

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

**FINANCIAL STATEMENTS**

Year Ended December 31, 2021  
with Comparative Totals for 2020



**Mayer Hoffman McCann P.C.**

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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Opinion***

We have audited the financial statements of U.S. Working Group (dba Forest Stewardship Council U.S.) (The "Organization"), which comprise of the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## ***Report on Summarized Comparative Information***

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mayer Hoffman McCann P.C.*

Minneapolis, Minnesota  
June 27, 2022

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

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash	\$ 755,183	\$ 524,032
Accounts receivable	148,640	66,204
Prepaid expenses	13,218	11,350
TOTAL CURRENT ASSETS	<u>917,041</u>	<u>601,586</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	119,091	119,091
Office furniture and equipment	94,455	86,031
TOTAL PROPERTY AND EQUIPMENT	<u>213,546</u>	<u>205,122</u>
Less accumulated depreciation	(141,007)	(112,602)
NET PROPERTY AND EQUIPMENT	<u>72,539</u>	<u>92,520</u>
OTHER ASSETS		
Deposits	3,650	3,650
TOTAL ASSETS	<u>\$ 993,230</u>	<u>\$ 697,756</u>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES		
Accounts payable	\$ 113,794	\$ 12,295
Accrued expenses	87,054	118,092
Deferred revenue	173,331	129,165
TOTAL CURRENT LIABILITIES	<u>374,179</u>	<u>259,552</u>
LONG TERM LIABILITIES		
Deferred lease incentive	30,585	44,178
PPP loan payable	-	179,200
TOTAL LONG TERM LIABILITIES	<u>30,585</u>	<u>223,378</u>
TOTAL LIABILITIES	<u>404,764</u>	<u>482,930</u>
<b><u>NET ASSETS</u></b>		
WITHOUT DONOR RESTRICTIONS		
Board designated operating reserve	100,097	-
Undesignated	155,605	(100,174)
TOTAL WITHOUT DONOR RESTRICTIONS	<u>255,702</u>	<u>(100,174)</u>
WITH DONOR RESTRICTIONS	<u>332,764</u>	<u>315,000</u>
TOTAL NET ASSETS	<u>588,466</u>	<u>214,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 993,230</u>	<u>\$ 697,756</u>

See Notes to Financial Statements

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

**STATEMENTS OF ACTIVITIES**

For the Year Ended December 31, 2021 with Comparative Totals For 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Accreditation revenue share	\$ 1,382,603	\$ -	\$ 1,382,603	\$ 819,085
Contributions and grants	72,853	618,154	691,007	517,180
Membership dues	148,096	-	148,096	187,872
Trademark licensing	152,616	-	152,616	105,875
Program service revenue	60,515	-	60,515	261,297
Miscellaneous revenue	24	-	24	22
In-kind revenue	-	325,000	325,000	-
Gain on extinguishment of PPP loan payable	178,446	-	178,446	-
Net assets released from restriction	925,390	(925,390)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 2,920,543</b>	<b>\$ 17,764</b>	<b>\$ 2,938,307</b>	<b>\$ 1,891,331</b>
<b><u>EXPENSES</u></b>				
Program services	\$ 2,130,156	\$ -	\$ 2,130,156	\$ 1,586,149
Management and general	423,324	-	423,324	245,572
Fund raising	11,187	-	11,187	15,206
<b>TOTAL EXPENSES</b>	<b>2,564,667</b>	<b>-</b>	<b>2,564,667</b>	<b>1,846,927</b>
<b>CHANGE IN NET ASSETS</b>	<b>355,876</b>	<b>17,764</b>	<b>373,640</b>	<b>44,404</b>
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>(100,174)</b>	<b>315,000</b>	<b>214,826</b>	<b>170,422</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 255,702</b>	<b>\$ 332,764</b>	<b>\$ 588,466</b>	<b>\$ 214,826</b>

