U.S. WORKING GROUP
(DBA FOREST STEWARDSHIP COUNCIL US)
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL US)
YEARS ENDED DECEMBER 31, 2012 AND 2011

CONTENTS

	Page
Independent auditors' report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes in net assets (deficit)	3
Statements of cash flows	4
Notes to financial statements	5-9
Supplementary information to financial statements:	
Schedules of functional expenses	10

bpkz
certified public accountants
going beyond

Board of Directors
U.S. Working Group (dba Forest Stewardship Council US)
Minneapolis, Minnesota

Independent Auditors' Report

We have audited the accompanying financial statements of **U.S. Working Group (dba Forest Stewardship Council US)** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets (deficit) 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 **U.S. Working Group (dba Forest Stewardship Council US)** as of December 31, 2012 and 2011, 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the years ended December 31, 2012 and 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Blanchi Peter Kinlage & Zoch, P.A.

September 4, 2013

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL US)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Current assets:		
Cash	$ 86,283	$ 257,464
Contributions and grants receivable	74,278	256,288
Prepaid expenses	17,893	11,601
Total current assets	178,454	525,353
Property and equipment:		
Office furniture and equipment	83,517	76,891
Less accumulated depreciation	(63,612)	(46,942)
	19,905	29,949
Other asset:		
Deposits	1,923	1,923
	$ 200,282	$ 557,225

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:		
Line of credit	$ 100,000	$ -
Accounts payable	110,784	69,309
Accrued expenses	139,547	75,260
Deferred revenue	65,356	40,413
Total current liabilities	415,687	184,982
Commitment (Note 4)		
Net assets (deficit):		
Unrestricted	(354,014)	(174,301)
Temporarily restricted	138,609	546,544
	(215,405)	372,243
	$ 200,282	$ 557,225

See notes to financial statements

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL US)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Accreditation revenue share	$ 218,473	$ -	$ 218,473
Contributions and grants	152,187	605,000	757,187
Membership dues	154,543	-	154,543
Program service revenue	367,292	-	367,292
Registration fees	3,527	-	3,527
Sponsorships	98,250	-	98,250
Miscellaneous income	60	-	60
Special events gross revenue	10,900	-	10,900
Less cost of benefit to donors	(17,460)	-	(17,460)
	987,772	605,000	1,592,772
Net assets released from restriction	1,012,935	(1,012,935)	-
Total support and revenue	2,000,707	(407,935)	1,592,772
Functional expenses:			
Program services	1,861,562	-	1,861,562
Management and general	271,476	-	271,476
Fundraising	47,382	-	47,382
Total expenses	2,180,420	-	2,180,420
Increase (decrease) in net assets	(179,713)	(407,935)	(587,648)
Net assets (deficit), beginning	(174,301)	546,544	372,243
Net assets (deficit), ending	$ (354,014)	$ 138,609	$ (215,405)

See notes to financial statements

2011		
Unrestricted	Temporarily Restricted	Total
$ 170,824	$ -	$ 170,824
108,356	1,320,000	1,428,356
93,577	-	93,577
225,709	-	225,709
2,645	-	2,645
146,000	-	146,000
817	-	817
-	-	-
-	-	-
747,928	1,320,000	2,067,928
1,327,907	(1,327,907)	-
2,075,835	(7,907)	2,067,928
1,678,213	-	1,678,213
187,468	-	187,468
34,352	-	34,352
1,900,033	-	1,900,033
175,802	(7,907)	167,895
(350,103)	554,451	204,348
$ (174,301)	$ 546,544	$ 372,243

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL US)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (587,648)	$ 167,895
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	16,670	12,440
(Increase) decrease in assets:		
Contributions and grants receivable	182,010	44,638
Prepaid expenses	(6,292)	705
Increase (decrease) in liabilities:		
Accounts payable	41,475	(141,993)
Accrued expenses	64,287	16,788
Deferred revenue	24,943	40,413
Net cash provided (used) by operating activities	(264,555)	140,886
Cash flows from investing activities:		
Purchase of property and equipment	(6,626)	(15,469)
Net cash used by investing activities	(6,626)	(15,469)
Cash flows from financing activities:		
Advances on line of credit	100,000	-
Net cash provided by financing activities	100,000	-
Net increase (decrease) in cash	(171,181)	125,417
Cash, beginning	257,464	132,047
Cash, ending	$ 86,283	$ 257,464
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 2,865	$ 1,047

See notes to financial statements

1. Description of Organization:

U.S. Working Group (dba Forest Stewardship Council US) (FSC-US or the Organization), based in Minneapolis, Minnesota, is a 501(c)(3) non-profit organization and the legally independent U.S. national initiative of the Forest Stewardship Council A.C. (FSC), an international organization formed in 1993 and currently headquartered in Bonn, Germany. FSC-US is a member driven organization dedicated to the environmentally responsible, socially beneficial and economically prosperous management of the world's forests through (1) the development of forest management and chain of custody leadership standards, (2) the evaluation and accreditation of independent third-party certifiers, and (3) public education and information about the environmental benefits of FSC certification. FSC-US is funded through a combination of foundation grants, corporate gifts, membership revenue, and earned income from a small portion of administrative fees received from certified companies by FSC A.C. and forwarded to FSC-US.

