AUDIT REPORT ON
COMBINED FINANCIAL STATEMENTS

FOREST TRENDS ASSOCIATION

THE KATOOMBA GROUP

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP

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CPAs & ADVISORS

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, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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, 2020 and 2019, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our reports dated May 17, 2021, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Gelman Rosenberg & Freedman

May 17, 2021

FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 2,076,414	$ 1,274,966
Investments	31,351	1,855
Grants and contracts receivable, net of allowance for doubtful accounts of $123,494 and $132,078 for 2020 and 2019, respectively	2,347,079	3,452,533
Other receivables	156,246	124,128
Prepaid expenses and other assets	24,097	24,796
Total current assets	4,635,187	4,878,278
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of $382,092 and $357,392 for 2020 and 2019, respectively	231,168	319,954
NONCURRENT ASSETS		
Grants and contracts receivable, net of current portion and net present value discount	511,146	173,575
Deposits	38,528	38,528
Total noncurrent assets	549,674	212,103
TOTAL ASSETS	**$ 5,416,029**	**$ 5,410,335**

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Line of credit	$ -	$ 162,000
Loan payable	1,989	-
Accounts payable and accrued liabilities	1,003,143	1,033,770
Refundable advances	758,225	698,526
Deferred rent abatement and tenant improvements	67,119	-
Total current liabilities	1,830,476	1,894,296
NONCURRENT LIABILITIES		
Deferred rent abatement and tenant improvements	388,297	514,563
Loan payable, net of current portion	148,255	-
Total liabilities	2,367,028	2,408,859
NET ASSETS		
Without donor restrictions	(263,797)	(1,198,808)
With donor restrictions	3,312,798	4,200,284
Total net assets	3,049,001	3,001,476
TOTAL LIABILITIES AND NET ASSETS	**$ 5,416,029**	**$ 5,410,335**

See accompanying notes to combined financial statements.

FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants and contracts	$ 6,297,972	$ 4,110,396	$ 10,408,368	$ 7,002,862	$ 2,990,045	$ 9,992,907
Contributions	1,530,770	-	1,530,770	390,170	-	390,170
Special events, less direct expenses of $0 in 2020 and $99,627 in 2019	-	-	-	69,923	-	69,923
In-kind contributions	2,175	-	2,175	28,200	-	28,200
Investment income	6,180	-	6,180	753	-	753
Other revenue	-	-	-	54,618	-	54,618
Net assets released from donor restrictions	4,997,882	(4,997,882)	-	4,424,000	(4,424,000)	-
Total support and revenue	12,834,979	(887,486)	11,947,493	11,970,526	(1,433,955)	10,536,571
EXPENSES						
Program Services	10,011,468	-	10,011,468	9,803,349	-	9,803,349
Supporting Services:						
Management and General	1,878,025	-	1,878,025	1,897,863	-	1,897,863
Fundraising	10,475	-	10,475	10,581	-	10,581
Total supporting services	1,888,500	-	1,888,500	1,908,444	-	1,908,444
Total expenses	11,899,968	-	11,899,968	11,711,793	-	11,711,793
Changes in net assets	935,011	(887,486)	47,525	258,733	(1,433,955)	(1,175,222)
Net assets (deficit) at beginning of year	(1,198,808)	4,200,284	3,001,476	(1,457,541)	5,634,239	4,176,698
NET ASSETS (DEFICIT) AT END OF YEAR	**$ (263,797)**	**$ 3,312,798**	**$ 3,049,001**	**$ (1,198,808)**	**$ 4,200,284**	**$ 3,001,476**

See accompanying notes to combined financial statements.

FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 3,404,115	$ 1,155,978	$ 6,215	$ 1,162,193	$ 4,566,308
Consultants	4,166,618	245,148	-	245,148	4,411,766
Meetings and conferences	171,832	15	-	15	171,847
Travel	14,039	13,748	66	13,814	27,853
Office expenses	329,338	351,789	1,578	353,367	682,705
Communications	165,215	111,347	2,616	113,963	279,178
Partner expenses	33,138	-	-	-	33,138
Subgrants	1,727,173	-	-	-	1,727,173
Subtotal	10,011,468	1,878,025	10,475	1,888,500	11,899,968
Direct costs of special events	-	-	-	-	-
TOTAL	**$ 10,011,468**	**$ 1,878,025**	**$ 10,475**	**$ 1,888,500**	**$ 11,899,968**

FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 3,248,999	$ 923,604	$ 3,704	$ 927,308	$ 4,176,307
Consultants	2,957,664	209,457	-	209,457	3,167,121
Meetings and conferences	729,673	294,015	3,715	297,730	1,027,403
Travel	159,106	78,147	2,782	80,929	240,035
Office expenses	374,136	405,224	189	405,413	779,549
Communications	85,294	87,043	191	87,234	172,528
Partner expenses	51,025	-	-	-	51,025
Subgrants	2,197,452	-	-	-	2,197,452
Subtotal	9,803,349	1,997,490	10,581	2,008,071	11,811,420
Direct costs of special events	-	(99,627)	-	(99,627)	(99,627)
TOTAL	**$ 9,803,349**	**$ 1,897,863**	**$ 10,581**	**$ 1,908,444**	**$ 11,711,793**

FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 47,525	$ (1,175,222)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	66,909	39,452
Realized gain on investments	(409)	-
Unrealized gain on investments	(5,725)	(510)
Loss on disposal of equipment	20,522	-
Change in discount on grants receivables	38,196	(118,177)
Change in allowance for doubtful accounts	(8,584)	(12,501)
Donated stock	(25,226)	(6,985)
Decrease (increase) in:		
Grants and contracts receivable	738,271	2,535,538
Other receivables	(32,118)	(99,865)
Prepaid expenses and other assets	699	(9,651)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(30,627)	(802,589)
Refundable advances	59,699	651,926
Deferred rent abatement and tenant improvements	(59,147)	(18,365)
Net cash provided by operating activities	809,985	983,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,864	9,399
Proceeds from sale of fixed asset	1,355	-
Net cash provided by investing activities	3,219	9,399
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	400,000	-
Payments on line of credit	(562,000)	(150,000)
Principal payments on capital lease obligation	-	(2,505)
Loan proceeds received	150,244	-
Net cash used by financing activities	(11,756)	(152,505)
Net increase in cash and cash equivalents	801,448	839,945
Cash and cash equivalents at beginning of year	1,274,966	435,021
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,076,414**	**$ 1,274,966**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 1,526**	**$ 19,924**
Tenant Improvement Allowances Provided by Landlord	**$ -**	**$ 330,240**

See accompanying notes to combined financial statements.

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. FTA'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 2020 and 2019, although the programmatic activities continue to operate as a program of FTA, However, during years ended December 31, 2020 and 2019, the Group did not have any revenue or expenses. As of December 31, 2020 and 2019, the Group owed FTA $8,274. Management has considered merging the Group into FTA, but the future of the Group as a separate legal entity has yet to be determined as of the date of our audit report.

In connection with its *Green Infrastructure for Water Security* (GIWS) program, during 2018 FTA established a representative office (registered as a branch office of a U.S. non-governmental organization) in Peru. The purpose of the program is to scale up investments in natural infrastructure in Peru to safeguard water supplies and increase climate resilience.

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 presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. During the year ended December 31, 2019, all Board Designated Net Assets were undesignated for use by the Board of Directors.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued) -** Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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.

Investments -

Investments are presented in the accompanying financial statements at fair value. Realized and unrealized gains and losses are included in investment income (net of investment expenses paid to external investment advisors, of which there were none in 2020 and 2019) in the accompanying Combined Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Association's policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants, contracts, and other receivables -

Grants, contracts and other receivables are recorded at their net realizable value, which approximates fair value. Amounts 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 and contracts revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Fixed assets -

Fixed asset acquisitions with a value of $5,000 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.

Income taxes -

FTA and the Group are both exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Neither entity is deemed to be a private foundation.

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

Uncertain tax positions -

For the years ended December 31, 2020 and 2019, 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.

Revenue recognition -

The majority of the Association's revenue is received through awards from the U.S. and foreign governments, international organizations, individuals, foundations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Association performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying combined financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional. The Association considers all awards from governments to be conditional assistance, and accordingly have been recognized in the accompanying combined financial statements as revenue (without donor restrictions) at such time when the conditions have been met. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of December 31, 2020 and 2019, the Association has recorded $758,225 and $698,526, respectively, of refundable advances under conditional assistance awards.

As of December 31, 2020 and 2019, the Association has received conditional commitments for support which have not been recorded in the accompanying combined financial statements (as revenue and receivables), as they did not meet the criteria for revenue recognition. The total value of all conditional contributions received (and not recorded) aggregated $13,639,745 and $20,777,156, respectively. The Association believes it will meet all conditions related to these contributions.

The recording of revenue classified as an exchange transaction follows the guidance set forth in ASU 2014-09, *Revenue from Contracts with Customers*. In such cases, the Association records revenue when the performance obligations are met. The revenue is recorded directly as net assets without donor restrictions and the transaction price is based on criteria set forth in the transaction agreement.

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of the Association are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Foreign currency translation -

The U. S. Dollar is the functional currency for Association's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Combined Statements of Financial Position.

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.

