

WESTERN NORTH CAROLINA ALLIANCE

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WESTERN NORTH CAROLINA ALLIANCE

Table of Contents

Year Ended December 31, 2013

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

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 Steering Committee
Western North Carolina Alliance
Asheville, North Carolina

We have audited the accompanying financial statements of Western North Carolina Alliance (the Alliance), 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 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 Western North Carolina Alliance, 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 Western North Carolina Alliance's 2012 financial statements, and our report dated September 26, 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
August 28, 2014

Western North Carolina Alliance
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 Cash Equivalents	\$ 449,408	\$ 236,645
Grant/Contract Revenue Receivable	35,789	73,571
Accounts Receivable	-	54,834
Sales Tax Receivable	1,767	241
Security Deposit	2,624	2,624
Prepaid Expenses	-	1,850
Total Current Assets	489,588	369,765
 <u>Long-Term Assets</u>		
Investments	1,668	1,471
Property and Equipment, Net	6,249	9,076
Total Long-Term Assets	7,917	10,547
Total Assets	\$ 497,505	\$ 380,312
 <u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 2,364	\$ 1,850
Payroll Tax Liabilities	7,628	4,331
Accrued Vacation	7,505	2,935
Total Current Liabilities	17,497	9,116
 <u>Net Assets</u>		
Unrestricted	191,864	85,333
Temporarily Restricted	288,144	285,863
Total Net Assets	480,008	371,196
Total Liabilities and Net Assets	\$ 497,505	\$ 380,312

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

Western North Carolina Alliance
Statement of Activities

Year Ended December 31, 2013

(With summarized comparative totals for the prior year)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
<u>Support and Revenue</u>				
Grants	\$ 206,291	\$ 232,773	\$ 439,064	\$ 338,055
Contributions	103,446	245,941	349,387	359,879
Program Service Revenue	64,263	-	64,263	78,697
Membership	30,815	-	30,815	30,768
Event Income	77,680	-	77,680	31,446
In Kind Contributions	25,726	-	25,726	16,748
Interest Income	294	-	294	114
Investment Gains	197	-	197	39
Other Income	686	-	686	3,150
Net Assets Released from Restrictions	476,433	(476,433)	-	-
Total Support and Revenue	985,831	2,281	988,112	858,896
<u>Expenses</u>				
Program Services	710,244	-	710,244	568,049
Management and General	93,561	-	93,561	49,629
Fundraising	75,495	-	75,495	48,272
Total Expenses	879,300	-	879,300	665,950
Change in Net Assets from Operations	106,531	2,281	108,812	192,946
Other Net Asset Changes (Note 15)	-	-	-	(19,341)
Total Change in Net Assets	106,531	2,281	108,812	173,605
Net Assets, Beginning of Year	85,333	285,863	371,196	197,591
Net Assets, End of Year	\$ 191,864	\$ 288,144	\$ 480,008	\$ 371,196

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

Western North Carolina Alliance
Statement of Functional Expenses

Year Ended December 31, 2013

(With summarized comparative totals for the prior year)