See Notes to Financial Statements

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021 with Comparative Totals For 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2021</u>	<u>Total 2020</u>
Wages	\$ 710,155	\$ 221,837	\$ 6,929	\$ 938,921	\$ 1,140,473
Payroll expenses	63,552	10,847	624	75,023	85,886
Employee benefits	96,220	24,544	1,086	121,850	121,652
Rent	20,199	12,466	404	33,069	31,578
Advertising	122	867	-	989	14,167
Bad debts	400	93	-	493	300
Meeting and conferences	23,163	-	-	23,163	10,985
Consultants	1,110,893	106,175	1,095	1,218,163	301,460
Depreciation	20,687	6,817	900	28,404	28,490
Dues and subscriptions	28,914	1,475	47	30,436	29,051
Grants awarded	-	-	-	-	448
Insurance	2,282	3,905	21	6,208	2,703
Travel	25,792	1,990	-	27,782	18,518
Miscellaneous	6,364	131	-	6,495	6,392
Office expenses	19,863	7,431	81	27,375	16,160
Professional development	1,550	4,300	-	5,850	11,743
Professional fees	-	20,446	-	20,446	26,921
	<u>\$ 2,130,156</u>	<u>\$ 423,324</u>	<u>\$ 11,187</u>	<u>\$ 2,564,667</u>	<u>\$ 1,846,927</u>

See Notes to Financial Statements

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

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 373,640	\$ 44,404
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	28,404	28,490
Gain on extinguishment of PPP loan payable	(178,446)	-
Change in operating assets and liabilities:		
Accounts receivable	(82,436)	348,105
Prepaid expenses	(1,868)	11,856
Accounts payable	101,499	(182,380)
Accrued expenses	(31,038)	(6,868)
Deferred revenue	44,166	31,248
Deferred lease incentive	(13,592)	(13,593)
NET CASH FROM OPERATING ACTIVITIES	<u>240,329</u>	<u>261,262</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(8,424)</u>	<u>(4,545)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(8,424)</u>	<u>(4,545)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	-	179,200
Payments of PPP loan payable	<u>(754)</u>	<u>-</u>
NET CASH FROM FINANCING ACTIVITIES	<u>(754)</u>	<u>179,200</u>
 NET INCREASE	 231,151	 435,917
<b>CASH AND CASH EQUIVALENTS</b>		
BEGINNING OF YEAR	<u>524,032</u>	<u>88,115</u>
END OF YEAR	<u>\$ 755,183</u>	<u>\$ 524,032</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Noncash investing and financing transactions:		
Property and equipment acquired through deferred lease incentives	<u>\$ -</u>	<u>\$ 66,833</u>

See Notes to Financial Statements

## U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)

### NOTES TO FINANCIAL STATEMENTS

#### ( 1 ) Description of Organization and summary of significant accounting policies

U.S. Working Group (dba Forest Stewardship Council U.S.) (FSC U.S. 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-U.S. 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 Forest Stewardship Council (FSC) certification. FSC U.S. 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 U.S.

FSC U.S. 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 U.S. 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 U.S. 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**

**( 1 ) Description of Organization and summary of significant accounting policies  
(continued)**

**Income tax status** - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

The Organization has identified its tax status as a tax exempt entity as its only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction.

The Organization files Form 990 in the U.S. federal jurisdiction and the State of Minnesota. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Financial statement presentation** - The Organization reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization's management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Description of Organization and summary of significant accounting policies  
(continued)**

**Revenue recognition** – The Organization has fixed price service contracts reported as accreditation revenue share and as program service revenues. The contracts have multiple performance obligations to conduct various distinct tasks specified in the contracts. Revenue is recognized over time as performance obligations in each contract are satisfied ratably over the term of the contracts which are generally one calendar year.

Membership dues from members are a flat fee based on member type. For non-profit and for-profit member types there is a sliding fee schedule based on the entity's number of employees and prior year total annual revenue. The Organization's performance obligation for membership dues is satisfied by the member having access to the programs, services and resources provided by the Organization. Trademark licensing fees are on a sliding fee schedule based on a company's prior year total annual revenue. For international product promotion, an additional sliding fee is charged. The Organization's performance obligation for trademark licensing fees is satisfied by allowing companies to use the FSC trademarks in order to promote FSC-certified and labeled products they are buying and/or selling. The Organization's dues from members are recognized ratably over the calendar year membership period, and ratably over the licensing period for trademark licensing fees.