Fair value measurement -

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Association accounts for a portion of its financial instruments at fair value or considers fair value in their measurement.

Going concern -

During the year ended December 31, 2020, the Association applied FASB ASU 2014-15, *Presentation of Financial Statements - Going Concern* and evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an ability to continue as a going concern within one year after the date the combined financial statements are issued.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Association's operations. The overall potential impact is unknown at this time.

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

New accounting pronouncements (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position, and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Association plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. INVESTMENTS

Investments are comprised of the following at December 31, 2020 and 2019:

	2020	2019
Equities (Level 1)	**$ 31,351**	**$ 1,855**

Included in investment income in the Combined Statements of Activities and Changes in Net Assets are the following:

	2020	2019
Interest and dividends	$ 46	$ 243
Realized gain on investments	409	-
Unrealized gain on investments	5,725	510
TOTAL INVESTMENT INCOME	**$ 6,180**	**$ 753**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

2. INVESTMENTS (Continued)

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the investments held by the Association as of December 31, 2020 and 2019:

Equities - Valued at the closing price reported on the active market in which the individual securities are traded.

3. GRANTS AND CONTRACTS RECEIVABLE

The Association has received commitments for support of which $3,023,780 and $3,762,051 has yet to be received as of December 31, 2020 and 2019, respectively. 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, using a discount rate of 4%. 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:

	2020	2019
Less than one year	$ 2,470,573	$ 3,584,611
One to five years	553,207	177,440
	3,023,780	3,762,051
Less: Allowance for doubtful accounts	(123,494)	(132,078)
Less: Discount to present value	(42,061)	(3,865)
GRANTS AND CONTRACTS RECEIVABLE, NET OF ALLOWANCE AND DISCOUNT	**$ 2,858,225**	**$ 3,626,108**

4. FIXED ASSETS

Fixed assets at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Furniture and equipment	$ 9,500	$ 69,646
Computer hardware and software	273,520	273,520
Leasehold improvements	330,240	334,180
	613,260	677,346
Less: Accumulated depreciation and amortization	(382,092)	(357,392)
NET FIXED ASSETS	**$ 231,168**	**$ 319,954**

5. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020	2019
Forest Policy, Trade and Finance	$ 1,679,733	$ 2,971,547
Public-Private Finance	-	83,758
Ecosystem Marketplace	165,833	466,740
Biodiversity	-	1,137
Water and Marine	518,457	309,885
Communities	935,331	277,225
Cumari	-	20,743
Other	4,500	9,249
Time Restricted	8,944	60,000
NET ASSETS WITH DONOR RESTRICTIONS	**$ 3,312,798**	**$ 4,200,284**

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.

	2020	2019
Forest Policy, Trade and Finance	$ 3,264,895	$ 2,778,277
Public-Private Finance	72,727	146,866
Ecosystem Marketplace	825,082	674,835
Biodiversity	-	136,118
Water and Marine	224,836	302,005
Communities	574,721	364,349
Cumari	30,556	2,846
Other	4,665	18,704
Passage of Time	400	-
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 4,997,882**	**$ 4,424,000**

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

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following:

	2020	2019
Cash and cash equivalents	$ 2,076,414	$ 1,274,966
Investments	31,351	1,855
Grants and contracts receivable, net	3,023,780	3,762,051
Other receivables	156,246	124,128
Subtotal financial assets	5,287,791	5,163,000
Less: Donor restricted funds including noncurrent receivables	(3,303,854)	(4,140,284)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 1,983,937**	**$ 1,022,716**

The Association maintains a line of credit agreement which allows for additional available borrowings up to $1,000,000.

7. LINE OF CREDIT

On December 31, 2006, the Association established a line of credit with the Bank of Georgetown (subsequently with United Bank). The borrowing limit is $1,000,000, with an annual interest rate of prime plus 1.00%, and a minimum rate of 4.50% (actual rate of 5.75% and 5.75% as of December 31, 2020 and 2019, respectively). Borrowings are secured by the Association's assets.

As of December 31, 2019, the principal balance due under the line of credit aggregated $162,000; there were no outstanding borrowings as of December 31, 2020.

8. LOAN PAYABLE

During June 2020, the Association received loan proceeds totaling $150,000, under the Economic Injury Disaster Loan (EIDL) program administered by the Small Business Administration (SBA). The promissory note requires monthly payments of $641, comprising both principal and interest payments, over the 30-year term of the promissory note, with a deferral of payments for the first twelve months. Interest will accrue at the rate of 2.75% per annum and will accrue only on funds actually advanced from the date of each advance. The balance as of December 31, 2020, including principal and accrued interest, aggregated $150,244. Following is an estimate of the expected principal payments due over future years:

Year Ended December 31,	
2021	$ 1,989
2022	3,485
2023	3,582
2024	3,682
2025	3,785
Thereafter	133,721
	$ 150,244

9. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

During April 2020, the Association received loan proceeds in the amount of $550,750 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA).