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2013</u>	<u>Total 2012</u>
Salaries	\$ 283,224	\$ 36,551	\$ 31,247	\$ 351,022	\$ 222,150
Payroll Taxes	29,319	3,784	3,234	36,337	22,587
Health Insurance	15,604	2,014	1,721	19,339	11,150
Retirement	3,969	512	438	4,919	4,423
Total Personnel	<u>332,116</u>	<u>42,861</u>	<u>36,640</u>	<u>411,617</u>	<u>260,310</u>
Accounting	-	6,600	-	6,600	6,229
Fiscal Sponsorship Activities	25,764	-	-	25,764	25,987
Conservation Projects					
EPA 319 Project	91,445	-	-	91,445	80,749
Watauga River Keeper	-	-	-	-	25,334
Watauga Conservation Partners	8,136	-	-	8,136	6,950
Communications	4,427	246	246	4,919	6,428
Conference and Training	10,442	-	-	10,442	6,472
Contract Services	87,863	25,745	1,487	115,095	81,254
Dues and Subscriptions	4,921	984	3,936	9,841	9,333
Equipment	13,585	755	754	15,094	7,045
Equipment Rental	3,609	201	200	4,010	3,280
Events	24,995	-	24,994	49,989	29,291
IT Services	10,129	1,125	-	11,254	6,069
Insurance	8,284	2,071	-	10,355	12,091
Miscellaneous	2,225	1,129	5,335	8,689	4,892
Occupancy	40,418	8,159	-	48,577	41,488
Printing	10,291	-	1,143	11,434	9,631
Postage	608	152	760	1,520	1,478
Steering Committee	-	1,564	-	1,564	881
Supplies	3,050	763	-	3,813	3,597
Travel	23,113	-	-	23,113	28,241
Sub-total Expenses	<u>705,421</u>	<u>92,355</u>	<u>75,495</u>	<u>873,271</u>	<u>657,030</u>
Depreciation	4,823	1,206	-	6,029	5,920
Total Expenses	<u>\$ 710,244</u>	<u>\$ 93,561</u>	<u>\$ 75,495</u>	<u>\$ 879,300</u>	<u>\$ 662,950</u>

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

Western North Carolina Alliance

Statement of Cash Flows

Year Ended December 31, 2013

(With summarized comparative totals for the prior year)

<u>Cash Flows from Operating Activities</u>	<u>2013</u>	<u>2012</u>
Change in Net Assets During Year	\$ 108,812	\$ 173,605
Adjustments to reconcile change in net assets to net cash provided or (used) by operating activities:		
Depreciation	6,029	5,920
Investment Gains	(197)	(39)
Contribution of Property and Equipment (EQI)	-	22,921
(Increase)/Decrease in Operating Assets:		
Grant/Contract Revenue Receivable	37,782	(19,148)
Accounts Receivable	54,834	(54,834)
Sales Tax Receivable	(1,526)	(166)
Prepaid Rent	1,850	1,300
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	514	(2,520)
Payroll Tax Liabilities	3,297	(4,229)
Accrued Vacation	4,570	-
Net Cash Provided by Operating Activities	<u>215,965</u>	<u>122,810</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	<u>(3,202)</u>	<u>(558)</u>
Net Cash Used by Investing Activities	<u>(3,202)</u>	<u>(558)</u>
Net Change in Cash	<u>212,763</u>	<u>122,252</u>
Cash and Equivalents, Beginning of Year	<u>236,645</u>	<u>114,393</u>
Cash and Equivalents, End of Year	<u>\$ 449,408</u>	<u>\$ 236,645</u>

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

Western North Carolina Alliance

Notes to Financial Statements

Year Ended December 31, 2013

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, 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."

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 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 2013 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 2010, 2011, and 2012 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>	<u>2013</u>	<u>2012</u>
General Operating Account	\$ 31,247	\$ 30,466
Money Market Account	317,048	126,755
Chapter Funds Account	54,042	49,543
Watauga River Partners Chapter	15,639	27,826
Paypal/Propay Account	7,028	2,055
Undeposited Amounts	24,404	-
Total Cash and Cash Equivalents	<u>\$ 449,408</u>	<u>\$ 236,645</u>

3. Concentration of Credit Risk

WNCA maintains most of its cash in four accounts with one financial institution. The accounts are insured in aggregate up to \$250,000 by the Federal Deposit Insurance Corporation. As of December 31, 2013, the uninsured balance was \$176,500. The organization believes it is not exposed to any significant credit risk on its cash balances.

