

COMBINED FINANCIAL STATEMENTS

FOREST TRENDS ASSOCIATION

THE KATOOMBA GROUP

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Forest Trends Association
The Katoomba Group
Washington, D.C.

We have audited the accompanying combined financial statements of Forest Trends Association and The Katoomba Group (together, the Association), which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Association as of December 31, 2015 and 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combined Schedule of Activities - Grants and Contracts from U.S. Government Agencies, Private Foundations and Other Organizations on pages 18 - 21 is presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 16, 2016

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,594,711	\$ 1,482,093
Grants and contracts receivable	6,896,347	8,172,263
Other receivables	126,100	263,786
Prepaid expenses and other assets	<u>37,540</u>	<u>41,603</u>
Total current assets	<u>8,654,698</u>	<u>9,959,745</u>
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of \$218,505 and \$214,045 for 2015 and 2014, respectively	<u>153,280</u>	<u>89,768</u>
NONCURRENT ASSETS		
Grants receivable, net of current portion	2,523,718	1,164,842
Deposits	<u>38,528</u>	<u>38,528</u>
Total noncurrent assets	<u>2,562,246</u>	<u>1,203,370</u>
TOTAL ASSETS	<u>\$ 11,370,224</u>	<u>\$ 11,252,883</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ -	\$ 300,000
Deferred rent liability, current portion	26,735	18,066
Accounts payable and accrued liabilities	3,000,408	2,925,865
Refundable contract advance	<u>20,970</u>	<u>-</u>
Total current liabilities	<u>3,048,113</u>	<u>3,243,931</u>
LONG-TERM LIABILITIES		
Deferred rent liability, net of current portion	<u>38,720</u>	<u>65,455</u>
Total liabilities	<u>3,086,833</u>	<u>3,309,386</u>
NET ASSETS		
Unrestricted		
Undesignated	(229,485)	(83,854)
Board designated	<u>820,552</u>	<u>1,000,000</u>
Total unrestricted net assets	591,067	916,146
Temporarily restricted	<u>7,692,324</u>	<u>7,027,351</u>
Total net assets	<u>8,283,391</u>	<u>7,943,497</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,370,224</u>	<u>\$ 11,252,883</u>

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contracts	\$ 153,350	\$ 11,417,012	\$ 11,570,362
Contributions	411,653	-	411,653
Interest income	4,265	-	4,265
Registration fees	-	-	-
Other revenue	4,021	-	4,021
Net assets released from donor restrictions	<u>10,752,039</u>	<u>(10,752,039)</u>	<u>-</u>
Total support and revenue	<u>11,325,328</u>	<u>664,973</u>	<u>11,990,301</u>
EXPENSES			
Program Services:			
Communities	2,913,267	-	2,913,267
Ecosystem Marketplace	1,098,494	-	1,098,494
Forest Policy, Trade and Finance	2,771,136	-	2,771,136
Biodiversity	439,788	-	439,788
Water and Marine	1,890,330	-	1,890,330
Public-Private Finance	1,053,223	-	1,053,223
The Katoomba Group	<u>1,284</u>	<u>-</u>	<u>1,284</u>
Total program services	<u>10,167,522</u>	<u>-</u>	<u>10,167,522</u>
Supporting Services:			
Management and General	1,446,067	-	1,446,067
Fundraising	<u>36,818</u>	<u>-</u>	<u>36,818</u>
Total supporting services	<u>1,482,885</u>	<u>-</u>	<u>1,482,885</u>
Total expenses	<u>11,650,407</u>	<u>-</u>	<u>11,650,407</u>
Changes in net assets	(325,079)	664,973	339,894
Net assets at beginning of year	<u>916,146</u>	<u>7,027,351</u>	<u>7,943,497</u>
NET ASSETS AT END OF YEAR	\$ <u>591,067</u>	\$ <u>7,692,324</u>	\$ <u>8,283,391</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ 1,000,000	\$ 11,193,663	\$ 12,193,663
418,775	-	418,775
2,488	-	2,488
92,219	-	92,219
1,106	-	1,106
<u>12,198,928</u>	<u>(12,198,928)</u>	<u>-</u>
<u>13,713,516</u>	<u>(1,005,265)</u>	<u>12,708,251</u>
3,809,951	-	3,809,951
1,105,180	-	1,105,180
2,781,016	-	2,781,016
570,541	-	570,541
2,338,499	-	2,338,499
496,237	-	496,237
<u>325,188</u>	<u>-</u>	<u>325,188</u>
<u>11,426,612</u>	<u>-</u>	<u>11,426,612</u>
1,106,904	-	1,106,904
<u>66,565</u>	<u>-</u>	<u>66,565</u>
<u>1,173,469</u>	<u>-</u>	<u>1,173,469</u>
<u>12,600,081</u>	<u>-</u>	<u>12,600,081</u>
1,113,435	(1,005,265)	108,170
<u>(197,289)</u>	<u>8,032,616</u>	<u>7,835,327</u>
<u>\$ 916,146</u>	<u>\$ 7,027,351</u>	<u>\$ 7,943,497</u>

