditional basis, or when conditions have been satisfied. Contract service revenue is recognized as work is completed on the exchange transaction principle.

In-kind Contributions

The organization recognizes the in-kind contribution of the use of facilities at estimated fair value in the period received.

Property and Equipment

Property and equipment acquisitions over \$500 per item are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Computer equipment is depreciated over a three-year life; vehicles are depreciated over a five-year life.

Fair Value Measurements

SAWS 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 U.S. GAAP. The 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.” There are no items carried at fair value on a recurring basis by SAWS.

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.

Income Taxes/Uncertain Tax Positions

Southern Appalachian Wilderness Stewards is 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 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. Cash and Equivalents

SAWS maintains one cash account with a balance of \$33,411 as of September 30, 2015. The account is insured up to \$250,000 by the Federal Deposit Insurance Corporation. Management believes it is not exposed to any significant credit risk on its cash balances.

3. Contract Service Revenue Receivable

SAWS enters into contracts with the USDA Forest Service to carry out stewardship related program services for specified projects. Contract service revenue receivable had a balance of \$40,529 as of September 30, 2015.

4. Property and Equipment

Property and equipment is as shown below as of September 30, 2015. The organization purchased two passenger vans during the audit year to transport employees, volunteers and equipment to work sites.

Furniture and Equipment	\$ 2,369
Vehicles	48,103
Less: Accumulated Depreciation	(4,535)
Property and Equipment, Net	<u>\$ 45,937</u>

SAWS's depreciation expense for the year ended September 30, 2015 was \$4,535.

5. Note Payable

Note payable consists of the following as of September 30, 2015:

Note for \$43,475, dated April 3, 2015 related to purchase of vehicles. Terms call for monthly principal and interest payments of \$814 for five years with interest at 4.6%. Balance at September 30, 2015	<u>\$ 39,569</u>
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Summary of Notes Payable:

Total Notes Payable	<u>\$ 39,569</u>
Less Current Maturities	<u>8,114</u>
Notes Payable, Net of Current Maturities	<u>\$ 31,455</u>

Maturities on the above note for the next five years are as follows:

Years ending September 30:

2016	\$	8,114
2017		8,496
2018		8,895
2019		9,313
2020		<u>4,751</u>
Total	<u>\$</u>	<u>39,569</u>

6. Temporarily Restricted Net Assets

The balance in temporarily restricted net assets as of September 30, 2015 consists of \$2,000 to be used towards building partnerships among Monroe County, TN stewardship organizations and SAWS.

7. In-kind Contributions

SAWS received the use of office space for nine months at no charge from the Appalachian Trail Conservancy in the USDA Forest Services building in Asheville. The estimated fair value of the contribution is \$13,500.

8. Subsequent Events

Subsequent events have been evaluated through April 29, 2016, which is the date the financial statements were available to be issued.