



DOVETAIL PARTNERS, INC.

Sustaining Forests & Rural Communities

ANNUAL REPORT 2007

“A human being is a part of the whole called by us ‘universe’, a part limited in time and space. Our task must be to free ourselves by widening our circle of compassion to embrace all living creatures and the whole of nature in its beauty.”

- Albert Einstein (1879-1955)

Letter from the Chairman

Calendar 2007 marked the continued growth of Dovetail's programs and, more importantly, its influence. Our primary measure of success is still the degree to which we are influencing the decision making process to achieve positive environmental change.

To grow our capacity, we've added Don Heise, a housing expert with over 25 years experience, to assist our Eco-affordable Housing Program and Dr. Steve Bratkovich to build our new "recycling and reuse" program. These additions plus expanded relationships with key individuals have helped Dovetail mature and develop.

Dovetail is critically affected financially by two specific issues today: one is the economy whose sluggishness affects total availability of funds. and two is the growing trend among supporters to focus financial support on specific activities versus general operations. Dovetail's unique ability to creatively develop new ideas, solutions, and methodologies is threatened a bit by these trends. Thus new approaches to fund raising are necessary, and future efforts must be focused on obtaining support from sources that are trying to leverage their funds to significantly influence change in behaviors by yet undefined means.

We know that key organizations are coming to Dovetail for partnership in new projects and for input on ideas. We know that more and more people are coming to Dovetail for answers to specific complex environmental problems. And we know key influential individuals are using our information to support their decisions.

Never before have there been more challenges. Never before have there been more obvious opportunities. As we take on the challenges and embrace the opportunities we can take comfort in the knowledge we truly are making the difference.



Jeffrey L. Howe

Founder and Chairman of the Board

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ECO-AFFORDABLE HOUSING

Dovetail is pursuing a unique approach to rural economic development, by partnering with local communities to identify existing unmet demand for competitively priced housing, and to provide the training and development programs that enable local businesses to utilize local resources to meet that need profitably. The goal is to use this process to develop the skill sets of participating businesses to the point where they ultimately are able to serve larger markets outside their region, while minimizing the economic risks and failures often associated with that growth. The outcomes are thriving communities, profitable businesses, and sustainable forests.

CERTIFICATION

There are a number of different certification systems in the world today covering a range of products and production methods. These systems provide information and assurances about a wide variety of product and service attributes. There is growing interest in the certification of other materials as well as forests, and recognition that the source of a material is at least as important to environmental considerations as the nature of the material itself. For over 10 years, forest certification systems have provided oversight to assure that issues like biodiversity, habitat protection, and indigenous peoples' rights are included in the land management plans and activities of forest owners. Dovetail is committed to promoting the wise use of all materials and providing information that allows individuals and organizations to make informed choices.

RESPONSIBLE TRADE & CONSUMPTION

Dovetail creates and supports incentives that recognize the full spectrum of ecological attributes found in the forest and the social benefits provided by these forests. Dovetail has developed a "Responsible Materials Initiative" to provide and summarize information about available materials in a manner that best aids organizations and individuals in making sound and sustainable choices that they fully understand. There is a need to transform forest-based industries that are currently limited by a reliance on the traditional industrial model, which focuses on commoditization and lowest unit cost, to a new paradigm that concentrates on markets and products.

LAND USE

Dovetail recognizes the links between sustainable forestry, responsible trade and consumption, and land use. Dovetail is interested in promoting land use research and planning and innovative programs that encourage and reward responsible land use activities. Dovetail is specifically interested in addressing and minimizing land use impacts on soil and water resources.

In 2007, Dovetail Partners engaged in national and local efforts to expand family forest certification. In the United States, it is estimated that there are nearly 10 million private forest owners, with 90% having properties smaller than 100 acres. These private ownerships represent 58% of the timberland. Dovetail Partners works to support capacity building and innovative approaches that can expand family forest certification.

FSC Family Forests Alliance

The FSC Family Forests Alliance has been created with national partnerships to provide a mechanism for bringing together individuals and organizations committed to promoting responsible forest stewardship through Forest Stewardship Council (FSC) standards. By creating a forum for communication, cooperation, and information sharing, participants in the Alliance can pursue issues of common interest, learn from one another, and enlarge the community of landowners and small businesses practicing responsible forestry.

The four primary purposes of the FSC Family Forests Alliance are to:

- Advocate for FSC policies, public policies, and procurement policies that better serve FSC-certified family forests.
- Operate as a forum to share information and strategies for successful models of certification, forest management, policy development, and market development.
- Provide more visible networks and membership opportunities for family forest owners who feel underserved by existing forest management models and landowner organizations.
- Work collaboratively to develop new resources and tools for group certification programs.

In July 2007, the Family Forests Alliance hosted a two-day conference at The Johnson Foundation's Wingspread Conference Center in Racine, Wisconsin. The agenda focused on the potential for defining a common strategy for advancing family forest certification. The event brought together wood products companies, public agencies, non-profits, private interests, and landowner associations. The national agenda resulting from the meeting forms the action plan of the FSC Family Forests Alliance. The plan includes work around communications, providing resources to support certification efforts, and helping support strategic efforts by the Forest Stewardship Council (FSC), including a standards revision process.

