

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

**U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

Independent Auditors' Report

We have audited the accompanying financial statements of **U.S. Working Group (dba Forest Stewardship Council U.S.)** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 audits 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 U.S.)** as of December 31, 2014 and 2013, and the changes in its net assets (deficit) 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses for the years ended December 31, 2014 and 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Blandine Peter Kumbayge & Zulu, P.A.

September 28, 2015

**U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

ASSETS

	2014	2013
Current assets:		
Cash	\$ 217,071	\$ 249,877
Contributions and grants receivable	221,827	59,879
Prepaid expenses	25,688	9,593
Total current assets	464,586	319,349
Property and equipment:		
Office furniture and equipment	91,269	86,612
Less accumulated depreciation	(79,375)	(74,653)
	11,894	11,959
Other asset:		
Deposits	1,923	1,923
	\$ 478,403	\$ 333,231

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:		
Line of credit	\$ -	\$ 90,000
Accounts payable	58,838	220,678
Accrued expenses	138,491	135,894
Deferred revenue	72,879	112,668
Due to affiliated organization	-	50,000
Total current liabilities	270,208	609,240
Commitment (Note 4)		
Net assets (deficit):		
Unrestricted	(93,530)	(497,070)
Temporarily restricted	301,725	221,061
	208,195	(276,009)
	\$ 478,403	\$ 333,231

**U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Accreditation revenue share	\$ 934,256	\$ -	\$ 934,256
Contributions and grants	480,540	239,693	720,233
Membership dues	202,927	-	202,927
Program service revenue	447,731	-	447,731
Sponsorships	80,000	-	80,000
	<u>2,145,454</u>	<u>239,693</u>	<u>2,385,147</u>
Net assets released from restriction	<u>159,029</u>	<u>(159,029)</u>	<u>-</u>
Total support and revenue	<u>2,304,483</u>	<u>80,664</u>	<u>2,385,147</u>
Functional expenses:			
Program services	1,624,837	-	1,624,837
Management and general	263,975	-	263,975
Fundraising	12,131	-	12,131
	<u>1,900,943</u>	<u>-</u>	<u>1,900,943</u>
Increase (decrease) in net assets	403,540	80,664	484,204
Net assets (deficit), beginning	<u>(497,070)</u>	<u>221,061</u>	<u>(276,009)</u>
Net assets (deficit), ending	<u>\$ (93,530)</u>	<u>\$ 301,725</u>	<u>\$ 208,195</u>

See notes to financial statements

2013		
Unrestricted	Temporarily Restricted	Total
\$ 232,632	\$ -	\$ 232,632
543,991	533,540	1,077,531
156,985	-	156,985
407,395	-	407,395
85,164	-	85,164
1,426,167	533,540	1,959,707
451,088	(451,088)	-
1,877,255	82,452	1,959,707
1,671,607	-	1,671,607
316,495	-	316,495
32,209	-	32,209
2,020,311	-	2,020,311
(143,056)	82,452	(60,604)
(354,014)	138,609	(215,405)
<u>\$ (497,070)</u>	<u>\$ 221,061</u>	<u>\$ (276,009)</u>

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

INCREASE (DECREASE) IN CASH

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 484,204	\$ (60,604)
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	4,722	11,041
(Increase) decrease in assets:		
Contributions and grants receivable	(161,948)	14,399
Prepaid expenses	(16,095)	8,300
Increase (decrease) in liabilities:		
Accounts payable	(161,840)	109,894
Accrued expenses	2,597	(3,653)
Deferred revenue	(39,789)	47,312
Net cash provided by operating activities	<u>111,851</u>	<u>126,689</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(4,657)</u>	<u>(3,095)</u>
Net cash used by investing activities	<u>(4,657)</u>	<u>(3,095)</u>
Cash flows from financing activities:		
Advances (payments) on line of credit	(90,000)	(10,000)
Advances from affiliated organizations	<u>(50,000)</u>	<u>50,000</u>
Net cash provided by financing activities	<u>(140,000)</u>	<u>40,000</u>
Net increase (decrease) in cash	(32,806)	163,594
Cash, beginning	<u>249,877</u>	<u>86,283</u>
Cash, ending	<u><u>\$ 217,071</u></u>	<u><u>\$ 249,877</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 6,745</u></u>	<u><u>\$ 8,668</u></u>

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Description of Organization:

U.S. Working Group (dba Forest Stewardship Council U.S.) (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 A.C.), 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 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 A.C. 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.

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013

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 and sponsorships is recognized when earned. Conditional promises to give are recognized only when the conditions on which the promises depend are substantially met and the promises become unconditional. The Organization had conditional promises to give totaling \$35,200 and \$0 as of December 31, 2014 and 2013, respectively.

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 \$301,725 and \$221,061 as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013 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. Based upon the Organization's past collection experience and management's analysis of outstanding grants receivable as of December 31, 2014 and 2013, 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 \$221,827 and \$59,879 as of December 31, 2014 and 2013, respectively.

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013

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, which range from 5 to 7 years. 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.

