

**SOUTHERN APPALACHIAN
WILDERNESS STEWARDS**

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020



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, 2020 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, 2020, 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, 2019, and our report dated September 28, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina

May 26, 2021

Southern Appalachian Wilderness Stewards

Statement of Financial Position

As of September 30, 2020

(With summarized comparative totals as of September 30, 2019)

	2020	2019
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 140,592	\$ 46,416
Accounts Receivable	26,516	20,417
Security Deposits	1,732	1,732
Inventory	2,522	2,522
Total Current Assets	<u>171,362</u>	<u>71,087</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>21,821</u>	<u>30,718</u>
Total Long-Term Assets	<u>21,821</u>	<u>30,718</u>
Total Assets	<u>\$ 193,183</u>	<u>\$ 101,805</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 5,012	\$ 16,350
Accrued Salaries and Payroll Liabilities	108,466	40,203
Accrued Vacation	10,901	10,901
Notes Payable, Current Portion	<u>6,580</u>	<u>11,810</u>
Total Current Liabilities	<u>130,959</u>	<u>79,264</u>
<u>Long-Term Liabilities</u>		
Notes Payable, Long-Term Portion	<u>10,862</u>	<u>17,384</u>
Total Long-Term Liabilities	<u>10,862</u>	<u>17,384</u>
Total Liabilities	<u>141,821</u>	<u>96,648</u>
<u>Net Assets</u>		
Net Assets Without Donor Restrictions	51,362	(34,203)
Net Assets With Donor Restrictions	<u>-</u>	<u>39,360</u>
Total Net Assets	<u>51,362</u>	<u>5,157</u>
Total Liabilities and Net Assets	<u>\$ 193,183</u>	<u>\$ 101,805</u>

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

Southern Appalachian Wilderness Stewards

Statement of Activities

Year Ended September 30, 2020

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenue and Support				
Contract Service Revenue	\$ 679,911	\$ -	\$ 679,911	\$ 612,557
Foundation Grants	101,813	148,123	249,936	221,878
Contributions	42,131	-	42,131	100,791
Other Income	698	-	698	310
Net Assets Released from Restriction	187,483	(187,483)	-	-
Total Revenue and Support	1,012,036	(39,360)	972,676	935,536
Expenses				
Program Support	770,683	-	770,683	794,001
Management and General	138,992	-	138,992	143,498
Fundraising Expenses	16,796	-	16,796	82,405
Total Expenses	926,471	-	926,471	1,019,904
Change in Net Assets	85,565	(39,360)	46,205	(84,368)
Net Assets, Beginning of Year	(34,203)	39,360	5,157	89,525
Net Assets, End of Year	\$ 51,362	\$ -	\$ 51,362	\$ 5,157

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

Southern Appalachian Wilderness Stewards

Statement of Functional Expenses

Year Ended September 30, 2020

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2020	Total 2019
Salaries	\$ 535,666	\$ 60,349	\$ -	\$ 596,015	\$ 679,441
Payroll Taxes	43,900	4,946	-	48,846	54,060
Health Insurance	29,555	3,330	-	32,885	37,184
Subtotal Personnel	<u>609,121</u>	<u>68,625</u>	<u>-</u>	<u>677,746</u>	<u>770,685</u>
Contract Services	35,392	31,460	11,798	78,650	31,845
Depreciation	10,755	2,017	672	13,444	18,184
Educational Materials	379	-	-	379	1,293
Fundraising Expense	-	-	644	644	430
Information Technology	50	2,470	-	2,520	2,267
Insurance	29,360	7,409	-	36,769	35,917
Interest Expense	944	177	59	1,180	1,795
Meetings and Conferences	60	2,947	-	3,007	7,771
Miscellaneous Expense	42	1,729	808	2,579	5,386
Office Expenses	140	1,656	-	1,796	1,704
Payroll Processing Fees	-	4,917	-	4,917	5,665
Printing and Postage	171	418	-	589	2,621
Professional Fees	4,061	3,807	592	8,460	28,290
Program Supplies	18,425	-	-	18,425	23,640
Program Travel	41,461	-	-	41,461	44,405
Promotional Items	-	561	841	1,402	50
Rent	16,578	9,671	1,382	27,631	26,174
Repairs and Maintenance	206	52	-	258	977
Staff Training	368	19	-	387	6,107
Telephone and Internet	3,170	1,057	-	4,227	4,698
Total Expenses	<u>\$ 770,683</u>	<u>\$ 138,992</u>	<u>\$ 16,796</u>	<u>\$ 926,471</u>	<u>\$ 1,019,904</u>

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

Southern Appalachian Wilderness Stewards

Statement of Cash Flows

Year Ended September 30, 2020

(With summarized comparative totals for the prior year)

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 46,205	\$ (84,368)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	13,444	18,184
(Increase)/Decrease in Operating Assets		
Accounts Receivable	(6,099)	53,271
Inventory	-	(2,522)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(11,338)	9,147
Accrued Salaries and Payroll Liabilities	68,263	8,104
Net Cash Provided/(Used) by Operating Activities	<u>110,475</u>	<u>(14,392)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	(4,547)	-
Net Cash Used by Investing Activities	<u>(4,547)</u>	<u>-</u>
<u>Cash Flows from Financing Activities</u>		
Principal Payments on Notes Payable	(11,752)	(15,206)
Net Cash Used by Financing Activities	<u>(11,752)</u>	<u>(15,206)</u>
Net Change in Cash and Cash Equivalents During Year	94,176	(29,598)
Cash and Cash Equivalents, Beginning of Year	46,416	76,014
Cash and Cash Equivalents, End of Year	<u>\$ 140,592</u>	<u>\$ 46,416</u>
Supplemental Cash Flow Information:		
Cash Paid for Interest	<u>\$ 1,180</u>	<u>\$ 1,795</u>

