

FORESTETHICS

Financial Statements

December 31, 2014

(With Comparative Totals for December 31, 2013)

FORESTETHICS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
ForestEthics
San Francisco, California**

I have audited the accompanying financial statements of ForestEthics (a California non-profit public benefit corporation), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

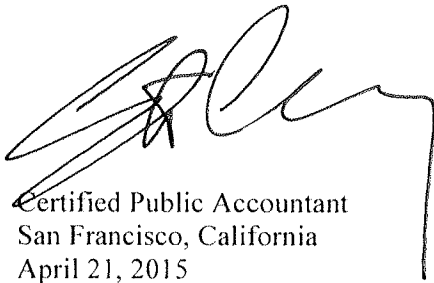
Opinion

In my audit, the financial statements referred to above present fairly, in all material respects, the financial position of ForestEthics as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Summarized Comparative Information

I have previously audited the ForestEthics December 31, 2013 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated April 22, 2014. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant
San Francisco, California
April 21, 2015

FORESTETHICS
STATEMENTS OF FINANCIAL POSITION
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,063,421	\$ 433,532
Investment - Short term (note 4)	113,353	282,118
Grants and pledges receivable (note 2)	232,250	554,144
Contracts and other receivables	34,558	28,070
Prepaid expenses	20,489	96,931
Due from Tides Canada Initiative	-	4,263
Total Current Assets	1,464,071	1,399,058
Other Assets		
Deposits	5,825	5,825
Other Asset	225	225
Total Other Assets	6,050	6,050
Fixed Assets		
Property and Equipment (note 6)	30,405	19,141
TOTAL ASSETS	\$ 1,500,526	\$ 1,424,249
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 31,341	\$ 37,449
Accrued vacation	55,754	42,186
Total Current Liabilities	87,095	79,635
TOTAL LIABILITIES	87,095	79,635
Net Assets		
Temporarily restricted (note 8)	1,059,255	1,075,203
Unrestricted	354,176	269,411
Total Net Assets	1,413,431	1,344,614
TOTAL LIABILITIES AND NET ASSETS	\$ 1,500,526	\$ 1,424,249

The accompanying notes are an integral part of the financial statements.

FORESTETHICS
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
REVENUES AND SUPPORTS				
Foundation grants	\$ 601,515	\$ 2,219,775	\$ 2,821,290	\$ 2,159,670
Contributions	201,596	-	201,596	223,356
In-kind Contributions	-	-	-	-
Contract revenue	-	265,417	265,417	228,721
Other event revenue	-	-	-	-
Interest income	235	-	235	274
Other income	2,324	-	2,324	8,785
Unrealize capital gain (loss)	-	-	-	67
Net assets released from restrictions	2,466,140	(2,466,140)	-	-
Total Revenues and Support	<u>3,271,810</u>	<u>19,052</u>	<u>3,290,862</u>	<u>2,620,873</u>
EXPENSES				
Program services	2,680,558	-	2,680,558	2,123,625
General and administrative	213,778	-	213,778	191,601
Development	292,709	-	292,709	251,424
Total Expenses	<u>3,187,045</u>	<u>-</u>	<u>3,187,045</u>	<u>2,566,650</u>
CHANGE IN NET ASSETS	84,765	19,052	103,817	54,223
NET ASSETS, beginning of year	269,411	1,075,203	1,344,614	1,290,391
Prior Period Adjustment	-	(35,000)	(35,000)	-
NET ASSETS, beginning bal. after adjustment (note 11)	<u>269,411</u>	<u>1,040,203</u>	<u>1,309,614</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 354,176</u>	<u>\$ 1,059,255</u>	<u>\$ 1,413,431</u>	<u>\$ 1,344,614</u>

The accompanying notes are an integral part of the financial statements.