FSC-US was launched in 1995 by several individuals who had been active in the formation of FSC. These individuals, acting as independent contractors on behalf of the New England Environmental Policy Center (NEEPC), a Vermont non-profit environmental organization, solicited and obtained foundation grants to help establish the U.S. initiative and begin the work of regional standards development and public education. On January 1, 1998 the Organization was incorporated in Vermont as a non-profit organization. FSC A.C. owns the FSC trade name and logo and has allowed the Organization to use them under a formal agreement.

Description of programs:

All FSC-US programmatic activity falls into one of the three following areas of work, which represent 'Critical Result Areas' for the Organization:

Enhance System Integrity – The Organization develops and maintains the FSC U.S. National Forest Management Standard, oversees application of FSC's global Chain of Custody standards in the U.S., and has primary responsibility for ensuring the integrity and consistent application of internationally applicable standards and policies throughout the U.S.

Increase Domestic Acreage – The core mission of FSC-US is to 'ensure forest stewardship' by increasing the acreage of forests certified to FSC's leadership standards . Given the diversity of forest ownership in the U.S., the Organization explicitly states that acreage growth be advanced across the full range of forest ownership classes.

Increase Consumer Demand – Through public education, corporate and non-profit partnerships, stakeholder outreach, and promotion in various media, the Organization seeks to educate the full range of professional purchasers and specifiers, as well as consumers, on the range of social, environmental and economic benefits of responsible forest management.

2. Summary of significant accounting policies:

Accounting estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from the estimates.

Basis for presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Support and revenue:

Contributions and grants of cash are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Revenue from accreditation revenue sharing, membership dues, programs service revenue, sponsorships and registration fees is recognized when earned.

Assets accumulated and resources received and expended by the Organization are either unrestricted as to use or purpose or restricted by the donor for a particular purpose. Permanently restricted net assets account for donations restricted for specific purposes whereby the restriction does not expire. The Organization records contributions and grants as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization had temporarily restricted net assets of $138,609 and $546,544 as of December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011 there were no permanently restricted net assets.

Donor-restricted contributions and grants in which restrictions are met in the same reporting period are reported as temporarily restricted support with an accompanying reclassification for the satisfaction of the restriction.

Contributions and grants receivable:

Contributions and grants are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible contributions and grants receivable. There is no allowance at December 31, 2012 or 2011. Based upon the Organization's past collection experience and management's analysis of outstanding grants receivable as of December 31, 2012 and 2011, an allowance is not considered necessary.

Contributions and grants receivable consist of contributions and grants generally due within one to five years. The fair value of the contributions and grants approximate their carrying value. Contributions and grants receivable due within one year were $74,278 and $256,288 at December 31, 2012 and 2011, respectively.

2. Summary of significant accounting policies (continued):

Property and equipment:

Property and equipment are carried at the lower of depreciated cost or net realizable value. Donated property and equipment are valued at fair market value at the date of the gift. The Organization uses a capitalization policy of $500. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue.

Deferred revenue:

The Organization receives prepayments for services to be performed in the future. Revenue is recognized when the services are performed.

Donated materials and services:

The fair market value of donated materials and services are estimated based upon the cost of comparable materials and services. Donated materials and services are recorded as public support and expense when such materials and services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2012 and 2011 the Organization had no services donated.

Concentration of credit risk:

The Organization maintains its cash in bank deposit accounts at financial institutions. The Organization's credit risk to the extent cash deposits exceed the federally insured limits as of December 31, 2012 and 2011 was $0.

Functional allocation of expenses:

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses by function have been allocated between program and supporting services classifications based on the best estimates of management.

Advertising:

Advertising costs are charged against operations when the advertising first takes place. Advertising expense incurred was $11,219 and $86,150 for the years ended December 31, 2012 and 2011, respectively.

Income taxes:

The Organization has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Organization is, however, subject to income taxes on net profits generated by activities defined as unrelated business activities under applicable tax laws. To date, the Organization has not engaged in any such activities. Tax years subject to examination include 2010, 2011 and 2012.

3. Line of credit:

During the year ended December 31, 2012 the Organization entered into a $100,000 revolving line of credit with a bank. The line of credit bears interest at 1.25% over the indexed rate with a minimum interest rate of 5.0%. The line of credit matured in May 2013. The Organization received an extension through July 2013. During August 2013 the Organization renewed the revolving line of credit. The terms of the renewal require interest at 2.90% over the indexed rate with a minimum interst rate of 6.15% and a maturity of March 2014. The line of credit is secured by substantially all business property and assets. At December 31, 2012 the balance outstanding on the line of credit was $100,000.