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services				
	Communities	Ecosystem Marketplace	Forest Policy, Trade and Finance	Biodiversity	Water and Marine
Salaries and benefits	\$ 566,422	\$ 732,865	\$ 764,165	\$ 105,610	\$ 558,100
Consultants	475,072	206,621	1,196,758	303,275	209,355
Meetings and conferences	115,937	8,303	198,124	15,469	99,976
Travel	72,666	29,830	48,181	7,373	92,573
Office expenses	20,353	5,958	89,847	7,002	13,152
Communications	2,827	21,861	6,537	1,059	2,073
Partner expenses	8,227	588	335,874	-	358,030
Subgrants	1,524,553	92,468	131,650	-	557,071
Bad debt	127,210	-	-	-	-
TOTAL	\$ 2,913,267	\$ 1,098,494	\$ 2,771,136	\$ 439,788	\$ 1,890,330

Supporting Services						
Public- Private Finance	The Katoomba Group	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 381,519	\$ -	\$ 3,108,681	\$ 769,835	\$ 26,753	\$ 796,588	\$ 3,905,269
260,064	1,284	2,652,429	147,746	-	147,746	2,800,175
65,649	-	503,458	78,525	-	78,525	581,983
59,843	-	310,466	123,773	2,991	126,764	437,230
5,488	-	141,800	287,693	5,833	293,526	435,326
132	-	34,489	19,941	1,241	21,182	55,671
14,294	-	717,013	-	-	-	717,013
266,234	-	2,571,976	-	-	-	2,571,976
-	-	127,210	18,554	-	18,554	145,764
\$1,053,223	\$ 1,284	\$10,167,522	\$ 1,446,067	\$ 36,818	\$ 1,482,885	\$ 11,650,407

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services				
	Communities	Ecosystem Marketplace	Forest Policy, Trade and Finance	Biodiversity	Water and Marine
Salaries and benefits	\$ 484,967	\$ 677,302	\$ 690,204	\$ 135,008	\$ 667,782
Consultants	463,483	142,373	1,280,766	269,670	380,979
Meetings and conferences	131,275	10,970	219,256	16,516	125,840
Travel	78,574	42,725	82,134	10,939	105,801
Office expenses	18,998	8,176	75,612	21,481	18,971
Communications	996	15,658	6,569	17,932	3,306
Partner expenses	-	-	82,337	-	302,963
Subgrants	2,631,658	207,976	344,138	-	727,857
Bad debt	-	-	-	98,995	5,000
TOTAL	\$ 3,809,951	\$ 1,105,180	\$ 2,781,016	\$ 570,541	\$2,338,499