Due to affiliated organization:

The Organization received money from an unrelated entity which was directed to go to FSC-Canada, an affiliated organization. The funds were held by the Organization until the affiliated organization was able to establish requisite accounts capable of receiving such donations. The amount due to the affiliated organization was \$0 and \$50,000 as of December 31, 2014 and 2013, respectively.

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, 2014 and 2013 the Organization had no materials and 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 exceeds the federally insured limits was \$0, and \$1,700 as of December 31, 2014 and 2013, respectively.

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.

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013

2. Summary of significant accounting policies (continued):

Advertising:

Advertising costs are charged against operations when the advertising first takes place. Advertising expense incurred was \$1,001 and \$6,648 for the years ended December 31, 2014 and 2013, respectively.

Income taxes:

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. However, any unrelated income may be subject to taxation.

Accounting principles generally accepted in the United States of America require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a government authority. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Tax years subject to examination include the years ended August 31, 2014, 2013 and 2012.

3. Line of credit:

The Organization has a \$100,000 revolving line of credit with a bank. The line of credit bears interest at 2.90% over the indexed rate with a minimum interest rate of 6.15% (currently 6.15%). The line of credit matures in November 2015. The line of credit is secured by substantially all business property and assets. The balance outstanding on the line of credit was \$0 and \$90,000 as of December 31, 2014 and 2013, respectively.

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 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 \$52,200 and \$51,200 for the years ended December 31, 2014 and 2013, respectively. Future minimum lease payments including common area costs for the office space lease for the year ending December 31, 2015 are \$33,334.

**U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

5. Restriction of net assets:

Temporarily restricted net assets as of December 31, 2014 and 2013 consist of contributions received for specific purposes. Net assets of \$159,029 and \$451,088 were released during the years ended December 31, 2014 and 2013, respectively from donor restrictions in satisfaction of the restricted purpose.

A schedule of temporarily restricted net assets is as follows:

	2014	2013
Purpose Restricted		
Project Specific	\$ 963	\$ (55,272)

6. Related party transactions:

FSC A.C. granted funds for program services and expenses and remitted accreditation revenue sharing to the Organization of approximately \$1,887,000 and \$1,259,000 during the years ended December 31, 2014 and 2013, respectively. FSC A.C. provided approximately 79% and 64% of the Organization's total support and revenue during 2014 and 2013, respectively.

7. Retirement plan:

The Organization maintains a 403(b) plan. Substantially 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 participants 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 participant's salary reduction up to 3% of the participant's compensation. The participants are 100% vested in all participant and employer contributions. Employer matching contributions for the years ended December 31, 2014 and 2013 were approximately \$24,000 and \$23,000, respectively.

8. Subsequent events:

Subsequent events have been evaluated through September 28, 2015, 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 U.S.)
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)

	2014				2013			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Wages	\$ 914,559	\$ 98,931	\$ 8,458	\$1,021,948	\$ 887,859	\$ 137,533	\$22,952	\$1,048,344
Payroll taxes	62,906	8,600	648	72,154	56,408	13,955	1,912	72,275
Employee benefits	126,421	18,760	1,178	146,359	108,718	14,674	3,073	126,465
Advertising	921	80	-	1,001	6,648	-	-	6,648
Bad debts	250	880	-	1,130	-	1,292	-	1,292
Bank and credit card fees	675	2,559	-	3,234	513	2,692	-	3,205
Board meetings	62,632	9,236	166	72,034	65,849	7,179	-	73,028
Consultants	191,516	65,199	400	257,115	257,207	77,200	1,600	336,007
Contributions and grants	-	-	-	-	11,000	-	-	11,000
Copying and printing	2,661	(172)	-	2,489	4,032	127	27	4,186
Depreciation	-	4,722	-	4,722	-	11,041	-	11,041
Dues and subscriptions	9,568	(4,157)	-	5,411	7,637	1,425	191	9,253
Insurance	3,808	2,230	56	6,094	4,706	1,805	159	6,670
Interest expense	182	6,563	-	6,745	401	8,267	-	8,668
Meetings and travel	176,381	15,664	358	192,403	177,990	10,545	239	188,774
Merchant fee	-	2,031	-	2,031	-	2,026	-	2,026
Miscellaneous	1,041	2,293	-	3,334	-	-	-	-
Postage	1,880	259	15	2,154	2,984	273	44	3,301
Professional development	65	-	-	65	530	301	-	831
Professional fees	5,283	19,523	41	24,847	12,500	15,000	-	27,500
Rent	48,087	8,892	656	57,635	46,255	8,225	1,557	56,037
Repairs and maintenance	291	62	3	356	5,849	858	171	6,878
Supplies	3,090	963	75	4,128	2,737	281	52	3,070
Telephone	12,620	857	77	13,554	11,484	1,046	232	12,762
Website	-	-	-	-	300	750	-	1,050
	<u>\$1,624,837</u>	<u>\$ 263,975</u>	<u>\$12,131</u>	<u>\$1,900,943</u>	<u>\$1,671,607</u>	<u>\$ 316,495</u>	<u>\$32,209</u>	<u>\$2,020,311</u>