

**SOUTHERN APPALACHIAN  
WILDERNESS STEWARDS**

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017



CORLISS &  
SOLOMON  
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

# Southern Appalachian Wilderness Stewards

## Table of Contents

Year Ended September 30, 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
<i>Statement of Cash Flows</i> .....	6
Notes to Financial Statements .....	7 - 11



## **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, 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 Southern Appalachian Wilderness Stewards as of September 30, 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 Southern Appalachian Wilderness Steward's financial statements for the year ended September 30, 2016, and our report dated July 18, 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, September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carliss & Solomon, PLLC*

Asheville, North Carolina  
March 9, 2018

# Southern Appalachian Wilderness Stewards

## Statement of Financial Position

As of September 30, 2017

(With summarized, comparative totals as of September 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<u>Current Assets</u>		
Cash and Equivalents	\$ 40,083	\$ 91,512
Foundation Grants Receivable	70,000	-
Contract Service Revenue Receivable	51,210	3,486
Security Deposits	1,700	4,916
Total Current Assets	<u>162,993</u>	<u>99,914</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>27,858</u>	<u>38,735</u>
Total Long-Term Assets	<u>27,858</u>	<u>38,735</u>
<b>Total Assets</b>	<b><u>\$ 190,851</u></b>	<b><u>\$ 138,649</u></b>
<b>Liabilities and Net Assets</b>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 4,406	\$ 5,494
Accrued Salaries and Payroll Liabilities	33,946	26,941
Accrued Vacation	6,597	627
Note Payable, Current Portion	8,895	8,496
Total Current Liabilities	<u>53,844</u>	<u>41,558</u>
<u>Long-Term Liabilities</u>		
Note Payable, Long-Term Portion	<u>14,596</u>	<u>23,442</u>
Total Long-Term Liabilities	<u>14,596</u>	<u>23,442</u>
Total Liabilities	<u>68,440</u>	<u>65,000</u>
<u>Net Assets</u>		
Unrestricted	57,411	38,649
Temporarily Restricted	<u>65,000</u>	<u>35,000</u>
Total Net Assets	<u>122,411</u>	<u>73,649</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 190,851</u></b>	<b><u>\$ 138,649</u></b>

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

# Southern Appalachian Wilderness Stewards

## Statement of Activities

Year Ended September 30, 2017

(With summarized, comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<u>Revenue and Support</u>				
Foundation Grants	\$ 207,569	\$ 122,763	\$ 330,332	\$ 312,689
Contract Service Revenue	495,502	-	495,502	280,024
Contributions	59,722	-	59,722	44,470
Event Income	1,600	-	1,600	-
In-kind -Use of Facilities	1,900	-	1,900	18,000
Net Assets Released from Restriction	<u>92,763</u>	<u>(92,763)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue and Support</b>	<b><u>859,056</u></b>	<b><u>30,000</u></b>	<b><u>889,056</u></b>	<b><u>655,183</u></b>
<u>Expenses</u>				
Program Support	715,715	-	715,715	515,322
Management and General	110,170	-	110,170	129,410
Fundraising Expenses	<u>14,409</u>	<u>-</u>	<u>14,409</u>	<u>11,555</u>
<b>Total Expenses</b>	<b><u>840,294</u></b>	<b><u>-</u></b>	<b><u>840,294</u></b>	<b><u>656,287</u></b>
Change in Net Assets	<u>18,762</u>	<u>30,000</u>	<u>48,762</u>	<u>(1,104)</u>
Net Assets, Beginning of Year	<u>38,649</u>	<u>35,000</u>	<u>73,649</u>	<u>74,753</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 57,411</u></b>	<b><u>\$ 65,000</u></b>	<b><u>\$ 122,411</u></b>	<b><u>\$ 73,649</u></b>

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

## Southern Appalachian Wilderness Stewards

### Statement of Functional Expenses

Year Ended September 30, 2017

(With summarized, comparative totals for the prior year)

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total 2017</b>	<b>Total 2016</b>
Salaries	\$ 523,529	\$ 59,000	\$ 7,040	\$ 589,569	\$ 418,974
Payroll Taxes	44,169	4,978	594	49,741	35,733
Health Insurance	22,840	2,573	307	25,720	19,294
Subtotal	<u>590,538</u>	<u>66,551</u>	<u>7,941</u>	<u>665,030</u>	<u>474,001</u>
Depreciation	9,600	1,800	600	12,000	10,410
Event Expense	-	-	780	780	-
Information Technology	629	2,516	-	3,145	3,471
Insurance	17,354	5,567	179	23,100	15,087
Interest Expense	-	1,317	-	1,317	1,532
Meetings and Conferences	7,372	7,372	-	14,744	11,443
Miscellaneous Expense	951	869	887	2,707	1,358
Office Expenses	498	1,743	299	2,540	965
Payroll Processing Fees	2,988	2,987	-	5,975	18,387
Printing and Postage	729	116	45	890	2,216
Professional Fees	6,229	6,300	-	12,529	34,915
Program Supplies	16,066	1,785	-	17,851	21,260
Rent	17,134	3,213	1,071	21,418	3,186
Repairs and Maintenance	195	37	12	244	1,810
Staff Training	2,969	-	-	2,969	3,105
Telephone and Internet	3,300	619	206	4,125	3,389
Travel	37,392	7,011	2,337	46,740	30,042
Use of Facilities (In-kind)	1,539	323	38	1,900	18,000
Utilities	232	44	14	290	1,710
<b>Total Expenses</b>	<b><u>\$ 715,715</u></b>	<b><u>\$ 110,170</u></b>	<b><u>\$ 14,409</u></b>	<b><u>\$ 840,294</u></b>	<b><u>\$ 656,287</u></b>

