

DOVETAIL PARTNERS

ANNUAL REPORT 2005



Sustaining Forests & Rural
Communities

“Insanity: doing the same thing over and over again and expecting different results.”

- Albert Einstein (1879-1955)

Letter from the Chair....

With the help of our supporters and partners 2005 was a defining year for Dovetail. Foremost among our accomplishments was the one-year anniversary of our monthly e-newsletter. First distributed in September 2004, within a year *The Outlook* has established itself with over 10,000 recipients each month. This newsletter has been recognized as a voice of reason in discussions fraught with misinformation. We seem to have struck a cord with challenging articles about topical issues. The focus for the future is to keep this momentum alive and to build on it for the benefit of all.

We have also evolved over the course of the year, recognizing a need to focus our efforts programmatically to ensure we are gaining the greatest benefit for the support we are being provided. To that end we redefined ourselves into four basic programmatic areas: certification, eco-affordable housing, responsible trade & consumption, and land use. We rebuilt our organization to add the position of Executive Director for overall activities, and Program Directors for each of the program areas. Our goal is to have all these positions filled by early 2006.

Key to our strategic growth has been the increased involvement of Dr. Jim Bowyer as one of our key strategic partners. Both his articles and his willingness to take the responsible materials initiatives under his wing have been huge developments for Dovetail. Clearly his retirement from the University of Minnesota in 2006 is going to be their loss and our gain. With his leadership we have begun increasing our relationship with the USDA and have undertaken a number of projects with their financial support.

We continue to maintain a fairly unique business model, one that is based on building partnerships and strong relationships rather than overhead and employees. We will continue to build on this in the future with innovative and fluid partnerships. Our objective is to offer opportunities that enable us to attract and retain a portion of the time of the most skilled individuals available. We will use this approach to both fill some of the program director positions and to build a larger Board of Directors and a Board of Advisors in 2006.

Overall, the key is we know what we are doing is making a difference. We are getting feedback from people all over the world. Our objective is to nurture and influence positive behaviors in individuals and organizations by providing information, systems, and processes that support positive change. From what we see, individuals are eager for that help, and we are enthusiastic about providing it!

Jeff

Jeffrey L. Howe

President and Chair of the Board

PROGRAMS

Eco-Affordable
Housing

Certification

Responsible Trade &
Consumption

Land Use

Publications &
Newsletters

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.

PUBLICATIONS & NEWSLETTERS

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.

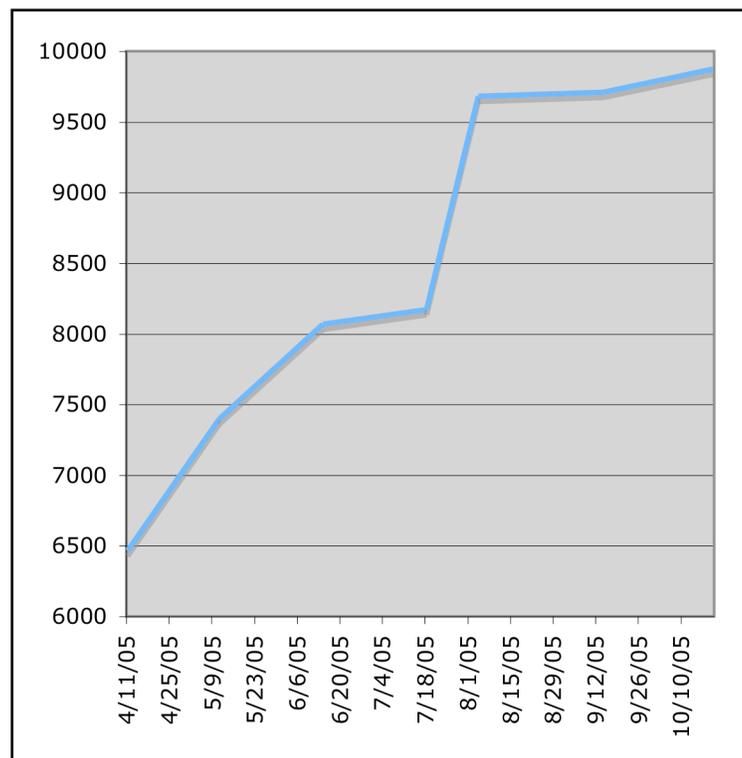
Reports

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.