FORESTETHICS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	BEN	Boreal Forest	BC Forest	Greenwash SFI	Climate - TS US	Climate - SHW	Climate - TS CA	2014 Program Services	2013 Program Services
Wages	\$ 26,607	\$ 173,479	\$ 52,043	\$ 189,214	\$ 480,944	\$ 75,718	\$ 190,786	\$ 1,188,791	\$ 900,282
Payroll taxes	3,565	15,089	4,546	17,326	44,156	6,645	17,123	108,450	81,541
Other benefits	90	32,142	8,255	44,641	85,838	13,179	32,827	216,972	168,985
Contract services	33,906	56,002	128,538	32,286	85,283	143,369	421,743	901,127	731,361
Rent	-	12,073	4,172	10,344	30,596	7,558	16,165	80,908	76,852
Utilities	-	1,712	591	1,464	4,335	1,070	2,288	11,460	9,578
Repair & maintenance	-	5	2	4	13	3	7	34	-
Office supplies	2,731	176	45	4,413	9,876	80	201	17,522	8,612
Telephone, fax & internet	1,059	2,803	945	2,408	7,972	1,667	3,707	20,561	20,639
Postage & delivery	-	-	-	981	59	-	-	1,040	494
Printing & photocopy	4	-	-	1,992	801	-	-	2,797	706
Advertising & promotion	-	109	39	85	339	32	177	781	14,489
Travel	5,419	8,141	1,723	8,665	35,959	3,123	7,644	70,674	48,787
Food and reception	597	854	237	1,610	4,949	404	1,233	9,884	8,926
Staff development & recognition	-	100	27	83	909	36	121	1,276	965
Fundraising & special events	-	-	-	-	240	-	-	240	3,147
Meetings	21	3,577	1,207	3,729	10,503	2,154	5,056	26,247	22,078
Dues & subscriptions	3,689	694	174	521	1,780	270	1,199	8,327	2,794
Insurance	-	829	286	709	2,100	518	1,108	5,550	5,291
Bank fee & charges	-	-	-	-	-	-	148	148	20
Miscellaneous	1,225	1,500	66	328	1,088	96	278	4,581	8,939
Depreciation	-	585	94	391	1,311	440	367	3,188	9,139
Bad Debts	-	-	-	-	-	-	-	-	-
Total	\$ 78,913	\$ 309,870	\$ 202,990	\$ 321,194	\$ 809,051	\$ 256,362	\$ 702,178	\$ 2,680,558	\$ 2,123,625

The accompanying notes are an integral part of the financial statements.

FORESTETHICS
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Support			
	General & Administrative	Development	Total Support	
Wages	\$ 59,764	\$ 148,085	\$ 207,849	\$ 1,097,227
Payroll taxes	5,279	13,528	18,807	99,219
Other benefits	13,586	24,567	38,153	203,206
Contract services	36,199	22,061	58,260	785,726
Rent	7,458	17,790	25,248	103,705
Utilities	1,058	2,520	3,578	12,923
Repair & maintenance	1,910	7	1,917	1,762
Office supplies	15,139	1,480	16,619	22,203
Telephone, fax & internet	3,341	6,746	10,087	31,261
Postage & delivery	2,400	2,417	4,817	5,046
Printing & photocopy	1,284	1,667	2,951	4,183
Advertising & promotion	-	127	127	14,489
Travel	3,613	7,531	11,144	60,509
Food and reception	4,374	8,242	12,616	21,253
Staff development & recognition	1,628	-	1,628	1,032
Fundraising & special events	250	6,782	7,032	6,973
Meetings	2,143	5,017	7,160	30,000
Dues & subscriptions	6,119	335	6,454	10,354
Insurance	513	1,220	1,733	7,195
Bank fee & charges	11,734	-	11,734	17,373
Miscellaneous	27,362	5,641	33,003	18,687
Depreciation	4,361	1,946	6,307	12,324
Bad Debts	4,263	15,000	19,263	-
Total	\$ 213,778	\$ 292,709	\$ 506,487	\$ 3,187,045
				\$ 2,566,650

The accompanying notes are an integral part of the financial statements.

