

APPALACHIAN VOICES

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

Misty D Watson, CPA, PA
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**APPALACHIAN VOICES
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DECEMBER 31, 2016 and 2015**

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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, 2016 and 2015, 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

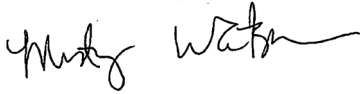
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, 2016 and 2015, 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 stroke at the end.

Misty Watson, CPA P.A.
Boone, NC 28607
August 21, 2017

APPALACHIAN VOICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 2,100,341	1,807,709
Accounts receivable	29,500	22,361
Deposits	13,067	4,090
Prepaid expenses	13,183	11,005
Employee advances	215	-
Contributions receivable	56,455	186,890
Total current assets	2,212,761	2,032,055
Property and Equipment:		
Equipment	47,679	59,033
Furniture and fixtures	762	762
Less accumulated depreciation	(25,505)	(31,090)
Net property and equipment	22,936	28,705
Other asset:		
Intangible asset	1,500	-
TOTAL ASSETS	\$ 2,237,197	2,060,760

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 23,659	12,769
Funds payable	1,904	62,695
Accrued expenses	22,102	26,548
Total current liabilities	47,665	102,012
Net Assets:		
Unrestricted:		
Operating	2,071,134	1,719,364
Invested in property and equipment	22,936	28,705
Total unrestricted	2,094,070	1,748,069
Temporarily restricted	95,462	210,679
Total net assets	2,189,532	1,958,748
TOTAL LIABILITIES AND NET ASSETS	\$ 2,237,197	2,060,760

See accompanying notes to financial statements

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

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Support and Revenue:				
Contributions	\$ 1,697,937	497,191	2,195,128	2,409,867
Membership dues	51,111	139	51,250	49,074
Special events	-	-	-	60,038
Investment income	8,835	-	8,835	6,672
Voice advertisements	10,042	-	10,042	9,406
In-kind contributions	3,911	-	3,911	5,875
Other income	-	-	-	50
Gain (loss) on fixed assets	(1,326)	-	(1,326)	-
Net assets released from restrictions:				
Satisfaction of program restrictions	612,547	(612,547)	-	-
Total support and revenue	<u>2,383,057</u>	<u>(115,217)</u>	<u>2,267,840</u>	<u>2,540,982</u>
Expenses:				
Program expenses	1,788,510	-	1,788,510	1,466,673
Management and general expenses	120,212	-	120,212	88,961
Fundraising expenses	128,334	-	128,334	105,749
Total expenses	<u>2,037,056</u>	<u>-</u>	<u>2,037,056</u>	<u>1,661,383</u>
Change in Net Assets	346,001	(115,217)	230,784	879,599
Net Assets, beginning of year	<u>1,748,069</u>	<u>210,679</u>	<u>1,958,748</u>	<u>1,079,149</u>
Net Assets, end of year	<u>\$ 2,094,070</u>	<u>95,462</u>	<u>2,189,532</u>	<u>1,958,748</u>

See accompanying notes to financial statements

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

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 230,784	879,599
Adjustments to reconcile "change in net assets" to Net cash provided by (used by) operating activities:		
Depreciation expense	9,120	8,330
(Gain) loss on disposal of property and equipment	1,326	229
(Increase) decrease in accounts receivable	(7,139)	(15,043)
(Increase) decrease in contributions receivable	130,435	5,338
(Increase) decrease in prepaid expenses	(2,178)	(11,005)
(Increase) decrease in employee advances	(215)	-
(Increase) decrease in deposits	(8,977)	2,080
Increase (decrease) in accounts payable	10,890	(5,549)
Increase (decrease) in funds payable	(60,791)	62,695
Increase (decrease) in accrued expenses	(4,446)	4,581
	<u>298,809</u>	<u>931,255</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible asset	(1,500)	-
Purchase of equipment	(4,677)	(14,858)
	<u>(6,177)</u>	<u>(14,858)</u>
Net cash used by investing activities	<u>(6,177)</u>	<u>(14,858)</u>
Net increase (decrease) in cash	<u>292,632</u>	<u>916,397</u>
CASH, beginning of year	<u>1,807,709</u>	<u>891,312</u>
CASH, end of year	<u>\$ 2,100,341</u>	<u>1,807,709</u>