NEWSLETTER SUBSCRIBERS 2005



COMMENTARIES 2005

[A National New Year's Resolution](#)

Can American Consumers Make Real Change?

[Voluntary Environmental Certification](#)

Is Regulation the Answer?

[Beyond Forest Certification](#)

Take Our Survey and Give Your Input

[What a Caveman Would Tell Today's Wood Industry](#)

Running the Numbers on Value-Added

[Making Flutes From Sticks](#)

Getting off the commodity treadmill

[Baseball, Cowboy Hats, and Marketing 101](#)

Fitting products to customer needs

[I'm Feeling Guilty - and I'm Not Catholic](#)

The darker side of recycling

[What Green Building has to do with Ants at a Picnic and a Billion Chinese](#)

The opportunities USGBC & LEED offer the wood industry

[Adding Value & Getting Your Coconuts](#)

The value of middlemen

[When 1 + 1 = 3!](#)

The issue of conflict resolution

[Making Sure LEED® Leads](#)

Feedback on the green building standards

- Life Cycle Analysis: A Key to Better Environmental Decisions
- Why Not in My Back Yard?
- Bamboo Flooring: Environmental Silver Bullet or Faux Savior?
- Paper Recycling in the United States: How Are We Doing Compared to Other Nations?
- A Beginner's Guide to Green Building: What the Forest Sector Needs to Know about USGBC & LEED
- Global Competition: An Opportunity for Our Domestic Wood Products Industry
- Beginner's Guide to the International Standards Organization (ISO): Fitting ISO with Forest Certification
- Beginner's Guide to Third-Party Forest Certification: Shining a Light on the Canadian Standards Association (CSA)
- Bio-Energy: Momentum is Building for Large Scale Development
- Chain-of-Custody Certification: What is It, Why do It, and How?
- The U.S. Pulp and Paper Industry: a Key Player in the Coming Bio-revolution
- Organizational Vision & Planning: If you don't know where you're going, any path will get you there!
- Reduced Impact Logging: A Lighter Approach to Harvesting in the World's Tropical Forests
- Fundamentals of Marketing: Managing Markets, Products, Channels, and Programs
- Are Life Cycle-Based Labeling and a Broadening of Environmental Certification Programs Needed?
- How Do the FSC & SFI Standards Address the Forest Service's Four Threats?
- Creating Great Plans: Planning Processes that Work!
- Fast-Growth Tree Plantations for Wood Production - Environmental Threat or a Means of "Saving" Natural Forests?
- The Role of Stakeholder Consultation in Forest Certification Assessments: Its Critical Importance and Making it More Effective
- Seeking Sustainability: Critically Important Issues Remain Off the Table

DOVETAIL BOARD, STAFF & MISSION

Dovetail Board of Directors 2005

Eric Bloomquist

Jeff Howe

Phil Guillery

Dovetail Staff 2005

Jeff Howe

Phil Guillery

Kathryn Fernholz

Dovetail Associates 2005

Jim Bowyer

Dovetail Mission Statement

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



Tautges Redpath, Ltd.