FORESTETHICS
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
Cash Flows from Operating Activities		
Change in Net Assets	\$ 103,817	\$ 54,223
Released from TRNA-non recovered grants	(35,000)	-
Adjustments from Operating Activities		
Depreciation	9,495	12,324
Realized/Unrealized (gain) loss on investment	-	(274)
(Increase) Decrease in Operating Assets		
Grants and pledges receivable	321,894	243,179
Contract and other receivable	(6,488)	47,089
Prepaid expenses	76,442	(86,656)
Due from Tides Canada Initiate	4,263	-
Grants and pledges receivable - Long-term portion	-	100,198
Other asset	-	(67)
Increase (Decrease) in Operating Liabilities		
Accounts payable	(6,108)	5,877
Accrued vacation	13,568	(10,573)
	481,883	365,320
Cash Flows from Investing Activities		
Purchase of Investments	168,765	(109,958)
Fixed asset acquisitions	(20,759)	(12,391)
	148,006	(122,349)
Net Increase (Decrease) in Cash and Cash Equivalents	629,889	242,971
CASH, beginning of year	433,532	190,561
	\$ 1,063,421	\$ 433,532
Supplemental Cash Flow Information		
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 1 - NATURE OF ORGANIZATION

ForestEthics' mission is to protect Endangered Forests, wildlife, and human well-being. We believe that protecting our planet is everyone's business. Because of our work, environmentally responsible corporations and governments will thrive, natural systems will be protected, the people and wildlife that depend on them will prosper, and markets will be more transparent and ethical. Our mission is realized through our campaigns, which seek to:

- Protect and preserve vital endangered forests and pristine wild places such as Canada's vast Boreal Forest and British Columbia's iconic Great Bear Rainforest and Sacred Headwaters region.
- Halt the expansion of extreme energy production in Canada's Tar Sands and stop dangerous means of oil transportation including pipelines, tankers, and oil by rail
- Expose and curb the worst abuses of "greenwashing" as it relates to forest products, and
- Transform corporate practices and policies to support a more ethical and respectful relationship with the natural environment.

ForestEthics' campaigns consider all of the issues that affect wild places and the wildlife and people that depend on them—from biodiversity to air and water quality to climate change. We expand our work to new regions or issue areas when we can bring the leverage and power needed to win.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Descriptions of net assets

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor restriction.

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization.

Permanently Restricted Net Assets

The portion of net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization.

Basis of Accounting

The Organization maintains its records using the accrual method of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at several financial institutions located in the San Francisco Bay Area. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. All funds in a noninterest-bearing transaction account are insured in full by the FDIC through December 31, 2014. At various times during the year the Organization had cash balances in excess of insured amounts.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives, generally 3 to 7 years.

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2014 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Promise to Give

The Organization recognizes all unconditional gifts and pledges in the period notified. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts that are restricted by the donor/grantor are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Receivables

Grants and pledges receivable represent unconditional promises to give at December 31, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Foundation and corporate grants receivable	\$ 227,202	\$ 485,001
Individual pledges receivable	5,048	69,143
Current grants and individual pledges receivable	232,250	554,144
Grants and pledges receivable, one to five years	-	-
Total grants and pledges receivable	<u>\$ 232,250</u>	<u>\$ 554,144</u>

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ForestEthics's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Accounting for Restricted Support

The Organization report gifts of cash and other assets as restricted support if they are received with donor's stipulation limiting the use of the donated assets. When a donor's restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges Received

Pledges of grants or donations are recorded as revenue when they are received in writing. The receivables are recorded net of allowance for estimated uncollectible amounts.

Allocation of Expenses

Shared expenses are allocated to programs and supporting services based on the ratio of each activity's direct salary cost to total salary expense.

Reclassifications

Certain accounts in the prior's year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

At the time of the audit, ForestEthics has evaluated all subsequent events through April 21, 2015, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 3 – CASH AND CASH EQUIVALENTS

Investments in certificate deposits, money market fund, treasury bills, and commercial paper with original maturities of three months or less are considered cash equivalents.

NOTE 4 – INVESTMENT – SHORT TERM

	2014	2013
Equity	\$ 113,353	\$ -
Business Money Market	-	210,223
Certificates of Deposit	-	71,895
	\$ 113,353	\$ 282,118

The certificates of deposit earned interest income of \$235 and \$274 respectively and have varying maturity dates during 2014 and 2013.

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value of Financial Instruments

In conformity with accounting principles generally accepted in the United States of America, the Organization established a hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities reported at fair value. The estimated fair value amounts have been determined using available market information, assumptions, estimates and valuation methodologies. When determining fair value, the Organization considers the principal or most advantageous market in which it would transact, and considers assumptions that market participants would use when pricing the asset or liability.

