

WESTERN NORTH CAROLINA ALLIANCE

REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WESTERN NORTH CAROLINA ALLIANCE

Table of Contents

Year Ended December 31, 2012

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 - 12

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INDEPENDENT AUDITOR'S REPORT

To the Steering Committee
Western North Carolina Alliance
Asheville, North Carolina

We have audited the accompanying financial statements of Western North Carolina Alliance (the Alliance), as of December 31, 2012, which comprise the statement of financial position 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 Western North Carolina Alliance, as of December 31, 2012, 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 Western North Carolina Alliance's 2011 financial statements, and our report dated August 8, 2012, 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, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss + Salaman, PLLC

Asheville, North Carolina

September 26, 2013

Western North Carolina Alliance
Statement of Financial Position

As of December 31, 2012

(With summarized comparative totals as of December 31, 2011)

	2012	2011
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 236,645	\$ 114,393
Grant/Contract Revenue Receivable	73,571	54,423
Accounts Receivable	54,834	-
Sales Tax Receivable	241	75
Prepaid Expenses	1,850	3,150
Security Deposit	2,624	2,624
Total Current Assets	369,765	174,665
<u>Long-Term Assets</u>		
Investments	1,471	1,432
Property and Equipment, Net	9,076	37,359
Total Long-Term Assets	10,547	38,791
Total Assets	\$ 380,312	\$ 213,456
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 1,850	\$ 4,370
Payroll Tax Liabilities	4,331	8,560
Accrued Vacation	2,935	2,935
Total Current Liabilities	9,116	15,865
<u>Net Assets</u>		
Unrestricted	85,333	159,336
Temporarily Restricted	285,863	38,255
Total Net Assets	371,196	197,591
Total Liabilities and Net Assets	\$ 380,312	\$ 213,456

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

Western North Carolina Alliance
Statement of Activities

Year Ended December 31, 2012

(With summarized comparative totals for the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<u>Support and Revenue</u>				
Grants	\$ 160,527	\$ 177,528	\$ 338,055	\$ 195,461
Contributions	61,196	298,683	359,879	192,046
Program Service Revenue	78,697	-	78,697	112,248
Membership	30,768	-	30,768	26,818
Event Income	31,446	-	31,446	43,644
In Kind Contributions	16,748	-	16,748	14,060
Rental Income	-	-	-	1,500
Interest Income	114	-	114	394
Investment Gains/(Losses)	39	-	39	(57)
Other Income	3,150	-	3,150	2,961
Net Assets Released from Restrictions	228,603	(228,603)	-	-
Total Support and Revenue	<u>611,288</u>	<u>247,608</u>	<u>858,896</u>	<u>589,075</u>
<u>Expenses</u>				
Program Services	568,049	-	568,049	453,717
Management and General	49,629	-	49,629	51,450
Fundraising	48,272	-	48,272	60,843
Total Expenses	<u>665,950</u>	<u>-</u>	<u>665,950</u>	<u>566,010</u>
Change in Net Assets from Operations	<u>(54,662)</u>	<u>247,608</u>	<u>192,946</u>	<u>23,065</u>
Other Net Asset Changes				
EQI Asset Transfers (Note 8)	<u>(19,341)</u>	<u>-</u>	<u>(19,341)</u>	<u>(25,100)</u>
Total Change in Net Assets	<u>(74,003)</u>	<u>247,608</u>	<u>173,605</u>	<u>(2,035)</u>
Net Assets, Beginning of Year	<u>159,336</u>	<u>38,255</u>	<u>197,591</u>	<u>199,626</u>
Net Assets, End of Year	<u>\$ 85,333</u>	<u>\$ 285,863</u>	<u>\$ 371,196</u>	<u>\$ 197,591</u>

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

Western North Carolina Alliance
Statement of Functional Expenses

Year Ended December 31, 2012

(With summarized comparative totals for the prior year)