See accompanying notes to financial statements

**APPALACHIAN VOICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	\$ 461,347	77,935	506,615	1,045,897	88,424	89,238	1,223,559
Payroll taxes and insurance	85,298	17,918	101,480	204,696	15,293	15,349	235,338
Employee benefits	7,467	2,035	9,748	19,250	1,174	1,256	21,680
Advertising	1,299	25	2,406	3,730	10	143	3,883
Bank charges	33	10	-	43	1,539	-	1,582
Conferences and meetings	3,767	290	7,083	11,140	1,145	-	12,285
Contract labor	11,798	14,380	28,896	55,074	-	-	55,074
Contributions	1,850	-	2,500	4,350	-	-	4,350
Depreciation	3,101	821	4,140	8,062	511	547	9,120
Dues and subscriptions	1,156	132	1,082	2,370	98	-	2,468
Equipment rental	692	55	956	1,703	41	72	1,816
Events	200	-	400	600	-	-	600
Insurance	515	72	791	1,378	1,601	95	3,074
Licenses and permits	163	-	162	325	200	-	525
Meals and entertainment	4,351	988	5,310	10,649	379	545	11,573
Office supplies	9,142	5,504	13,949	28,595	1,141	1,142	30,878
Promotion materials	12,284	713	9,005	22,002	736	7,201	29,939
Postage and delivery	1,328	16,092	775	18,195	148	1,246	19,589
Printing and reproduction	-	33,158	-	33,158	-	-	33,158
Professional fees	5,619	-	104,419	110,038	2,553	-	112,591
Rent	30,941	3,269	44,548	78,758	2,249	6,347	87,354
Repairs and maintenance	3,083	400	3,144	6,627	413	681	7,721
Travel	39,498	5,653	37,820	82,971	1,044	2,230	86,245
Telephone	4,476	483	6,901	11,860	389	797	13,046
Utilities	2,931	280	4,368	7,579	407	512	8,498
Website expense	10,402	1,274	7,784	19,460	717	933	21,110
TOTAL FUNCTIONAL EXPENSES	\$ 702,741	181,487	904,282	1,788,510	120,212	128,334	2,037,056

See accompanying notes to financial statements

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

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, 2016.

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, 2016 and 2015

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.

Fair Value Measurements

The Organization applies the provisions included in FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As of December 31, 2016, there were no nonfinancial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

Financial instruments consist of cash and cash equivalents, contributions receivable, current liabilities and debt obligations. The carrying amounts reported in the statement of financial position for cash and cash equivalents, contributions receivable and current liabilities approximate fair value due to the short-term nature of these financial statements.

Income Tax Status

The Organization is a nonprofit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

**APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

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

Income Tax Status(continued)

The Organization has adopted the provisions of FASB ASC 740, *Income Taxes*. Using this guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by tax authorities. At December 31, 2016, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress

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.

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, 2016 and 2015, was \$3,883 and \$7,308, 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	\$	428,100
Eliminate Fossil Fuels' Externalities		178,432
Build Awareness of Regional Issues		5,713
General Support		302
	\$	612,547

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

Note 5 - Contributions Receivable:

Unconditional promises to give consists of the following:

Restricted to Shifting Investments to Clean Energy	\$	23,880
Restricted to Eliminate Fossil Fuels' Externalities		20,138
Restricted to General Support		<u>12,437</u>
Amount due in less than one year	\$	<u>56,455</u>

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, 2016 and 2015, totaled \$21,680 and \$15,487, 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 Organization verbally renewed the lease in December 2016. The lease requires monthly lease payments of \$600 for the renewal period. The lease expires December 15, 2017.

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 11, 2016 for space located in Charlottesville, Virginia. The lease requires monthly lease payments of \$3,446 for the period November 1, 2016 - October 31, 2017, \$3,498 for the period November 1, 2017 - October 31, 2018 and \$3,550 for the period November 1, 2018 - October 31, 2019. The Organization has the option to extend the term of the Lease for one three-year period. The lease expires October 31, 2019.

APPALACHIAN VOICES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

Note 7 - Lease Obligations (continued):

Future Payments Due:	Boone, NC	Charlottesville, VA	Norton, VA
2017	\$ 51,339	41,456	6,900
2018	36,363	42,080	-
2019	-	35,500	-
2020	-	-	-
2021	-	-	-
Thereafter	-	-	-
Total Future Lease Payments	<u>\$ 87,702</u>	<u>119,036</u>	<u>6,990</u>

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).

For the years ended December, 31, 2016 and 2015, respectively, the Organization had one donor that accounted for 44% and 54% 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 financial statements were approved by management and available to be issued on August 21, 2017.