Supporting Services						
Public- Private Finance	The Katoomba Group	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 237,718	\$ 105,523	\$ 2,998,504	\$ 375,925	\$ 27,509	\$ 403,434	\$ 3,401,938
147,426	55,893	2,740,590	104,719	25,063	129,782	2,870,372
8,394	121,744	633,995	54,411	-	54,411	688,406
8,554	25,690	354,417	119,481	5,547	125,028	479,445
569	11,038	154,845	241,238	6,890	248,128	402,973
(412)	5,300	49,349	202,330	1,556	203,886	253,235
-	-	385,300	-	-	-	385,300
93,988	-	4,005,617	-	-	-	4,005,617
-	-	103,995	8,800	-	8,800	112,795
\$ 496,237	\$ 325,188	\$11,426,612	\$ 1,106,904	\$ 66,565	\$ 1,173,469	\$ 12,600,081

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 339,894	\$ 108,170
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,460	7,175
Change in discount on grants receivables	93,613	69,918
Bad debt	145,764	112,795
(Increase) decrease in:		
Grants and contracts receivable	(322,337)	(2,589,931)
Other receivables	137,686	183,072
Prepaid expenses and other assets	4,063	(7,494)
Increase (decrease) in:		
Accounts payable and accrued liabilities	74,543	1,714,362
Refundable contract advance	20,970	-
Deferred rent liability	<u>(18,066)</u>	<u>(9,723)</u>
Net cash provided (used) by operating activities	<u>480,590</u>	<u>(411,656)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(67,972)</u>	<u>(91,203)</u>
Net cash used by investing activities	<u>(67,972)</u>	<u>(91,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,750,000	2,150,000
Payments on line of credit	<u>(2,050,000)</u>	<u>(2,150,000)</u>
Net cash used by financing activities	<u>(300,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	112,618	(502,859)
Cash and cash equivalents at beginning of year	<u>1,482,093</u>	<u>1,984,952</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,594,711</u>	<u>\$ 1,482,093</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 17,503</u>	<u>\$ 4,188</u>

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Forest Trends Association (FTA) is a not-for-profit organization incorporated in the District of Columbia in 1996. Forest Trends Association's mission is to help industry, conservationists, researchers, and local communities work together to achieve conservation and sustainable use of the world's forests through market-based solutions.

The Katoomba Group (the Group) commenced operations on January 1, 2006. The Group was previously a program of FTA. The Group's mission is to facilitate strategic partnerships that can launch green forest products in the marketplace. The Group is now considered to be in a dormant phase and has not raised any funding for operations for fiscal years 2015 and 2014, although the programmatic activities continue to operate as a program of FTA. During year ended December 31, 2015 and 2014, support and revenue totaled \$6 and \$18, respectively. During year ended December 31, 2015 and 2014, expenses totaled \$1,284 and \$284, respectively. As of December 31, 2015 and 2014, the Group owed FTA \$6,003 and \$16,701, respectively. Management has considered merging the Group into Forest Trends Association, but the future of the Group as a separate legal entity has yet to be determined as of May 16, 2016.

The accompanying combined financial statements reflect the activity of Forest Trends Association and The Katoomba Group (together, the Association). The financial statements of the two organizations have been combined as they are under common control. All intercompany transactions have been eliminated in combination.

Basis of presentation -

The accompanying combined financial statements are prepared on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

For combined financial statement purposes, the Association considers all investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Association maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants, contracts, and other receivables -

Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants revenue. Foreign exchange gains and losses are presented separately on the accompanying Combined Statements of Activities and Changes in Net Assets. Conditional promises to give are not included as support (or receivable) until the conditions are substantially met.

Contracts and other receivable are recorded at their net realizable value, which approximates fair value.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants, contracts, and other receivables (continued) -

As of December 31, 2015 and 2014, management considers all grants, contracts and other receivables to be fully collectible. Accordingly, an allowance for doubtful accounts was not established.

Fixed assets -

Fixed asset acquisitions with a value of \$1,000 or more are capitalized and stated at cost. Furniture and equipment are depreciated using the straight-line method over the useful life of the asset, generally three to seven years. Hardware and software are amortized using the straight-line method over the useful life of the asset, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. Repairs and maintenance are expensed as incurred.