Aitkin SWCD Group Certification Project

In 2007, Dovetail Partners and the Aitkin County Soil and Water Conservation District (SWCD) collaborated on a project to provide access to forest certification for landowners in this northern Minnesota County. With funding from a Conservation Innovation Grant (CIG) provided by the Natural Resource Conservation Service (NRCS), the project successfully achieved Forest Stewardship Council (FSC) certification for a pilot group of landowners. The program is available throughout the county and additional landowners can enroll by contacting the local SWCD forester.



Dovetail offers several different publications and a monthly e-newsletter.

Commentaries

Our Commentaries are briefs presenting the opinions and ideas of Dovetail Staff and Associates.

Reports

Dovetail Reports address a wide range of topics and issues related to sustainable forestry, responsible materials, and responsible trade and consumption.

Newsletters

Dovetail publishes a monthly e-newsletter, *The Outlook*, with information about our latest publications, news and events.

➤ **Some Do's and Don'ts in Picking Green Products**

A significant challenge faced by individuals trying to improve their purchasing habits and trying to “green” their building practices is the difficulty in deciphering which products are truly green and which are not. Sorting through green claims is important to anyone dedicated to positive environmental change. With this in mind, I offer some simple “DOs” and “DON'Ts” of green purchasing.

➤ **The Future is Here!**

One of the most exciting developments in science these days is the combination of the new capabilities provided by nanotechnology and new organic-based materials, such as the carbon fiber used on stealth fighters. There is no question of the benefits that nanotechnology will bring to both biomedical and electrical engineering. But, the potential benefit to the “green” products marketplace is virtually endless.

➤ **To be green or not to be green**

The complaint is sometimes heard that “being green is too difficult”, and that comparing materials to decide which are the greenest choices is too complicated. This may be true, but there are also plenty of examples of how green can be extremely simple and how these straightforward choices can have tremendous positive impacts. For example, there are also a couple of rules of thumb for evaluating which materials have the least environmental impact.

➤ **Sustainable Forests: Are we there yet?**

Over the past 15 years significant strides have been made at both ends of the wood products channel: in the forest with certified forestry improving forest management practices, and in the marketplace with a growing number of well-defined green purchasing guidelines and certification programs. There is no question these developments have made a difference in both the forests and in the stores. So, a relevant question is, are we there yet? Have we achieved sufficient progress to make the concept of sustainability, sustainable? One approach to answering this question is to look at what is going on in the US today that impacts the future of forests and forestry within our borders.

➤ **What Do Consumer Demands Have to Do With the Market for “Green?”**

For well over 20 years the wood products industry has been asking the question: “Do customers really care about green?,” And, more recently, making the statement: “No one is asking for certified wood, so why should I offer it?” Consistently, underlying the industry reticence to embrace green practices is the primary excuse that “customers aren't requesting it, so why should I offer something they so obviously don't want (otherwise they'd ask – right?).” Perhaps, however, the truth is that customers rarely request new products and waiting for them to do so puts your company out of the running.

➤ **The Real Meaning of Team**

Today the importance of creating teams in organizations and the special value in getting good people to work together to solve problems is widely recognized. Nowhere is this more important than at the top of today's organizations, and especially within organizations facing the need to implement dramatic change.

<http://www.dovetailinc.org/Commentaries.html>

- Reinventing the Hardwood Industry: One Company at a Time
- Forest Certification and Mutual Recognition: What is involved and what does it imply?
- Forest Certification and Ecological Classification Systems: The Potential for Shared Objectives and Benefits
- Forest Certification in the Tropics: Is the glass half full or half empty?
- Global Warming: Why Reducing Fossil Fuel Use is Essential Regardless of the Outcome of the Climate Change Debate
- Materials Selection in Framing: Is Steel Framing a Good Environmental Choice?
- Forest Certification Update: The Sustainable Forestry Initiative (SFI)
- The FSC Controlled Wood Standard: What it is and what it is for
- Is the Wood in Your Product Line of Legal Origin?: What is Your Responsibility to Make Sure That It Is?
- TIMOs & REITs: What, Why, & How They Might Impact Sustainable Forestry
- Solid Wood Products: Green Materials or the Bane of Environmental Sustainability?
- "Certified Once, Accepted Everywhere": Is the International Accreditation Forum (IAF) part of the solution, or part of the problem?
- What's New in Eco-Affordable Housing?: Combining green building innovations with affordable housing needs
- Group Certification: An Opportunity to Engage More Family Forests
- An Assessment of the Potential for Bioenergy and Biochemicals Production from Forest-Derived Biomass in Minnesota
- Vinyl Siding: At Least It's Maintenance Free, Isn't It?
- The Great Lakes Region: A Forest Certification Hub
- A Basic Materials Policy for the U.S.: Badly Needed, Long Overdue

<http://www.dovetailinc.org/reportView.php?action=search>

Dovetail Board of Directors 2007

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Brian Adams, Senior Vice President, Bremer Bank
Eric Bloomquist, Former CEO of Colonial Craft, Retired
Jim Bowyer, Ph.D., Bio-products and Environmental Consultant
Kim Carlson, Founder, EarthSmart LLC
Edwin Chanin, Attorney, Maslon Edelman Borman & Brand
Jill Koosmann, CEO, HRK Group, Inc.

