

APPALACHIAN VOICES

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

Misty D Watson, CPA, PA
PO Box 2122
Boone, NC 28607

APPALACHIAN VOICES
TABLE OF CONTENTS
DECEMBER 31, 2015 and 2014

	<u>Page Number</u>
Independent Auditor's Report	1-2
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-11

MISTY D WATSON, CPA, P.A.
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 2122
BOONE, NORTH CAROLINA 28607
TELEPHONE (828) 263-1100
FAX (888) 361-6553

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Appalachian Voices

I have audited the accompanying financial statements of Appalachian Voices, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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

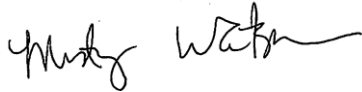
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Voices as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Misty Watson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Misty Watson, CPA P.A.
Boone, NC 28607
August 5, 2016

APPALACHIAN VOICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	2015	2014
Current Assets:		
Cash and cash equivalents	\$ 1,807,709	891,312
Accounts receivable	22,361	7,318
Deposits	4,090	6,170
Prepaid expenses	11,005	-
Contributions receivable	186,890	192,228
Total current assets	2,032,055	1,097,028
Property and Equipment:		
Equipment	59,033	55,502
Furniture and fixtures	762	762
Less accumulated depreciation	(31,090)	(33,858)
Net property and equipment	28,705	22,406
TOTAL ASSETS	\$ 2,060,760	1,119,434

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 12,769	18,318
Funds payable	62,695	-
Accrued expenses	26,548	21,967
Total current liabilities	102,012	40,285
Net Assets:		
Unrestricted:		
Operating	1,719,364	831,099
Invested in property and equipment	28,705	22,406
Total unrestricted	1,748,069	853,505
Temporarily restricted	210,679	225,644
Total net assets	1,958,748	1,079,149
TOTAL LIABILITIES AND NET ASSETS	\$ 2,060,760	1,119,434

See accompanying notes to financial statements

**APPALACHIAN VOICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Contributions	\$ 1,649,495	760,372	2,409,867	1,974,045
Membership dues	48,924	150	49,074	45,656
Special events	60,038	-	60,038	10,619
Investment income	6,672	-	6,672	3,647
Voice advertisements	9,406	-	9,406	9,801
In-kind contributions	5,875	-	5,875	3,054
Other income	50	-	50	13,114
Net assets released from restrictions:				
Satisfaction of program restrictions	775,487	(775,487)	-	-
Total support and revenue	2,555,947	(14,965)	2,540,982	2,059,936
Expenses:				
Program expenses	1,466,673	-	1,466,673	1,324,638
Management and general expenses	88,961	-	88,961	63,507
Fundraising expenses	105,749	-	105,749	97,253
Total expenses	1,661,383	-	1,661,383	1,485,398
Change in Net Assets	894,564	(14,965)	879,599	574,538
Net Assets, beginning of year	853,505	225,644	1,079,149	504,611
Net Assets, end of year	\$ 1,748,069	210,679	1,958,748	1,079,149