4. Grant/Contract Revenue Receivable

Grant/Contract Revenue Receivable consists of the following:

<u>As of December 31:</u>	<u>2013</u>	<u>2012</u>
NC Department of Environment and Natural Resources	\$ 24,155	\$ 4,200
US Forest Service	-	56,271
Carolina Mountain Land Conservancy	8,134	2,100
Sierra Nevada	3,500	-
Southern Environmental Law Center	-	4,000
The Nature Conservancy	-	7,000
Total Grant/Contract Revenue Receivable	<u>\$ 35,789</u>	<u>\$ 73,571</u>

5. Investments

Investments consist of the following:

<u>As of December 31:</u>	<u>2013</u>	<u>2012</u>
Money Funds	\$ 1,668	\$ 1,031
Stock	-	440
Total Investments	<u>\$ 1,668</u>	<u>\$ 1,471</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. Property and Equipment

Property and equipment consist of the following:

<u>As of December 31:</u>	<u>2013</u>	<u>2012</u>
Property and Equipment	\$ 20,635	\$ 17,433
Leasehold Improvements	8,802	8,802
Less: Accumulated Depreciation	(23,188)	(17,159)
Property and Equipment, Net	<u>\$ 6,249</u>	<u>\$ 9,076</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

<u>As of December 31:</u>	<u>2013</u>	<u>2012</u>
General Operating for Following Year	\$ 200,000	\$ 175,000
Public Lands Field Biologist	-	15,584
French Broad Riverkeeper	-	16,978
Capacity/Merger Grant	1,875	-
Energy Education	3,560	-
Watauga Riverkeeper	31,035	27,806
Fiscal Sponsorships:		
Asheville on Bikes	11,961	-
BEAR	4,953	4,112
Katuah	29,718	43,654
Strive Not to Drive	3,616	2,729
WAGS	1,426	-
Total Temporarily Restricted Net Assets	<u>\$ 288,144</u>	<u>\$ 285,863</u>

9. Lease Commitments

WNCA leases its main office space in Asheville NC under an agreement ending December 31, 2014. As of December 2013 rent was \$3,553 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, 2013 and 2012, the total rent expense for these two offices was \$41,349 and \$30,425. The Alliance's future minimum lease payments total \$42,636 for the year ending December 31, 2014.

10. Fundraising Events

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

<u>Year Ended December 31:</u>	<u>2013</u>	<u>2012</u>
Fundraising Income	\$ 30,931	\$ 31,446
Direct Expenses	(27,198)	(29,291)
Event Net Income	<u>\$ 3,733</u>	<u>\$ 2,155</u>

11. In-Kind Contributions

In-Kind contributions by year are summarized as follows:

<u>Year Ended December 31:</u>	<u>2013</u>	<u>2012</u>
Event Support	\$ 8,226	\$ 12,648
Program Services	17,500	3,000
Facility Donation	-	1,100
Total	<u>\$ 25,726</u>	<u>\$ 16,748</u>

12. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2013 are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices</u>	<u>Significant</u>	<u>Significant</u>
<u>Investments:</u>	<u>Fair Value</u>	<u>In Active</u>	<u>Other</u>	<u>Significant</u>
		<u>Markets for</u>	<u>Observable</u>	<u>Unobservable</u>
		<u>Identical</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>Assets</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
		<u>(Level 1)</u>		
Money Funds	\$ 1,668	\$ 1,668	\$ -	\$ -
Total	<u>\$ 1,668</u>	<u>\$ 1,668</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 2013, the Alliance matched employee contributions up to three percent of salary. For the years ended December 31, 2013 and 2012, the organization contributed a total of \$4,919 and \$4,423, respectively.

14. Concentration of Support

In 2013, WNCA received 20 percent of its total support and revenue from a single donor. The corresponding 2012 amount was also 20 percent.

15. Environmental Quality Institute Program

Formerly a WNCA project, EQI became independent of WNCA as of January 1, 2012. Assets transfers of \$19,341 on that date are reflected on the statement of activities as Other Net Asset Changes in 2012.

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

17. Subsequent Events

In May 2014 the board, staff and membership of WNCA, along with that of the Environmental and Conservation Organization in Hendersonville and the Jackson-Macon Conservation Alliance in Highlands announced their intent to merge the three organizations with WNCA as the continuing entity. As of the date of this report, the planning process was ongoing, with the formal merger agreement expected to be signed in the Fall of 2014.

Subsequent events have been evaluated through August 28, 2014, which is the date the financial statements were available to be issued.