

**SOUTHERN APPALACHIAN
WILDERNESS STEWARDS**

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Southern Appalachian Wilderness Stewards

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CORLISS &
SOLOMON
PLLC

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures 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, 2021, 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, 2020, and our report dated May 26, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina

June 21, 2022

Southern Appalachian Wilderness Stewards

Statement of Financial Position

As of September 30, 2021

(With summarized comparative totals as of September 30, 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 69,599	\$ 140,592
Accounts Receivable	47,776	26,516
Security Deposits	1,732	1,732
Inventory	2,522	2,522
Total Current Assets	<u>121,629</u>	<u>171,362</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>13,194</u>	<u>21,821</u>
Total Long-Term Assets	<u>13,194</u>	<u>21,821</u>
Total Assets	<u>\$ 134,823</u>	<u>\$ 193,183</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 4,292	\$ 5,012
Accrued Salaries and Payroll Liabilities	26,967	108,466
Accrued Vacation	16,926	10,901
Notes Payable, Current Portion	6,896	6,580
Total Current Liabilities	<u>55,081</u>	<u>130,959</u>
<u>Long-Term Liabilities</u>		
Notes Payable, Long-Term Portion	<u>4,389</u>	<u>10,862</u>
Total Long-Term Liabilities	<u>4,389</u>	<u>10,862</u>
Total Liabilities	<u>59,470</u>	<u>141,821</u>
<u>Net Assets</u>		
Net Assets Without Donor Restrictions	75,353	51,362
Total Net Assets	<u>75,353</u>	<u>51,362</u>
Total Liabilities and Net Assets	<u>\$ 134,823</u>	<u>\$ 193,183</u>

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

Southern Appalachian Wilderness Stewards

Statement of Activities

Year Ended September 30, 2021

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenue and Support				
Contract Service Revenue	\$ 895,024	\$ -	\$ 895,024	\$ 679,911
Foundation Grants	55,647	54,174	109,821	249,936
Contributions	57,573	-	57,573	42,131
Other Income	4,670	-	4,670	698
Net Assets Released from Restriction	54,174	(54,174)	-	-
Total Revenue and Support	1,067,088	-	1,067,088	972,676
Expenses				
Program Services	860,187	-	860,187	770,683
Management and General	165,095	-	165,095	138,992
Fundraising Expenses	17,815	-	17,815	16,796
Total Expenses	1,043,097	-	1,043,097	926,471
Change in Net Assets	23,991	-	23,991	46,205
Net Assets, Beginning of Year	51,362	-	51,362	5,157
Net Assets, End of Year	\$ 75,353	\$ -	\$ 75,353	\$ 51,362

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

Southern Appalachian Wilderness Stewards

Statement of Functional Expenses

Year Ended September 30, 2021

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2021	Total 2020
Salaries	\$ 635,354	\$ 63,536	\$ 7,059	\$ 705,949	\$ 596,015
Payroll Taxes	50,969	6,299	-	57,268	48,846
Health Insurance	41,646	5,622	-	47,268	32,885
Subtotal Personnel	<u>727,969</u>	<u>75,457</u>	<u>7,059</u>	<u>810,485</u>	<u>677,746</u>
Contract Services	16,320	28,050	6,630	51,000	78,650
Depreciation	6,039	2,157	431	8,627	13,444
Educational Materials	241	-	-	241	379
Fundraising Expense	-	-	420	420	644
Information Technology	-	3,331	-	3,331	2,520
Insurance	30,914	10,263	-	41,177	36,769
Interest Expense	863	162	54	1,079	1,180
Meetings and Conferences	-	993	-	993	3,007
Miscellaneous Expense	122	1,885	196	2,203	2,579
Office Expenses	142	1,274	-	1,416	1,796
Payroll Processing Fees	-	6,144	-	6,144	4,917
Printing and Postage	127	397	34	558	589
Professional Fees	1,454	12,077	1,019	14,550	8,460
Program Supplies	24,653	-	-	24,653	18,425
Program Travel	32,297	-	-	32,297	41,461
Promotional Items	-	346	518	864	1,402
Rent	8,141	19,481	1,454	29,076	27,631
Repairs and Maintenance	2,170	542	-	2,712	258
Staff Training	5,987	1,057	-	7,044	387
Telephone and Internet	2,748	1,479	-	4,227	4,227
Total Expenses	<u>\$ 860,187</u>	<u>\$ 165,095</u>	<u>\$ 17,815</u>	<u>\$ 1,043,097</u>	<u>\$ 926,471</u>

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

Southern Appalachian Wilderness Stewards

Statement of Cash Flows

Year Ended September 30, 2021

(With summarized comparative totals for the prior year)

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 23,991	\$ 46,205
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	8,627	13,444
PPP Grant Revenue Recognized	-	(121,500)
(Increase)/Decrease in Operating Assets		
Accounts Receivable	(21,260)	(6,099)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(720)	(11,338)
Accrued Salaries and Payroll Liabilities	(75,474)	68,263
Net Cash Used by Operating Activities	<u>(64,836)</u>	<u>(11,025)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	-	(4,547)
Net Cash Used by Investing Activities	<u>-</u>	<u>(4,547)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from PPP Loan	-	121,500
Principal Payments on Notes Payable	(6,157)	(11,752)
Net Cash Provided/(Used) by Financing Activities	<u>(6,157)</u>	<u>109,748</u>
Net Change in Cash and Cash Equivalents During Year	(70,993)	94,176
Cash and Cash Equivalents, Beginning of Year	140,592	46,416
Cash and Cash Equivalents, End of Year	<u>\$ 69,599</u>	<u>\$ 140,592</u>
Supplemental Cash Flow Information:		
Cash Paid for Interest	<u>\$ 1,079</u>	<u>\$ 1,180</u>