Net asset classification -

The net assets of the Association are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions; these net assets are available for the operations of the Association and include both internally designated and undesignated resources. On May 7, 2015, the Board of Directors established a \$1,000,000 Board designated fund (with donor funds advised for such use), including \$500,000 of reserves, \$300,000 of "revolving" project funds (for new opportunities and project launches), and \$200,000 of core operating designated funds. As of December 31, 2015 and 2014, the balance of all Board designated funds aggregated \$820,552 and \$1,000,000, respectively.
- **Temporarily restricted net assets** include gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Income taxes -

FTA is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. FTA is not a private foundation. The Group is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. The Group is not a private foundation. Accordingly, no provision has been made for Federal income taxes in the accompanying combined financial statements.

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, the Association has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Contracts -

Contracts that are awarded to the Association are accounted for as exchange transactions, and accordingly, revenue is recognized when the qualifying expenditures are incurred. Any funds not received upon incurring qualifying expenditures are recorded as contracts receivable; any funds received in advance of incurring qualifying expenditures are recorded as refundable contract advances.

Functional allocation of expenses -

The costs of providing various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets, and in the Combined Statements of Functional Expenses. Accordingly, costs have been allocated among the programs and supporting services benefited based on specific identification or based on estimates of costs incurred.

Use of estimates -

The preparation of the combined 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.

2. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts that are expected to be collected in future years are recorded at fair value, measured as the present value of their estimated future cash flows. The discount on those amounts are computed using risk-free interest rates applicable to the years in which the awards are received; any discount amortization is included in grants and contracts revenue. Management is of the opinion that all receivables are collectible. Grants and contracts receivable are due to be collected as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 6,896,347	\$ 8,172,263
One to five years	<u>2,703,488</u>	<u>1,250,999</u>
	9,599,835	9,423,262
Less: Discount to present value (1 - 4%)	<u>(179,770)</u>	<u>(86,157)</u>
	<u>\$ 9,420,065</u>	<u>\$ 9,337,105</u>

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. FIXED ASSETS

Fixed assets at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 53,749	\$ 53,749
Computer hardware and software	304,431	245,039
Leasehold improvements	<u>13,605</u>	<u>5,025</u>
	371,785	303,813
Less: Accumulated depreciation and amortization	<u>(218,505)</u>	<u>(214,045)</u>
	<u>\$ 153,280</u>	<u>\$ 89,768</u>

4. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015 and 2014, temporarily restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Communities	\$ 613,679	\$ 1,460,295
Ecosystem Marketplace	1,144,744	321,977
Forest Policy, Trade and Finance	3,358,007	2,005,017
Biodiversity	31,789	158,482
Water and Marine	1,887,956	3,059,073
Public-Private Finance	<u>656,149</u>	<u>22,507</u>
	<u>\$ 7,692,324</u>	<u>\$ 7,027,351</u>

The following net assets were released from restrictions by incurring expenses (or through the passage of time), satisfying the restricted purposes imposed by the donors.

	<u>2015</u>	<u>2014</u>
Communities	\$ 3,253,296	\$ 4,196,705
Ecosystem Marketplace	1,138,212	1,375,047
Forest Policy, Trade and Finance	3,003,280	3,124,783
Biodiversity	127,025	100,818
Water and Marine	2,075,933	2,450,834
The Katoomba Group	-	395,589
Public-Private Finance	<u>1,154,293</u>	<u>555,152</u>
	<u>\$ 10,752,039</u>	<u>\$ 12,198,928</u>

Total releases include indirect expenses, which are included in Management and General expenses in the accompanying Combined Statements of Functional Expenses.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. LINE OF CREDIT

During the year ended December 31, 2006, the Association established a line of credit with the Bank of Georgetown. The borrowing limit is \$1,000,000, with an annual interest rate of prime plus 0.75%, and a minimum rate of 4.50% (actual rate of 5.75% as of December 31, 2015 and 2014).

Borrowings under the line of credit are secured by all of the Association's assets. Borrowings are subject to various covenants, and as of December 31, 2015 and 2014, the Association was in compliance with these covenants.

As of December 31, 2015, there were no outstanding borrowings. As of December 31, 2014, the principal balance due under the line of credit aggregated \$300,000.