Service contracts are generally invoiced quarterly, or as specified in the contracts, with payment due upon receipt. Membership dues are invoiced each January and payment is due no later than May. Trademark licenses are invoiced upon receipt and approval of an application with payment due upon receipt. Payments received for program services, membership dues and trademark licensing fees before revenue is recognized is reported as deferred revenue in the statement of financial position.

**Contributions** – The Organization recognizes contributions, grants and sponsorships as revenue when they are received or unconditionally pledged.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. The Organization records conditional contributions received in advance of conditions being met as refundable advances.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)

NOTES TO FINANCIAL STATEMENTS

( 1 ) Description of Organization and summary of significant accounting policies  
(continued)

**Cash and cash equivalents** - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. There were no allowances at December 31, 2021 and 2020, as management of the Organization expects all receivables to be collected.

**Contributions and grants receivable** - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable).

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, discounted using risk-adjusted interest rates to the years in which the promises are to be received.

**Property and equipment** – The Organization capitalizes all expenditures of property and equipment with a useful life of greater than one year, and a cost in excess of \$500. Property and equipment are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. Depreciation is computed using the straight line method over estimated useful lives of five years for leasehold improvements, and three to five years for office furniture and equipment. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant improvements are capitalized. For both years ended December 31, 2021 and 2020, depreciation expense amounted to \$28,000.

U.S. WORKING GROUP (DBA FOREST STEWARDSHIP COUNCIL U.S.)

NOTES TO FINANCIAL STATEMENTS

( 1 ) **Description of Organization and summary of significant accounting policies**  
(continued)

**Functional allocation of expenses** – The cost to the Organization of providing various programs has been presented on a functional basis. The Organization allocates all organizational expenses between fundraising, management and general and the 3 distinct program areas in which it works; Enhance System Integrity, Increase Domestic Acreage and Increase Consumer Demand. Where it is possible, the Organization allocates identifiable direct program expenses to each program area. Expenses related to more than one function are allocated to programs and supporting services based on the ratio of staff time spent in each program and support activity to total staff time.

For employee costs, such as salary, taxes and employee benefits, the portion of each employee's actual salary and benefits is allocated based on that individual's assignment of time between programs and supportive areas. This is assigned monthly to ensure the most accurate portrayal of expenses. Every employee, including the President, turns in a timesheet based on their allocation of time across all the difference functional areas of work.

For overhead and other shared expenses, each employee's time allocation is weighted equally at the end of the year and combined to determine an allocation of total full-time equivalent's dedicated to each program and supportive area. This is done on an annual basis after all expenses and time has been recorded for the previous 12 months.

**Advertising** - Advertising costs for the Organization are expensed as incurred and totaled approximately \$1,000 and \$14,000 for the years ended December 31, 2021 and 2020, respectively.

**New accounting pronouncements** - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* that requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is assessing the impact this standard will have on its financial statements.

**Subsequent events policy** - Subsequent events have been evaluated through June 27, 2022, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS**

**( 2 ) Risk and uncertainties**

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization have been impacted by the pandemic and could result in changes in the Organization's ability to provide services in its program areas. The continued extent of the impact of COVID-19 on our programs and operations will depend on certain developments, including the duration and spread of the outbreak, government mandates and tax relief policies, impact on our donors, clients, employees, and vendors, all of which are uncertain and cannot be predicted. Other financial impacts could occur. Such potential impacts are unknown at this time.

**( 3 ) Liquidity and availability**

The Organization strives to maintain liquid financial assets sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in multiple designated savings accounts.

The following table reflects FSC U.S.'s financial assets as of December 31, 2021 and 2020. The Organization receives contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has certain board-designated net assets for an operating reserve which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information below.