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

Southern Appalachian Wilderness Stewards

Disclosures to the Financial Statements

Year Ended September 30, 2021

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 wild public lands across Southern Appalachia including eight states, 10 national forests, and over 70 federally designated national wildernesses. 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 government based 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 training and hands-on work experience.
- **Year-round volunteer opportunities in stewardship** focused on primitive tools use, trail maintenance and construction, campsite and natural resource rehabilitation, data collection, and resource stewardship that improves visitor experience and barriers to access.
- **The Wilderness Skills Institute** hosted in partnership with Appalachian Trail Conservancy and U.S. Forest Service to provide a free two-week training centered around wilderness values, traditional tool use, public interactions, recreating responsibly, and an array of other skills needed for successful boots-on-the-ground land stewardship. This annual training is offered to volunteers, partners, employees, and students from both the public and private sectors working to take care of public lands with an emphasis on federally designated wildernesses.
- **Wilderness rangers, specialists, and field crews** who address risks, improve trail conditions, remove barriers to access, connect with visitors and the local communities, provide education on recreating responsibly, foster collaboration between outdoor organizations, monitor wilderness character, and maintain strong partnerships with local agency land managers.
- **Community engagement, education, and outreach** through various community events, partnerships with colleges and universities, targeted visitor interactions, relationships with local businesses, hosting volunteer opportunities, and engaging with the public within the SAWS footprint.
- **The Bridge Program**, hosted in partnership with Greening Youth Foundation and SAWS, is an equitable hiring event focused on connecting people of color and underrepresented communities to careers in the environmental and outdoor sectors. Through two events each year, the Bridge Program provides training and support to increase equitable hiring in conservation to employers as well as connect individual candidates to an array of environmental jobs from HR to field positions across the country.

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 on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of the organization's net assets, and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

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. A not-for-profit entity may account for PPP loans in accordance with FASB ASC 958-605, Not-for-Profit Entities-Revenue Recognition, as a conditional contribution. Under this standard, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If the contribution is conditional, it is not recognized until the conditions are substantially met or explicitly waived.

Contract Service Revenue

In accordance with U.S. GAAP, the organization follows *ASU 2014-09, Revenue from Contracts with Customers* (Topic 606), which 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.

SAWS's contract service revenue is derived from contracts with the U.S. Forest Service in the USDA for delivery of forestry, stewardship and related services on protected public lands. The agreement between SAWS and the Forest Service constitutes the contract with the customer. The contracts each have unique performance obligations. SAWS bills the agencies on a monthly basis as eligible expenses are incurred and performance obligation are met. Revenue is recognized over the course of the contract. Any amounts received in advance of being earned are deferred until earned. The organization adopted the new standard in the prior year (the year ended September 30, 2020) with modified prospective application.

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, 2021 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.

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, 2020, 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):

<u>As of September 30:</u>	<u>2021</u>	<u>2020</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 69,599	\$ 140,592
Accounts Receivable	47,776	26,516
Total Financial Assets	<u>\$ 117,375</u>	<u>\$ 167,108</u>

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).

4. Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account with balances of \$69,599 and \$140,952 as of September 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Contract Service Revenue Receivable	46,121	24,530
Other Receivables	1,655	1,986
Total Accounts Receivable	<u>\$ 47,776</u>	<u>\$ 26,516</u>

6. Property and Equipment

Property and equipment balances consist of the following:

<u>As of September 30</u>	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 10,799	\$ 10,799
Vehicles	83,243	83,243
Less: Accumulated Depreciation	(80,848)	(72,221)
Property and Equipment, Net	<u>\$ 13,194</u>	<u>\$ 21,821</u>

Depreciation expense for the years ended September 30, 2021 and 2020 was \$8,627 and \$13,444.

7. Notes Payable

Notes payable consist of the following as of September 30, 2021:

Note for \$32,140, dated March 6, 2018 for purchase of a truck. Terms call for monthly principal and interest payments of \$603 for five years with interest at 4.69%.

Balance as of September 30, 2021	\$ 11,285
Less Current Maturities	(6,896)
Notes Payable, Net of Current Maturities	<u>\$ 4,389</u>

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

2022	6,896
2023	4,389
Total	<u>\$ 11,285</u>

8. PPP Grant Revenue

On May 7, 2020, the organization received a Paycheck Protection Program loan in the amount of \$121,500. This loan was forgiven by the Small Business Administration on March 30, 2021. During the prior year, conditions were met through September 30, 2020, and the loan was recognized as grant revenue on those financial statements.

9. Net Assets With Donor Restrictions

There were no net assets with donor restrictions as of September 30, 2021 or 2020.

10. Line of Credit

In March 2021, SAWS was approved for an \$80,000 revolving line of credit with Truist Bank. The instrument is unsecured and has a variable interest rate. There is no outstanding balance as of September 30, 2021.

11. Lease Commitments

SAWS leases its current office space under a two-year lease agreement that began May 1, 2020 and ends April 30, 2022. Rent is \$2,237 per month. Total rent expense for the year ended September 30, 2021 was \$29,076. Required minimum payments to be paid in the following year total \$15,659.

12. Concentration of Revenue and Support

Approximately 84% 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, 2021.

13. 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 2022.

14. Subsequent Events

Subsequent events have been evaluated through June 21, 2022, which is the date the financial statements were available to be issued.