Dovetail Staff 2007

Kathryn Fernholz, Executive Director
Jim Bowyer, Director of Responsible Materials Program
Steve Bratkovich, Project Manager for Recycling and Reuse
Alison Lindburg, Director of Eco-Affordable Housing Program
Don Heise, Project Manager, Eco-Affordable Housing Program
Matthew Wenban-Smith, Director of Certification Program

Dovetail Board of Advisors 2007

William Banzhaf, President, Sustainable Forestry Board
Paul DeLong, Wisconsin State Forester, Wisconsin Department of Natural Resources, Division of Forestry
R. Philip Guillery, Forestry Consultant
Don Heise, Architectural Wood Specialties
Robert Hrubes, Ph.D., Senior Vice President, Scientific Certification Systems, Forest Conservation Program
Douglas MacCleery, Senior Policy Analyst, Forest Management Division, National Forest System, Washington, D.C.
Patrick O'Brien, Organizational Development Consultant

Dovetail Mission Statement

Dovetail Partners collaborates to develop unique concepts, systems, programs, and models to foster sustainable forestry and catalyze responsible trade and consumption.

FINANCIAL STATEMENT

Dovetail Partners, Inc.
Statement of Financial Position
December 31, 2007

Assets:		
Cash and cash equivalent		\$272,272
Accounts receivable		-
Grants and contributions receivable		7,912
Contracts receivable		22,551
Prepaid expenses		518
	Total assets	\$303,253
Liabilities and net assets:		
Liabilities:		
Credit card payable		\$175
Accounts payable		31,855
Accrued wages and payroll taxes		5,233
Funds held for others		27,739
	Total liabilities	\$65,002
Net assets:		
Unrestricted		168,251
Temporarily restricted		70,000
	Total net assets	238,251
	Total liabilities and net assets	<u>\$303,253</u>

Dovetail Partners, Inc.
Statement of Activities
December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues			
Grants and contributions	\$151,454	\$70,000	\$221,454
Fees for services	154,186	-	154,186
Proceeds from sale of eco- affordable house	169,900	-	169,900
Interest Income	5,957	-	5,957
Miscellaneous	1,175	-	1,175
Satisfaction of program restrictions	102,000	(102,000)	-
Total revenues	<u>584,672</u>	<u>(32,000)</u>	<u>552,672</u>
Expenses:			
Program Services	487,321	-	487,321
Management and general	40,732	-	40,732
Fundraising	12,983	-	12,983
Total expenses	<u>541,036</u>	<u>0</u>	<u>541,036</u>
Increase (decrease) in net assets	43,636	(32,000)	11,636
Net assets - beginning of period	124,615	102,000	226,615
Net assets – end of period	<u>\$168,251</u>	<u>\$70,000</u>	<u>\$238,251</u>

Dovetail Partners, Inc.
Statement of Functional Expenses
December 31, 2007

	Program Services	Management and General	Fundraising	Total
Expenses:				
Wages	\$84,419	\$24,120	\$12,059	\$120,598
Payroll taxes	6,467	1,848	924	9,239
Rent and utilities	6,689	743	-	7,432
Telephone	1,423	158	-	1,581
Website	1,373	-	-	1,373
Office supplies	1,951	217	-	2,168
Postage and shipping	264	29	-	293
Printing	4,157	462	-	4,619
Consulting	131,179	-	-	131,179
Professional Services	-	102	-	102
Travel and lodging	14,130	-	-	14,130
Member fees	-	1,304	-	1,304
Cable	-	-	-	-
Accounting	-	10,910	-	10,910
Insurance	1,302	145	-	1,447
Services charges	-	270	-	270
Cost of land sold	35,530	-	-	35,530
Cost of house sold	194,623	-	-	194,623
Miscellaneous expenses	3,814	424	-	4,238
Total Expenses	\$487,321	\$40,732	\$12,983	\$541,036

Dovetail Partners, Inc.
Statement of Cash Flows
December 31, 2007

Cash flows from operating activities:	
Increase (decrease) in net assets	\$11,636
Adjustments to reconcile change in net assets:	
(Increase) decrease in receivables	92,484
(Increase) decrease in prepaid expenses	65
Increase (decrease) in payables and accrued expenses	47,278
Net cash flows from operating activities	151,463
Cash flows from investing activities:	
Disposal of fixed assets	158,188
Acquisition of fixed assets	(11,595)
Net cash flows from investing activities	146,593
Cash flows from financing activities:	
Loan proceeds	45,544
Loan repayments	(140,205)
Net cash flows from financing activities	(94,661)
Increase in cash and cash equivalents	203,395
Cash and cash equivalents – beginning of year	68,877
Cash and cash equivalents – end of year	\$272,272

Special Thanks to Our Supporters!

Alexis Bloomstrand, New Morning Windows
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Forest Products Management Development Institute, University of Minnesota
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