See accompanying notes to financial statements

**APPALACHIAN VOICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

PROGRAM EXPENSES

FUNCTIONAL EXPENSES	Eliminate Fossil Fuels' Externalities	Building Awareness of Regional Issues	Shifting Investments to Clean Energy	Total Program Expenses	Management & General Expenses	Fundraising Expenses	Total Expenses
Salaries and wages	\$ 427,852	65,232	422,187	915,271	57,528	71,556	1,044,355
Payroll taxes and insurance	64,647	9,405	67,146	141,198	6,914	9,287	157,399
Employee benefits	8,120	1,748	3,878	13,746	1,356	385	15,487
Advertising	1,062	-	5,775	6,837	326	145	7,308
Bank charges	6	101	-	107	1,473	-	1,580
Conferences and meetings	6,534	538	7,222	14,294	2,575	325	17,194
Contract labor	11,210	18,861	13,288	43,359	238	825	44,422
Contributions	50	50	333	433	-	-	433
Depreciation	3,415	500	3,332	7,247	500	583	8,330
Dues and subscriptions	900	-	753	1,653	30	-	1,683
Equipment rental	527	77	514	1,118	77	90	1,285
Events	12,214	-	7,879	20,093	-	1,907	22,000
Insurance	842	123	821	1,786	124	143	2,053
Licenses and permits	361	-	194	555	-	-	555
Office supplies	11,173	2,259	10,901	24,333	1,390	1,279	27,002
Promotion materials	4,788	82	7,801	12,671	2,412	3,080	18,163
Postage and delivery	2,675	16,071	1,861	20,607	194	425	21,226
Printing and reproduction	-	33,018	-	33,018	-	-	33,018
Professional fees	30,865	-	8,500	39,365	5,094	-	44,459
Project expense	2,195	-	-	2,195	-	-	2,195
Rent	32,220	2,527	20,213	54,960	3,114	5,091	63,165
Repairs and maintenance	2,314	182	1,452	3,948	227	363	4,538
Research and development	-	-	2,500	2,500	-	-	2,500
Travel	27,682	6,577	27,557	61,816	2,901	7,898	72,615
Telephone	5,497	805	5,464	11,766	704	939	13,409
Utilities	2,642	208	1,658	4,508	259	414	5,181
Website expense	14,069	1,790	11,430	27,289	1,525	1,014	29,828
TOTAL FUNCTIONAL EXPENSES	\$ 673,860	160,154	632,659	1,466,673	88,961	105,749	1,661,383

See accompanying notes to financial statements

**APPALACHIAN VOICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 879,599	574,538
Adjustments to reconcile "change in net assets" to Net cash provided by (used by) operating activities:		
Depreciation expense	8,330	7,436
(Gain) loss on disposal of property and equipment	229	-
(Increase) decrease in accounts receivable	(15,043)	(3,013)
(Increase) decrease in contributions receivable	5,338	(25,706)
(Increase) decrease in prepaid expenses	(11,005)	-
(Increase) decrease in deposits	2,080	950
Increase (decrease) in accounts payable	(5,549)	(2,481)
Increase (decrease) in funds payable	62,695	-
Increase (decrease) in accrued expenses	4,581	570
Net cash provided by (used by) operating activities	<u>931,255</u>	<u>552,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(14,858)</u>	<u>(7,889)</u>
Net cash used by investing activities	<u>(14,858)</u>	<u>(7,889)</u>
Net increase (decrease) in cash	<u>916,397</u>	<u>544,405</u>
CASH, beginning of year	<u>891,312</u>	<u>346,907</u>
CASH, end of year	<u><u>\$ 1,807,709</u></u>	<u><u>891,312</u></u>

See accompanying notes to financial statements

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 1 - Organization:

Appalachian Voices was organized in 1997 as a North Carolina nonprofit corporation. Its purpose is to solve the environmental problems having the greatest impact on the central and southern Appalachian Mountains. The organization's income is primarily from private and public grants and individual contributions.

Note 2 - Summary of Significant Accounting Policies:

Basis of Accounting

Appalachian Voices' financial statements have been prepared on the accrual basis of accounting. Under this method, support and revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which a liability is incurred.

Basis of Presentation

The net assets and revenues, gains and losses of the Organization are classified for accounting and reporting purposes in three classes of net assets based on the existence or absence of donor-imposed restrictions. A description of the three classes follows:

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily restricted - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time.

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no transactions that created permanently restricted net assets for the year ended December 31, 2015.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (continued):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions Receivable

Unconditional promises to give are recognized as revenues or gains in the period received, net of an allowance for uncollectible promises and a discount to the present value of future cash flows, and presented as contributions receivable in the statement of financial position.

Property and Equipment

Property and equipment are recorded at cost or at estimated value at the date of the gift, if donated. Depreciation is computed over the estimated useful lives of the property using the straight-line method of depreciation.

Donated Services and Materials

It is the policy of Appalachian Voices to record the value of donated services, materials and facilities usage provided there is an objective basis with which to value such donations. The value of general volunteer services are not recorded, because there is no objective basis with which to value the volunteer time, although the operations of Appalachian Voices is supported by a considerable amount of volunteer time.

Income Taxes

Appalachian Voices is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Appalachian Voices has also been classified by the Internal Revenue Service as being an organization "other than a private foundation." With few exceptions, the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Instruments such as accounts receivable, accounts payable, accrued expenses, notes receivable or payable that are currently due, and cash equivalents will typically be received or paid within a short period of time after the balance sheet date. Appalachian Voices estimates the fair value of these items to be the same as their carrying value.