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

Southern Appalachian Wilderness Stewards

Notes to Financial Statements

Year Ended September 30, 2020

1. **Description of Organization, Corporate and Tax-Exempt Status**

Southern Appalachian Wilderness Stewards (SAWS) is a conservation non-profit organization dedicated to providing stewardship to protected public lands, including Tennessee, North Carolina, South Carolina, Georgia, Kentucky, Arkansas, West Virginia, and Virginia. SAWS serves as a resource for federal land management 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 and seasonal employment** for the next generation of conservation leaders, building expertise through hands-on work experience.
- **Year-round volunteer opportunities in stewardship** focused on primitive tool use, trail maintenance, trail construction, and campsite rehabilitation.
- **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, specialists, and field crews** who address safety risks, improve trail conditions so that areas are accessible for visitors, connect with local communities, assist the recreating public, foster collaboration between recreational user groups, monitor wilderness character, and inventory non-native and invasive species, in partnership with local land managers.
- **Community engagement, education, and outreach** through community events; partnerships with colleges and universities, including an impactful partnership with the U.S. Naval Academy; visitor interactions; relationships with local businesses; partnering with local volunteer and trail groups; and other activities that engage the public within the SAWS footprint.

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 maintains its status 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.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other

donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Concentration of Credit Risk

Financial assets that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Fair Value Measurements

In accordance with U.S. GAAP, the organization 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.

Property and Equipment

Property and equipment are recorded at cost if purchased or a fair value if donated. 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. The capitalization threshold is \$500 per item.

Contributions

Contributions are recorded as without donor restrictions or with donor restrictions 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." Contributions are recognized when cash, securities or other assets, and unconditional promises to give, or notification or beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue Recognition

Revenue is recognized when earned by delivering services. Program services fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function require management's allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

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, 2020 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.

New Accounting Pronouncements

The organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the organization's financial reporting.

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard is effective for annual reporting periods beginning after December 15, 2018. The organization has adopted the new standard for the year ended September 30, 2020 with modified prospective application. Accordingly, the summarized prior period comparative statements for 2019 have not been adjusted. Impacts to the 2019 financial statements from the revenue recognition standards are not considered significant and not required to be adjusted during the transition period.

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 US GAAP. Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended September 30, 2019, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consists of the following (see next page):

SAWS' goal is generally to maintain financial assets available for general expenditure to meet a minimum of 30 days of essential operating expenses (approximately \$72,500).

<u>As of September 30:</u>	<u>2020</u>	<u>2019</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 140,592	\$ 46,416
Accounts Receivable	26,516	20,417
Total Financial Assets	<u>\$ 167,108</u>	<u>\$ 66,833</u>

4. **Cash and Cash Equivalents**

Cash and cash equivalents consist of a checking account with balances of \$140,592 and \$46,416 as of September 30, 2020 and 2019, respectively.

5. **Accounts Receivable**

Accounts receivable are listed below by type. Management believes all receivables are fully collectible, and no allowance for doubtful accounts is considered necessary.

<u>As of September 30</u>	<u>2020</u>	<u>2019</u>
Foundation Grants Receivable	\$ -	\$ 15,000
Contract Service Revenue Receivable	24,530	2,331
Other Receivables	1,986	3,086
Total Accounts Receivable	<u>\$ 26,516</u>	<u>\$ 20,417</u>

6. **Property and Equipment**

Property and equipment balances consist of the following:

<u>As of September 30</u>	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 10,799	\$ 6,252
Vehicles	83,243	83,243
Less: Accumulated Depreciation	(72,221)	(58,777)
Property and Equipment, Net	<u>\$ 21,821</u>	<u>\$ 30,718</u>

Depreciation expense for the years ended September 30, 2020 and 2019 was \$13,444 and \$18,184.

7. **Notes Payable**

Notes payable consist of the following as of September 30, 2020:

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

Balance as of September 30, 2020	\$ 17,442
Less Current Maturities	(6,580)
Notes Payable, Net of Current Maturities	<u>\$ 10,862</u>

Maturities on the above notes for the remaining terms are as follows for the years ending September 30:

2021	\$ 6,580
2022	6,896
2023	3,966
Total	<u>\$ 17,442</u>

8. PPP Conditional Grant Award

On May 7, 2020, the organization received a Paycheck Protection Program loan in the amount of \$121,500. The loan is potentially forgivable if the organization meets certain criteria and can be recognized as income when those conditions are substantially met. During the audit year, conditions were met through September 30, 2020 and \$121,500 of the loan was recognized as grant revenue.

9. Net Assets With Donor Restrictions

There were no net assets with donor restrictions as of the year ended September 30, 2020. SAWS held \$39,360 as of September 30, 2019 for Stewardship and Staffing.

10. Lease Commitments

SAWS leases its current office space under a two-year lease agreement that began May 1, 2020 and ended April 30, 2022. Rent is \$2,102 per month. Total rent expense for the year ended September 30, 2020 was \$27,631. Required minimum payments to be paid in the following years total \$12,530.

11. Concentration of Revenue and Support

Approximately 70% of SAWS' revenue and support are derived from contracts with the U.S. Forest Service to perform wilderness stewardship, trailblazing, and maintenance for the year ended September 30, 2020.

12. Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the effects of the global situation on the organization's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity for the fiscal year 2021.

13. Subsequent Events

On March 30, 2021, SAWS received confirmation that they were granted forgiveness for the entire PPP loan balance of \$121,500.

Subsequent events have been evaluated through May 26, 2021, which is the date the financial statements were available to be issued.