	<u>2021</u>	<u>2020</u>
Cash	\$ 755,183	\$ 524,032
Accounts receivable	148,640	66,204
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 903,823</u>	<u>\$ 590,236</u>

**( 4 ) Conditional promises to give**

Conditional promises to give at December 31, 2021 and 2020 consist of promises to:

	<u>2021</u>	<u>2020</u>
Collect georeferenced wood samples from different forests and species of trees from around the world	\$ -	\$ 64,146
	<u>\$ -</u>	<u>\$ 64,146</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**( 5 ) PPP loan payable**

The Organization applied for and received a forgivable Paycheck Protection Program (PPP) loan of \$179,200 in 2020 as provided under the Federal Coronavirus Aid, Relief, and Economic Security Act and the loan was funded in April 2020. The Organization has accounted for the PPP loan under the debt model. Under the terms of the loan, the balance is forgivable to the extent proceeds are used for certain qualified costs and that certain employment levels are maintained during the measurement period.

In July 2021, the Organization received notice of legal release from this obligation. The Organization used \$178,400 of the proceeds from the PPP loan for eligible costs and submitted a formal request for forgiveness during 2021. As required under the terms of the loan, \$800 of the loan plus interest of 1% was repaid due to the Organization not meeting the criteria for forgiveness. A gain on extinguishment of PPP loan payable was recognized in 2021.

**( 6 ) Net assets**

At December 31, 2021 and 2020 net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
System integrity	\$ 325,624	\$ 265,000
Increase acreage	7,140	50,000
	<u>\$ 332,764</u>	<u>\$ 315,000</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or by the occurrence of other events specified by donors for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
System integrity	\$ 839,530	\$ 101,142
Increase acreage	42,860	51,332
Executive search	43,000	-
	<u>\$ 925,390</u>	<u>\$ 152,474</u>

**( 7 ) In-kind contributions**

Donated services were provided to the Organization for program services related to a consumer marketplace project. These services to the Organization were approximately \$325,000 and \$0 for the years ended December 31, 2021 and 2020, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**( 8 ) Operating leases**

The Organization has an operating lease for office space. The term of the lease is for five years through March 2024. Monthly base rent payments range from \$2,000 to \$2,400 plus the Organization's share of property taxes and operating expenses over the term of the lease. Rent expense was approximately \$33,000 and \$32,000 for the years ended December 31, 2021 and 2020, respectively. Future minimum lease payments required under this lease are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 28,000
2023	29,000
2024	7,000
	<u>\$ 64,000</u>

The office space lease provided an allowance of approximately \$67,000 for the Organization to make leasehold improvements to the space. The allowance has been reported in the Statement of Financial Position as deferred lease incentives of approximately \$30,600 and \$44,200 as of December 31, 2021 and 2020, respectively. The following is a summary of the deferred lease incentives which will be reported as a reduction of rent expense:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 13,600
2023	13,600
2024	3,400
	<u>\$ 30,600</u>

**( 9 ) Related party transactions**

For both years ended December 31, 2021 and 2020, approximately 57% of the Organization's total support and revenue was received from FSC A.C. The following is a summary of the balances and transactions with FSC A.C:

	<u>2021</u>	<u>2020</u>
Statements of Financial Position		
Accounts receivable	\$ 44,730	\$ 1,780
Deferred revenue	\$ -	\$ 55,527
Statements of Activities		
Accreditation revenue share	\$ 1,382,603	\$ 819,085
Contributions and grants	\$ 43,000	\$ -
Program service revenue	\$ 55,527	\$ 260,531

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

**NOTES TO FINANCIAL STATEMENTS**

**( 9 ) Related party transactions (continued)**

FSC A.C. is entitled to a 15% share of the membership dues revenue. For the years ended December 31, 2021 and 2020, this share amounted to approximately \$55,000 and \$0, respectively, and has been netted against membership dues in the statement activities.

**( 10 ) Retirement plan**

The Organization maintains a 401(k) 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 401(k) 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, 2021 and 2020 were approximately \$27,000 and \$32,000, respectively.

**( 11 ) Reclassifications**

Certain reclassifications have been made to the financial statements for the year ended December 31, 2020 to conform to the classifications of the current year. The reclassifications did not affect financial position or changes in net assets.