During the year ended December 31, 2020, the Association expended and tracked the PPP funds according to the purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness. During December 2020, the Association was notified (by the SBA) that the full outstanding principal and accrued interest was fully forgiven. Accordingly, during 2020 the Association has recognized the entire amount of $550,750 as a conditional award (in which all conditions have been met, and recorded as without donor restrictions). The total amount of the forgiven loan is included in "Grants and contracts" income in the accompanying Combined Statements of Activities and Changes in Net Assets.

10. PENSION PLAN

The Association maintains a 401(k) plan covering all employees, and is effective on the date of hire. The Association's contributions equal 7% of each eligible employee's salary.

10. PENSION PLAN (Continued)

During the years ended December 31, 2020 and 2019, contributions to the plan totaled $192,427 and $176,897, respectively.

11. LEASE COMMITMENTS

The Association entered into an operating lease agreement for office space with an effective date of September 1, 2012 and an expiration date of January 31, 2018. Under the terms of the agreement, the first five months of occupancy were provided at no cost to the Association. Base rent was $231,168 per year, increasing by a factor of 3.5% per year, plus a proportionate share of taxes and operating expenses. On May 31, 2017, the lease was amended and extended through July 31, 2028, with an option to terminate after the first five years. The lease agreement includes an annual escalation of 2.75% per year, plus a proportionate share of taxes and operating expenses. The agreement also provided the Association with six-months of free rent (during 2018).

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 in the Combined Statements of Financial Position. As of December 31, 2020 and 2019, the deferred rent liability aggregated $224,248 and $217,347, respectively.

During 2019, the Association received $330,240 of tenant improvements in connection with the terms of its lease. Accounting principles generally accepted in the United States of America require that the total amount of the improvements be recognized on a straight-line basis over the term of the lease. Accordingly, the net amount of the capitalized leasehold improvements has also been recorded as a deferred tenant improvement liability in the Combined Statements of Financial Position. As of December 31, 2020 and 2019, the deferred tenant improvements liability aggregated $231,168 and $297,216, respectively.

During 2018, the Association entered into a lease agreement for office space in Lima, Peru. At the commencement of the lease, the Association was required to pay $18,172, representing approximately two months of advance rent ($9,086) and a security deposit ($9,086). The lease is currently set to expire on December 5, 2022.

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

Year Ended December 31,	
2021	$ 345,569
2022	354,378
2023	314,476
2024	323,124
2025	332,010
Thereafter	901,422
	$ 2,570,979

Rent expense is included in the accompanying Combined Statements of Functional Expenses in "Office expenses". During the years ended December 31, 2020 and 2019, rent expense totaled $349,643 and $347,619, respectively.

12. CONCENTRATION OF REVENUE AND RECEIVABLES

Approximately 56% of the Association's contributions, grants and contracts revenue during the year ended December 31, 2020 was under awards received from two donors (USAID and a foundation).

Approximately 65% of the Association's grants and contracts revenue during the year ended December 31, 2019 was under awards received from two donors (USAID and DFID). In addition, approximately 60% of grants and contracts receivable as of December 31, 2019 was due from DFID.

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.

13. CONTINGENCY

FTA receives assistance from various agencies of the United States Government, which 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 awards is based upon the allowance of direct and indirect 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 2020. 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.

14. FUTURE COMMITMENTS FROM USAID

On December 6, 2017, FTA received a $15,000,000 award (in the form of a cooperative agreement) from the United States Agency for International Development (USAID), local Peru mission. The purpose of the award is to fund FTA's *Green Infrastructure for Water Security* (GIWS) program, for a five year period, ending on December 5, 2022.

On August 6, 2018, FTA received notification of a $12,500,000 modification to its GIWS award. The period of performance of the GIWS award was not amended in connection with this grant modification.

The total of both awards (aggregating $27,500,000) are obligated on a periodic basis, and as of December 31, 2020, FTA has received obligations from USAID totaling $17,753,258; as of December 31, 2020, FTA has spent $14,844,032 of the total obligations to date.

The total unliquidated obligation of $2,909,226 as well as the remaining unliquidated balance of the awards totaling $12,655,968 as of December 31, 2020 has not been recorded as revenue (or grants receivable) in the accompanying combined financial statements due to the conditional nature of the agreements as well as the reimbursable payment terms. Upon satisfactory completion of the conditions required under such agreements, FTA will recognize revenue in the years the conditions are met.

15. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 17, 2021, the date the combined financial statements were issued.