Certified Public Accountants and Consultants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Dovetail Partners, Inc.
White Bear Lake, Minnesota

We have reviewed the accompanying statements of financial position of Dovetail Partners, Inc. (a not-for-profit corporation) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Dovetail Partners, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

HLB Tautges Redpath, Ltd.
HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

May 6, 2006

DOVETAIL PARTNERS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

Statement 1

	<u>2005</u>	<u>2004</u>
Assets:		
Cash in checking	\$20,795	\$ -
Accounts receivable	1,560	4,980
Grants and contracts receivable	21,190	82,500
Prepaid expenses	591	591
Deposit for land purchase	-	1,000
Land	35,530	-
Work-in-process	6,294	-
	<u>85,960</u>	<u>89,071</u>
Total assets		
	<u>\$85,960</u>	<u>\$89,071</u>
Liabilities and net assets:		
Liabilities:		
Cash overdraft	\$ -	\$1,003
Credit card payable	360	10,054
Accounts payable	5,940	17,952
Accrued wages and payroll taxes	2,239	7,918
Loan payable to related party	39,543	16,524
Total liabilities	<u>48,082</u>	<u>53,451</u>
Net assets:		
Unrestricted	9,878	28,120
Temporarily restricted	28,000	7,500
Total net assets	<u>37,878</u>	<u>35,620</u>
	<u>\$85,960</u>	<u>\$89,071</u>
Total liabilities and net assets		

DOVETAIL PARTNERS, INC.
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2005 and 2004

	2005		
	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	\$16,524	\$ -	\$16,524
Grants & contracts	147,219	28,000	175,219
Fees for services	55,130	-	55,130
Satisfaction of program restrictions	7,500	(7,500)	-
Total revenues	<u>226,373</u>	<u>20,500</u>	<u>246,873</u>
Expenses:			
Program services	189,869	-	189,869
Management and general	46,291	-	46,291
Fundraising	8,455	-	8,455
Total expenses	<u>244,615</u>	<u>0</u>	<u>244,615</u>
Increase (decrease) in net assets	(18,242)	20,500	2,258
Net assets - beginning of period	<u>28,120</u>	<u>7,500</u>	<u>35,620</u>
Net assets - end of period	<u>\$9,878</u>	<u>\$28,000</u>	<u>\$37,878</u>

	2004		
	Unrestricted	Temporarily Restricted	Total
	\$54,950	\$ -	\$54,950
	209,553	7,500	217,053
	65,678	-	65,678
	-	-	-
	<u>330,181</u>	<u>7,500</u>	<u>337,681</u>
	259,443	-	259,443
	37,724	-	37,724
	-	-	-
	<u>297,167</u>	<u>0</u>	<u>297,167</u>
	33,014	7,500	40,514
	(4,894)	-	(4,894)
	<u>\$28,120</u>	<u>\$7,500</u>	<u>\$35,620</u>

DOVETAIL PARTNERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2005 and 2004

	2005			Total
	Program Services	Management and General	Fundraising	
Expenses:				
Wages	\$115,868	\$30,898	\$7,724	\$154,490
Payroll taxes	10,959	2,922	731	14,612
Rent and utilities	9,808	1,090	-	10,898
Telephone	1,320	147	-	1,467
Website	2,892	-	-	2,892
Office supplies	1,074	119	-	1,193
Postage and shipping	115	13	-	128
Consulting	19,726	-	-	19,726
Professional services	-	1,121	-	1,121
Travel and lodging	22,790	-	-	22,790
Member fees	-	485	-	485
Meeting expenses	-	-	-	-
Cable	1,140	-	-	1,140
Accounting	-	8,555	-	8,555
Insurance	1,418	158	-	1,576
Equipment	-	-	-	-
Service charges	-	476	-	476
Miscellaneous expenses	2,759	307	-	3,066
Total expenses	\$189,869	\$46,291	\$8,455	\$244,615

	2004		Total
	Program Services	Management and General	
	\$181,878	\$20,209	\$202,087
	13,491	1,499	14,990
	10,364	1,151	11,515
	964	107	1,071
	2,480	-	2,480
	2,407	268	2,675
	-	-	-
	25,330	-	25,330
	-	9,362	9,362
	17,901	-	17,901
	-	135	135
	235	-	235
	1,140	-	1,140
	-	2,580	2,580
	886	98	984
	-	1,952	1,952
	-	363	363
	2,367	-	2,367
Total	\$259,443	\$37,724	\$297,167