	Program	Management and General	Fund Raising	Total 2012	Total 2011
Salaries	\$ 198,279	\$ 10,965	\$ 12,906	\$ 222,150	\$ 239,634
Payroll Taxes	20,160	1,115	1,312	22,587	24,972
Health Insurance	9,952	550	648	11,150	10,748
Retirement	3,948	218	257	4,423	2,310
Total Personnel	232,339	12,848	15,123	260,310	277,664
Advertising	-	-	-	-	9,500
Accounting	-	6,229	-	6,229	15,019
Bank/Credit Card Charges	-	13	-	13	764
Fiscal Sponsorship Activities	25,987	-	-	25,987	1,414
Conservation Projects					
EPA 319 Project	80,749	-	-	80,749	44,416
Watauga River Keeper	25,334	-	-	25,334	-
Watauga Conservation Partners	6,950	-	-	6,950	4,968
Environmental Quality Institute	-	-	-	-	33,880
Communications	5,785	321	322	6,428	5,455
Conference and Training	6,472	-	-	6,472	5,179
Contract Services	58,880	14,249	8,125	81,254	41,252
Dues and Subscriptions	4,667	933	3,733	9,333	4,828
Equipment	6,341	352	352	7,045	4,873
Equipment Rental	2,952	164	164	3,280	5,042
Events	14,646	-	14,645	29,291	22,918
IT Services	5,462	607	-	6,069	3,118
Insurance	9,673	2,418	-	12,091	7,274
Legal Services	3,000	-	-	3,000	2,000
Miscellaneous	339	434	4,106	4,879	2,909
Occupancy	33,359	8,129	-	41,488	33,331
Printing	8,668	-	963	9,631	3,533
Postage	591	148	739	1,478	744
Steering Committee	-	881	-	881	695
Supplies	2,878	719	-	3,597	6,071
Travel	28,241	-	-	28,241	23,196
Sub-total Expenses	563,313	48,445	48,272	660,030	560,043
Depreciation	4,736	1,184	-	5,920	5,967
Total Expenses	\$ 568,049	\$ 49,629	\$ 48,272	\$ 665,950	\$ 566,010

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

Western North Carolina Alliance
Statement of Cash Flows
Year Ended December 31, 2012
(With summarized comparative totals for the prior year)

<u>Cash Flows from Operating Activities</u>	<u>2012</u>	<u>2011</u>
Change in Net Assets During Year	\$ 173,605	\$ (2,035)
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation	5,920	5,967
Investment (Gains)/Losses	(39)	57
Contribution of Property and Equipment (EQI)	22,921	-
(Increase)/Decrease in Operating Assets:		
Grant/Contract Revenue Receivable	(19,148)	(43,723)
Accounts Receivable	(54,834)	-
Sales Tax Receivable	(166)	(44)
Prepaid Rent	1,300	(2,350)
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	(2,520)	(6,289)
Payroll Tax Liabilities	(4,229)	2,896
Net Cash Provided/(Used) by Operating Activities	<u>122,810</u>	<u>(45,521)</u>
 <u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	<u>(558)</u>	<u>(11,205)</u>
Net Cash Used by Investing Activities	<u>(558)</u>	<u>(11,205)</u>
Net Change in Cash	<u>122,252</u>	<u>(56,726)</u>
Cash and Equivalents, Beginning of Year	<u>114,393</u>	<u>171,119</u>
Cash and Equivalents, End of Year	<u>\$ 236,645</u>	<u>\$ 114,393</u>

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

Western North Carolina Alliance

Notes to Financial Statements

Year Ended December 31, 2012

1. Description of the Organization and Summary of Significant Accounting Policies:

Description of the Organization

The mission of Western North Carolina Alliance (WNCA) is to empower citizens to be advocates for the livable communities and the natural environment of Western North Carolina. For almost 30 years, WNCA has been a community partner, marshaling grassroots support to keep Western NC forests healthy, air and water clean, and communities vibrant. WNCA combines advocacy, scientific research, and community collaboration to address harmful industrial practices and strengthen public policies at the local, regional and state levels. WNCA supports four regional chapters and works in communities across 23 counties in Western NC. The organization's primary sources of support are contributions from the general public and foundation grants.

Corporate and Tax-Exempt Status

WNCA is a not-for-profit corporation under the laws of the state of North Carolina and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Contributions to the organization qualify for the charitable contribution deduction under Section 170(b)(1)(a). The organization is also classified as a publicly supported organization under Section 509(a)(2).

Basis of Accounting

The accompanying 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 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 stipulations that they be maintained permanently by the organization. (The Alliance had no permanently restricted net assets as of December 31, 2012).

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."

Cash and Cash Equivalents

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

Investments

Investments are carried at fair value on the statement of financial position. Changes in the market value of the funds are reflected as investment gains or losses on the statement of activities.

Fair Value Measurements

WNCA 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 new 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." Financial assets carried at fair value on a recurring basis consist of money funds and stock held by an investment broker.

Property and Equipment

Purchases of property and equipment of \$500 or more 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.

Conservation Easements

WNCA does not recognize in its financial statements the value of conservation easements it has received as donations as part of its streamside protection and development work.