4. Commitment:

The Organization leases office space in Minneapolis, Minnesota from an unrelated party under a non-cancellable lease agreement that commenced in July 2008. The lease was amended in April 2010 and September 2012 and expires in August 2015. The terms of the amended lease call for base monthly rent payments of approximately $2,300. The Organization is also responsible for its share of common area costs. Rent expense pertaining to the lease was approximately $28,000 and $18,000 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments including common area costs for the office space lease are as follows:

Year Ending December 31,	Amount
2013	$ 48,880
2014	49,553
2015	33,334
	$ 131,767

5. Restriction of net assets:

Temporarily restricted net assets at December 31, 2012 and 2011 consist of contributions received for specific purposes. Net assets of $1,012,935 and $1,327,907, respectively, were released from donor restrictions during the years ended December 31, 2012 and 2011 in satisfaction of the restricted purpose.

A schedule of temporarily restricted net assets is as follows:

	2012	2011
Purpose Restricted		
Project Specific	$ 138,609	$ 546,544

6. Related party transactions:

FSC granted funds for program expenses to the Organization of approximately $480,000 and $1,000,000 during the years ended December 31, 2012 and 2011, respectively. FSC remitted accreditation revenue sharing to the Organization of approximately $218,000 and $171,000 during the years ended December 31, 2012 and 2011, respectively. FSC also paid the Organization approximately $367,000 and $226,000 for program services performed during the years ended December 31, 2012 and 2011, respectively. During 2012 and 2011 FSC provided approximately 63% and 70%, respectively, of the Organization's total contributions and grants.

7. Retirement plan:

The Organization maintains a 403(b) plan. All employees who have attained age 18 and have been employed by the Organization for at least six months are eligible to participate. The 403(b) plan allows eligible employees to defer a portion of their eligible compensation up to the maximum allowed by IRS Regulations. The Organization provides an employer matching contribution of 100% of the eligible employee's salary reduction up to 3% of the employee's compensation. The employees are 100% vested in all employee and employer contributions. Employer contributions for the years ended December 31, 2012 and 2011 were approximately $18,000 and $13,000, respectively.

8. Subsequent events:

Subsequent events have been evaluated through September 4, 2013, the date of the financial statements and the date the financial statements were available to be issued.

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL US)
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

	2012				2011			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Wages	$ 926,567	$ 97,619	$ 37,679	$ 1,061,865	$ 719,160	$ 62,938	$ 22,671	$ 804,769
Payroll taxes	57,159	14,091	2,372	73,622	46,399	9,223	1,800	57,422
Employee benefits	101,743	12,661	3,428	117,832	87,700	2,041	3,825	93,566
Advertising	10,401	818	-	11,219	85,991	159	-	86,150
Bad debts	-	-	-	-	100	1,996	-	2,096
Bank and credit card fees	704	2,502	-	3,206	563	1,597	-	2,160
Board meetings	63,156	2,465	-	65,621	64,484	2,746	-	67,230
Consultants	406,181	68,888	1,000	476,069	436,687	37,044	3,511	477,242
Contributions and grants	21,650	-	-	21,650	-	-	-	-
Copying and printing	6,902	89	23	7,014	6,239	1,047	38	7,324
Depreciation	-	16,670	-	16,670	7,170	5,270	-	12,440
Dues and subscriptions	4,221	248	123	4,592	4,128	667	79	4,874
Insurance	4,455	2,356	247	7,058	1,625	2,137	70	3,832
Interest expense	-	2,865	-	2,865	-	1,047	-	1,047
Meetings and travel	172,953	16,547	-	189,500	145,408	15,649	553	161,610
Merchant fee	43	2,161	-	2,204	-	-	-	-
Miscellaneous	6,406	12,192	-	18,598	3,395	1,273	20	4,688
Postage	3,730	183	26	3,939	15,839	91	56	15,986
Professional development	2,553	-	-	2,553	-	-	-	-
Professional fees	1,102	13,500	-	14,602	6,644	35,009	-	41,653
Rent	37,615	2,767	1,394	41,776	22,649	3,201	766	26,616
Repairs and maintenance	6,906	760	383	8,049	5,293	902	228	6,423
Supplies	10,452	533	256	11,241	4,117	585	159	4,861
Telephone	13,781	907	451	15,139	14,399	2,077	543	17,019
Utilities	291	54	-	345	223	39	33	295
Website	2,591	600	-	3,191	-	730	-	730
	$ 1,861,562	$ 271,476	$ 47,382	$ 2,180,420	$ 1,678,213	$ 187,468	$ 34,352	$ 1,900,033