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

# Southern Appalachian Wilderness Stewards

## Statement of Cash Flows

Year Ended September 30, 2017

(With summarized, comparative totals for the prior year)

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets	\$ 48,762	\$ (1,104)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	12,000	10,410
(Increase)/Decrease in Operating Assets		
Foundation Grants Receivable	(70,000)	-
Contract Service Revenue Receivable	(47,724)	37,043
Security Deposits	3,216	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(1,088)	(2,551)
Accrued Salaries and Payroll Taxes	7,005	26,941
Accrued Vacation	5,970	169
Net Cash Provided/(Used) by Operating Activities	<u>(41,859)</u>	<u>70,908</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of Property and Equipment	<u>(1,123)</u>	<u>(3,208)</u>
Net Cash Used by Investing Activities	<u>(1,123)</u>	<u>(3,208)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from Notes Payable	-	30,000
Principal Payments on Notes Payable	<u>(8,447)</u>	<u>(37,631)</u>
Net Cash Used by Financing Activities	<u>(8,447)</u>	<u>(7,631)</u>
Net Change in Cash During Year	(51,429)	60,069
Cash and Equivalents, Beginning of Year	<u>91,512</u>	<u>31,443</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 40,083</u></b>	<b><u>\$ 91,512</u></b>
Supplemental Cash Flow Information:		
Cash Paid for Interest	<u>\$ 1,317</u>	<u>\$ 1,532</u>

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

# Southern Appalachian Wilderness Stewards

## Notes to Financial Statements

Year Ended September 30, 2017

### 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. The organization is funded mainly by grants and contract service revenue. 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.

#### 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). SAWS has a Certificate of Authority to conduct affairs in the state of North Carolina. Prior to becoming a separate entity, SAWS functioned as a program of The Wilderness Society in a relationship dating back to 2010.

#### 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, 2017).

#### 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.”

#### Contracts Service Revenue

Contract service revenue is recognized as work is completed on the exchange transaction principle.

#### Foundation Grants

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

In accordance with U.S. GAAP, SAWS 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.” SAWS has no financial assets 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.

**Income Taxes/Uncertain Tax Positions**

SAWS 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 no income from unrelated business activities in the year ended September 30, 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.

**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.

**2. Cash and Equivalents**

SAWS maintains one cash account with balances of \$40,083 and \$91,512 as of September 30, 2017 and 2016, respectively. The account is insured up to \$250,000 by the Federal Deposit Insurance Corporation. Management believes the organization is not exposed to any significant credit risk on its cash balances.

**3. Foundation Grants Receivable**

Foundation grants receivable had balances of \$70,000 and \$0 as of September 30, 2017 and 2016, respectively. Management believes the receivables are fully collectible.

**4. Contract Service Revenue Receivable**

SAWS enters into contracts with the USDA Forest Service to carry out stewardship-related program services for specified projects and is paid on a reimbursement basis. Contract service revenue receivable had balances of \$51,210 and \$3,486 as of September 30, 2017 and 2016, respectively.

**5. Property and Equipment**

Property and equipment assets consist of the following as of September 30:

	<u>2017</u>	<u>2016</u>
Furniture and Equipment	\$ 6,700	\$ 5,577
Vehicles	48,103	48,103
Less: Accumulated Depreciation	<u>(26,945)</u>	<u>(14,945)</u>
Property and Equipment, Net	<u>\$ 27,858</u>	<u>\$ 38,735</u>

Depreciation expense for the year ended September 30, 2017 and 2016 was \$12,000 and \$10,410, respectively.

**6. Note Payable**

Note payable consists of the following as of September 30, 2017:

Note for \$43,475, dated April 3, 2015 for purchase of two vehicles. Terms call for monthly principal and interest payments of \$814 for five years with interest at 4.6%.

Balance at September 30, 2017	\$ 23,491
Less Current Maturities	8,895
Notes Payable, Net of Current Maturities	<u>\$ 14,596</u>

Maturities on the above note for the remaining term are as follows:

Years ending September 30:

2018	\$ 8,895
2019	9,313
2020	5,283
Thereafter	-
Total	<u>\$ 23,491</u>

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Support for 2018 Wilderness Skills Institute	\$ 25,000	\$ -
Support for 2017 Wilderness Skills Institute	-	35,000
People of Color Engagement on Conservation of Wilderness in GA and SC	40,000	-
Total Temporarily Restricted Net Assets	<u>\$ 65,000</u>	<u>\$ 35,000</u>

**8. Lease Commitments**

SAWS leases its current office space under an 18-month lease that began November 1, 2016 and ends April 30, 2018. Rent is \$1,700 per month. Required minimum payments to the end of the lease term total \$11,900.

**9. In-kind Contributions**

For two months during the audit year, SAWS received the use of office space at no charge from the Appalachian Trail Conservancy in the USDA Forest Services building in Asheville. SAWS also received this in-kind contribution for nine months of the prior year. The estimated fair value of the contribution of the use of facilities is \$1,500 per month. The contribution totals for the years ended September 30, 2017 and 2016 were \$1,900 and \$18,000, respectively.

**10. Summarized Comparative Data**

The financial statements include certain prior-period 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 nine-month period ended September 30, 2016, from which the summarized information was derived. In addition,

certain reclassifications have been made to prior period information to facilitate comparison to the current year.

**11. *Subsequent Events***

Subsequent events have been evaluated through March 9, 2018, which is the date the financial statements were available to be issued.