Functional Allocation of Expenses

The costs of providing Appalachian Voices' various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs and expenses have been allocated among the programs and supporting services benefited.

**APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

Note 2 - Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents

For purposes of financial statement presentation, Appalachian Voices considers all bank accounts, certificates of deposit, interest accrued on certificates of deposit, and petty cash funds to be cash and cash equivalents.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2015 and 2014, was \$7,308 and \$2,252, respectively.

Note 3 - Net Assets:

The Appalachian Voices Board of Directors has designated portions of the net assets to be used for purposes other than general operations as follows:

A portion of the net assets is invested in property and equipment, and thus is not intended to represent net assets available to pay operating expenses.

Note 4 - Temporarily Restricted Net Assets:

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors as follows:

Shifting Investments to Clean Energy	\$	485,611
Eliminate Fossil Fuels' Externalities		246,319
Build Awareness of Regional Issues		40,102
General Support		3,455
	\$	775,487

Note 5 - Contributions Receivable:

Unconditional promises to give consists of the following:

Restricted to Shifting Investments to Clean Energy	\$	69,568
Restricted to Eliminate Fossil Fuels' Externalities		15,000
Restricted to Build Awareness of Regional Issues		5,000
Restricted to General Support		97,322
Amount due in less than one year	\$	186,890

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 6 - Retirement Plan:

The Organization has a SIMPLE IRA plan covering employees that meet certain criteria for eligibility. In addition to employee deferrals, the Organization will make a 3% contribution for employees. Employer contributions associated with the SIMPLE IRA plan for the years ended December 31, 2015 and 2014, totaled \$15,487 and \$14,896, respectively.

Note 7 - Lease Obligations:

The Organization entered into a three-year lease with Legal Aid of North Carolina, Inc. on February 20, 2012 for facility space located in Boone, North Carolina. The lease requires monthly lease payments of \$2,500 for the term. The lease expires February 28, 2015 and the Organization remains on a month-to-month basis.

The Organization entered into a one-year lease with R.R.C. & Company, LLC on December 15, 2015 for space located in Norton, Virginia. The lease requires monthly lease payments of \$850 for the term. The lease expires December 15, 2016.

The Organization entered into a month-to-month lease with Statewide Organizing for Community eMpowerment on August 1, 2015 for space located in Knoxville, Tennessee. The lease requires monthly lease payments of \$200 for the term.

The Organization entered into a lease with Michael Vetro on April 15, 2016 for office space located in Boone, North Carolina. The lease requires monthly lease payments of \$4,278 plus one-third of the annual property tax bill for the term. The term of the lease is two years commencing September 15, 2016 and terminating September 14, 2018.

The Organization entered into a three-year lease with Parker River, LLC on October 13, 2013 for space located in Charlottesville, Virginia. The lease requires monthly lease payments of \$3,200 for the period November 1, 2013 - October 31, 2014, \$3,296 for the period November 1, 2014 - October 31, 2015 and \$3,395 for the period November 1, 2015 - October 31, 2016. The Organization has the option to extend the term of the Lease for one three-year period. The lease expires October 31, 2016.

Future Payments Due:

	Boone, NC	Charlottesville, VA	Norton, VA
2016	\$ 14,973	33,950	9,775
2017	51,339	-	-
2018	36,363	-	-
2019	-	-	-
2020	-	-	-
Thereafter	-	-	-
Total Future Lease Payments	\$ 102,675	33,950	9,775

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 8 - Concentrations:

The Organization maintains deposits in financial institutions that at times exceed the insurance amounts of \$250,000 provided by the US Federal Deposit Insurance Corporation (FDIC). The excess amount at December 31, 2015 is \$1,906.

For the years ended December, 31, 2015 and 2014, respectively, the Organization had one donor that accounted for 54% and 51% of total contributions for the year.

Note 9 - Subsequent Events:

The Organization evaluates events or transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The Organization entered into a lease with Michael Vetro on April 15, 2016 for office space located in Boone, North Carolina. The lease requires monthly lease payments of \$4,278 plus one-third of the annual property tax bill for the term. The term of the lease is two years commencing September 15, 2016 and terminating September 14, 2018.

The financial statements were approved by management and available to be issued on August 5, 2016.