6. PENSION PLAN

The Association has a 401(k) plan covering all employees. The Association's contributions equal 7% of each eligible employee's salary. During the years ended December 31, 2015 and 2014, contributions totaled \$222,089 and \$195,973, respectively.

7. LEASE COMMITMENT

The Association entered into an operating lease agreement for office space with an effective September 1, 2012 and expiring on January 31, 2018. Under the terms of the agreement, the first five months of occupancy will be provided at no cost to the Association. Base rent is \$231,168 per year, increasing by a factor of 3.5% per year, plus a proportionate share of taxes and operating expenses.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position. As of December 31, 2015 and 2014, the deferred rent liability aggregated \$65,455 and \$83,521, respectively.

Future minimum lease payments required under the operating lease agreement are as follows:

Year Ended December 31,

2016	\$ 255,597
2017	264,545
2018	<u>22,108</u>
	<u>\$ 542,250</u>

Rent expense is included in the accompanying Combined Statements of Functional Expenses in "Office expenses". During the years ended December 31, 2015 and 2014, rent expense totaled \$225,481 and \$233,236, respectively.

8. CONCENTRATION OF REVENUE AND RECEIVABLES

Approximately 67% of the Association's grants and contracts revenue during the year ended December 31 2015 (and 81% of grants and contracts receivable as of December 31, 2015) was from awards received from two foreign government sources and two domestic sources.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

8. CONCENTRATION OF REVENUE AND RECEIVABLES (Continued)

Approximately 51% of the Association's grants and contracts revenue during the year ended December 31, 2014 (and 68% of grants and contracts receivable as of December 31, 2014) was from awards received from two foreign government sources and two domestic sources.

The Association has no reason to believe that relationships with these entities will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect the Association's ability to finance ongoing operations.

9. CONTINGENCY

FTA receives grants from various agencies of the United States Government. For years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

10. FUTURE COMMITMENTS FROM USAID

On September 29, 2013, FTA received notification of a significant award (in the form of a cooperative agreement) from the United States Agency for International Development (USAID). The period of performance of the award commences on September 29, 2013 and terminates on September 29, 2018. The total award amount of \$12,994,746 is obligated on a periodic basis, and as of December 31, 2015 and 2014, FTA has received obligations from USAID totaling \$10,010,111 and \$5,028,299, respectively; as of December 31, 2015 and 2014, FTA has spent \$7,220,722 and \$4,518,981 of the total obligations to date, respectively. The total unliquidated obligation of \$2,789,389 and \$509,318 as well as the remaining unliquidated balance of the award totaling \$5,774,024 and \$8,475,765 for the years ended December 31, 2015 and 2014, respectively, has not been recorded as revenue (and grants receivable) in the accompanying combined financial statements due to the conditional nature of the agreement as well as its reimbursable payment terms. Upon satisfactory completion of the conditions required under such agreement, FTA will recognize revenue in the year those conditions have been met.

11. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 16, 2016, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED SCHEDULE OF ACTIVITIES - GRANTS AND CONTRACTS FROM U.S. GOVERNMENT
AGENCIES, PRIVATE FOUNDATIONS AND OTHER ORGANIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	MacArthur Foundation Core Support	MacArthur Foundation Revolving Fund	MacArthur Foundation Forest Carbon Conservation	USDA OEM	USAID
GRANTS AND CONTRACTS					
Grants and contracts from U.S. Government agencies	\$ -	\$ -	\$ -	\$ 104,128	\$ 2,701,741
Grants and contracts from private foundations	-	-	1,000,000	-	-
Other	-	-	-	-	-
Total Grants and Contracts	-	-	1,000,000	104,128	2,701,741
EXPENSES					
Salaries and fringe benefits	3,645	-	256,511	80,768	480,873
Consultants and professional fees	43,332	14,223	149,894	10,543	233,434
Communications	-	-	238	-	100
Publications	-	-	2,170	-	-
Office expense	1,273	437	8,737	344	5,832
Travel	91,515	30	23,464	2,301	34,845
Meetings and conferences	29,122	-	15	-	79,017
Partner expenses	-	-	-	-	9,795
Subrecipient expenses	-	-	200,000	-	1,541,134
Other	-	-	-	-	-
Allocated general and administrative costs	-	-	95,506	10,172	316,711
Total expenses	168,887	14,690	736,535	104,128	2,701,741
CHANGE IN NET ASSETS	\$ (168,887)	\$ (14,690)	\$ 263,465	\$ -	\$ -