Income Taxes/Uncertain Tax Positions

WNCA is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. However, the Code also provides that 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 for 2012 and was therefore not required to file Form 990-T. 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 Form's 990 for 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

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.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimate.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

<u>As of December 31:</u>	2012	2011
General Operating Account	\$ 30,466	\$ 60,709
Money Market Account	126,755	22,002
Checking-EQI	-	2,339
Chapter Funds Account	49,543	2,884
Watauga River Partners Chapter	27,826	19,789
Paypal Account	2,055	6,670
Total Cash and Cash Equivalents	<u>\$ 236,645</u>	<u>\$ 114,393</u>

3. Grant/Contract Revenue Receivable

Grant/Contract revenue receivable consists of the following:

<u>As of December 31:</u>	2012	2011
US Forest Service	\$ 56,271	\$ 36,565
NC Department of Environment and Natural	4,200	17,858
Southern Environmental Law Center	4,000	-
Carolina Mountain Land Conservancy	2,100	-
The Nature Conservancy	7,000	-
Total Grant/Contract Revenue Receivable	<u>\$ 73,571</u>	<u>\$ 54,423</u>

4. Investments

Investments consist of the following:

<u>As of December 31:</u>	2012	2011
Money Funds	\$ 1,031	\$ 1,031
Stock	440	401
Total Investments	<u>\$ 1,471</u>	<u>\$ 1,432</u>

5. Property and Equipment

Property and equipment consist of the following:

<u>As of December 31:</u>	2012	2011
Property and Equipment	\$ 17,433	\$ 16,875
Leasehold Improvements	8,802	34,508
Less: Accumulated Depreciation	(17,159)	(14,024)
Property and Equipment, Net	<u>\$ 9,076</u>	<u>\$ 37,359</u>

6. Conservation Easements

As a by-product of its stream-bank restoration work, WNCA holds four conservation easements on small tracts of property bordering or accessing streams in the Watauga River watershed. All of the easements were received by donation. As permitted by generally accepted accounting principles, the organization has elected not to recognize the value of the easements in its financial statements.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

<u>As of December 31:</u>	<u>2012</u>	<u>2011</u>
Public Lands Field Biologist	\$ 15,584	\$ 30,430
Time Restricted for 2013	175,000	-
French Broad Riverkeeper	16,978	-
Watauga Riverkeeper	27,806	-
Blue Ridge Blueprint Program	-	5,150
Water Policy Advocacy	-	2,675
Fiscal Sponsorships:		
BEAR	4,112	-
Katuah	43,654	-
Strive Not to Drive	2,729	-
Total Temporarily Restricted Net Assets	<u>\$ 285,863</u>	<u>\$ 38,255</u>

8. Environmental Quality Institute (EQI) Program

In accordance with the initial agreement between the parties, EQI became independent of WNCA as of January 1, 2012. EQI had previously established its own organizational structure and board of directors. Beginning in 2012, WNCA resumed transfer of EQI assets to the organization (\$25,100 in cash was transferred to EQI on December 21, 2011). As of January 1, 2012, WNCA transferred the following account balances to EQI:

<u>Assets</u>	
Cash	\$ 2,339
Deposits and Prepaid Expenses	2,150
Leasehold Improvements, Net	<u>22,921</u>
Total Assets	<u>\$ 27,410</u>
<u>Liabilities</u>	
Reimbursements Due to WNCA	<u>\$ 8,069</u>

9. Lease Commitments

The Alliance leases its main office space in Asheville NC under an agreement with a three year term ending October 31, 2013. As of December 2012 rent was \$2,442 per month. The Alliance also leases office space in Franklin, NC under a month-to-month lease at \$250 per month. For the years ended December 31, 2012 and 2011, the total rent expense for these two offices was \$30,425 and \$28,313. The Alliance's future minimum lease payments total \$24,420 for the year ending December 31, 2013.

10. Fundraising Events

Fundraising events by year, excluding related contributions, are summarized as follows:

<u>Year Ended December 31:</u>	<u>2012</u>	<u>2011</u>
Fundraising Income	\$ 31,446	\$ 43,644
Direct Expenses	(29,291)	(20,358)
Event Net Income	<u>\$ 2,155</u>	<u>\$ 23,286</u>

11. In-Kind Contributions

In-Kind contributions for the year are summarized as follows:

<u>Year Ended December 31:</u>	<u>2012</u>	<u>2011</u>
Event Support	\$ 12,648	\$ 12,060
Program Services	3,000	2,000
Facility Donation	1,100	-
Total	<u>\$ 16,748</u>	<u>\$ 14,060</u>

12. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments:</u>	<u>Fair Value</u>			
Stocks	\$ 440	\$ 440	\$ -	\$ -
Money Funds	1,031	1,031	-	-
Total	<u>\$ 1,471</u>	<u>\$ 1,471</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs are based on unobservable inputs such as those that apply to derivatives and split interest agreements.

13. Retirement Plan

The Alliance offers a Simple IRA plan to eligible employees. During 2012, the Alliance matched employee contributions up to three percent of salary. For the years ending December 31, 2012 and 2011, the organization contributed a total of \$4,423 and \$2,310, respectively.

14. Concentration of Support

In 2012 WNCA received 20 percent of its total support and revenue from a single donor. The amount represented 49 percent of its total contributions.

15. 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, 2011, from which the summarized information was derived. In addition, certain reclassifications have been made to prior year information to facilitate comparison to the current year.

16. Subsequent Events

Subsequent events have been evaluated through September 26, 2013, which is the date the financial statements were available to be issued.