The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

Level 1 – Unadjusted quoted prices in active markets that are readily accessible at the measurement date for identical, unrestricted net assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities. Valuations for assets and liabilities traded in less active dealer or broker markets are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs that are both significant to the fair value measurement and unobservable. Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following tables present the Organization’s assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2014 and 2013:

	December 31, 2014			
	Level 1	Level 2	Level 3	Fair Value Measurements
Other Asset/Investment	\$113,353	\$ -	\$ -	\$ 113,353
Total Other Assets/Investments	<u>\$113,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,353</u>

	December 31, 2013			
	Level 1	Level 2	Level 3	Fair Value Measurements
Other Asset/Investment	\$ 225	\$ -	\$ -	\$ 225
Total Other Assets/Investments	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225</u>

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 6 – PROPERTY AND EQUIPMENT

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
	<u>Depreciable Life</u>		
Computer Equipment	3 years	\$ 49,871	\$ 31,996
Furniture & Fixture	7 years	17,973	15,089
Less: Accumulated Depreciation		<u>37,439</u>	<u>27,944</u>
Net Property and Equipment		<u><u>\$ 30,405</u></u>	<u><u>\$ 19,141</u></u>

NOTE 7 – COMMITMENTS

Minimum annual rental payments required under the leases in effect on December 31, 2014 are as follows:

Year ending December 31,

	<u>San Francisco, CA</u>	<u>Bellingham, WA</u>
2015	\$ 76,046	\$ 32,067
2016	78,327	33,032
2017	80,677	13,932
2018	47,875	-
2019	-	-
Thereafter	-	-
	<u><u>\$ 282,925</u></u>	<u><u>\$ 79,031</u></u>

For the years ended December 31, 2014 and 2013, rent expense amounted to \$106,156 and \$103,705 respectively.

On July 3, 2014, the lease for Bellingham Washington was extended to May 31, 2017.

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014, temporarily restricted net assets are restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Climate Campaign	\$ 708,310	\$ 940,399
Boreal Forest Campaign	5,350	49,804
BC - Forest	50,000	-
Stop SFI Greenwash	-	35,000
Business Ethics	65,595	50,000
Administration	230,000	-
Total	<u>\$ 1,059,255</u>	<u>\$ 1,075,203</u>

Net assets of \$2,466,140 were released from donor restrictions by incurring expenditures satisfying the restricted purposes.

NOTE 9 – RETIREMENT PLAN

The Organization has a defined contribution plan covering employees with at least 1,000 hours of service in the initial 12 months of employment or in any subsequent plan year. The Organization matches participants' contributions to the plan equal to 70% of the first 6% of before-tax savings. Participants can contribute before-tax contributions of 1 to 15% of their total compensation, up to the IRS indexed maximum for a calendar year. The total 2014 and 2013 employer's contribution was \$0 and \$0, respectively. Employer contribution plan is on hold since January 2009.

NOTE 10 – FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the rates of exchange in effect on the transaction date. Assets and liabilities denominated in foreign currencies other than the U.S. dollar are translated at rates of exchange in effect at the balance sheet date. The resulting foreign currency transaction loss for 2014 is \$1,288, for 2013 was \$4,811.

FORESTETHICS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The \$35,000 prior period adjustment consisted of two revenue transactions that were accrued in fiscal years 2012 and 2013. \$25,000 was accrued in 2012 related to a program that was initiated in Canada but was eventually separated from ForestEthics to become an independent agency. Therefore, the temporarily restricted revenue previously accrued needed to be reversed out. The second item to be reversed was \$10,000 in temporarily restricted revenue which was previously recognized in 2013. This was a reduction from the foundation pledged grant from a U.S. funder.

NOTE 12 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk are primarily cash, short term investments and accounts receivable. The Organization places its cash in financial institutions that are insured in limited amounts by the Securities Investor Protection Corporation and the Federal Deposit Insurance Corporation. Cash balances at December 31, 2014 and 2013 exceed the balances covered by such insurance by \$391,394 and \$103,534, respectively.