Department for International Development (DFID)	ICI - Germany	IKEA Foundation	Swiss Agency for Development and Cooperation (SDC)	UNEP GEF Supply Change	Good Energies Foundation	DFID II FGMC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
643,789	225,673	(157,832)	99,602	1,840,690	560,910	2,871,249
-	-	-	-	-	-	-
643,789	225,673	(157,832)	99,602	1,840,690	560,910	2,871,249
358,128	192,529	81,578	418,986	252,585	170,618	62,368
978,300	19,599	74,476	147,466	122,734	67,127	92,055
6,444	-	-	2,017	1,604	154	74
-	-	-	-	5,000	-	-
43,321	24,529	3,777	12,411	1,204	2,583	12,947
29,182	8,309	11,966	85,802	9,806	18,615	5,962
119,980	24,323	31,111	94,445	579	3,083	19,536
-	291,868	-	334,329	-	-	-
71,650	-	220,000	368,637	60,000	20,000	-
-	-	-	-	-	-	-
122,395	72,950	16,916	146,409	22,676	42,327	15,435
1,729,400	634,107	439,824	1,610,502	476,188	324,507	208,377
\$ (1,085,611)	\$ (408,434)	\$ (597,656)	\$ (1,510,900)	\$ 1,364,502	\$ 236,403	\$ 2,662,872

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**COMBINED SCHEDULE OF ACTIVITIES - GRANTS AND CONTRACTS FROM U.S. GOVERNMENT
AGENCIES, PRIVATE FOUNDATIONS AND OTHER ORGANIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	D.N. Batten Foundation	MRLG	Fundo Vale	Blue Moon Fund	JP Morgan Foundation
SUPPORT AND REVENUE					
Grants and contracts from U.S. Government agencies	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contracts from private foundations	340,548	248,081	-	100,000	225,000
Other	-	-	-	-	-
Total support and revenue	340,548	248,081	-	100,000	225,000
EXPENSES					
Salaries and fringe benefits	-	-	52,127	2,180	1,900
Consultants and professional fees	-	-	113,955	9,736	-
Communications	-	-	-	-	-
Publications	-	-	573	-	-
Office expense	-	40	4,436	10	-
Travel	-	-	19,801	1,065	1,933
Meetings and conferences	-	-	18,387	62,753	-
Partner expenses	-	-	-	14,000	-
Subrecipient expenses	-	-	10,000	-	-
Other	-	-	127,210	-	-
Allocated general and administrative costs	-	2	39,467	8,974	582
Total expenses	-	42	385,956	98,718	4,415
CHANGE IN NET ASSETS	\$ 340,548	\$ 248,039	\$ (385,956)	\$ 1,282	\$ 220,585

Consumer Goods Forum	Earth Innovation Institute (through NORAD)	Gordon and Betty Moore Foundation	Other Donors/Projects	Total All Grants
\$ -	\$ -	\$ -	\$ -	\$ 2,805,869
47,218	-	50,000	145,630	8,240,558
-	160,320	-	363,615	523,935
47,218	160,320	50,000	509,245	11,570,362
2,026	88,361	-	1,400,139	3,905,322
-	35,600	-	687,703	2,800,177
-	-	-	21,113	31,744
-	-	-	16,186	23,929
15	898	-	310,406	433,200
-	24,973	1,723	65,939	437,231
-	-	-	99,631	581,982
-	-	-	67,021	717,013
-	-	-	80,555	2,571,976
-	-	-	-	127,210
314	10,488	258	(919,512)	2,070
2,355	160,320	1,981	1,829,181	11,631,854
\$ 44,863	\$ -	\$ 48,019	\$ (1,319,936)	\$ (61,492)