

CONSOLIDATED FINANCIAL STATEMENTS

FOREST TRENDS ASSOCIATION

THE KATOOMBA GROUP

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

**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.

Opinion

We have audited the accompanying consolidated financial statements of Forest Trends Association and The Katoomba Group (together, the Association), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2024 and 2023, and the consolidated changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2025 on our consideration of Forest Trends 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 that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forest Trends Association's internal control over financial reporting and compliance.



May 7, 2025

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024 AND 2023**

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,535,222	\$ 3,667,062
Grants and contributions receivable, net	3,844,317	2,691,558
Other receivables	4,634	36,534
Prepaid expenses and other assets	<u>55,260</u>	<u>18,472</u>
Total current assets	<u>6,439,433</u>	<u>6,413,626</u>
FIXED ASSETS		
Fixed assets, net	<u>9,645</u>	<u>28,938</u>
NONCURRENT ASSETS		
Grants and contributions receivable, net	832,521	2,244,445
Deposits	112,850	58,614
Operating lease, right-of-use assets, net	<u>2,368,727</u>	<u>2,622,345</u>
Total noncurrent assets	<u>3,314,098</u>	<u>4,925,404</u>
TOTAL ASSETS	<u>\$ 9,763,176</u>	<u>\$ 11,367,968</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 934,980	\$ 835,792
Refundable advances	122,081	141,637
Loan payable	4,067	3,956
Operating lease liabilities	<u>240,828</u>	<u>96,428</u>
Total current liabilities	<u>1,301,956</u>	<u>1,077,813</u>
NONCURRENT LIABILITIES		
Loan payable, net of current portion	129,630	133,697
Operating lease liabilities, net	<u>2,615,575</u>	<u>2,856,402</u>
Total noncurrent liabilities	<u>2,745,205</u>	<u>2,990,099</u>
Total liabilities	<u>4,047,161</u>	<u>4,067,912</u>
NET ASSETS		
Without donor restrictions	705,268	665,103
With donor restrictions	<u>5,010,747</u>	<u>6,634,953</u>
Total net assets	<u>5,716,015</u>	<u>7,300,056</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,763,176</u>	<u>\$ 11,367,968</u>

See accompanying notes to consolidated financial statements.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants and contributions	\$ 8,474,902	\$ 2,617,396	\$ 11,092,298	\$ 6,317,775	\$ 5,923,337	\$ 12,241,112
Contributed nonfinancial assets	56,442	-	56,442	190,295	-	190,295
Other	52,761	42,437	95,198	79,153	28,950	108,103
Net assets released from donor restrictions	4,284,039	(4,284,039)	-	5,425,374	(5,425,374)	-
Total support and revenue	<u>12,868,144</u>	<u>(1,624,206)</u>	<u>11,243,938</u>	<u>12,012,597</u>	<u>526,913</u>	<u>12,539,510</u>
EXPENSES						
Program Services	<u>10,280,923</u>	<u>-</u>	<u>10,280,923</u>	<u>9,084,420</u>	<u>-</u>	<u>9,084,420</u>
Supporting Services:						
Management and General	2,469,297	-	2,469,297	2,242,384	-	2,242,384
Fundraising	77,759	-	77,759	65,424	-	65,424
Total supporting services	<u>2,547,056</u>	<u>-</u>	<u>2,547,056</u>	<u>2,307,808</u>	<u>-</u>	<u>2,307,808</u>
Total expenses	<u>12,827,979</u>	<u>-</u>	<u>12,827,979</u>	<u>11,392,228</u>	<u>-</u>	<u>11,392,228</u>
Changes in net assets	40,165	(1,624,206)	(1,584,041)	620,369	526,913	1,147,282
Net assets at beginning of year	<u>665,103</u>	<u>6,634,953</u>	<u>7,300,056</u>	<u>44,734</u>	<u>6,108,040</u>	<u>6,152,774</u>
NET ASSETS AT END OF YEAR	<u>\$ 705,268</u>	<u>\$ 5,010,747</u>	<u>\$ 5,716,015</u>	<u>\$ 665,103</u>	<u>\$ 6,634,953</u>	<u>\$ 7,300,056</u>

See accompanying notes to consolidated financial statements.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and benefits	\$ 4,181,607	\$ 1,174,725	\$ 66,735	\$ 1,241,460	\$ 5,423,067
Consultants	3,470,811	640,055	3,187	643,242	4,114,053
Subgrants	1,389,894	1,000	-	1,000	1,390,894
Office expenses	400,288	378,875	871	379,746	780,034
Communications	99,461	177,419	-	177,419	276,880
Travel	351,858	92,040	6,966	99,006	450,864
Meetings and conferences	387,004	5,183	-	5,183	392,187
TOTAL	\$ 10,280,923	\$ 2,469,297	\$ 77,759	\$ 2,547,056	\$ 12,827,979

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and benefits	\$ 3,814,612	\$ 987,450	\$ 58,367	\$ 1,045,817	\$ 4,860,429
Consultants	3,733,835	571,982	-	571,982	4,305,817
Subgrants	791,227	-	-	-	791,227
Office expenses	226,039	371,668	128	371,796	597,835
Communications	117,598	159,185	-	159,185	276,783
Travel	213,289	70,627	6,929	77,556	290,845
Meetings and conferences	187,820	81,472	-	81,472	269,292
TOTAL	\$ 9,084,420	\$ 2,242,384	\$ 65,424	\$ 2,307,808	\$ 11,392,228

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,584,041)	\$ 1,147,282
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	19,291	19,291
Amortization of right-of-use assets	253,618	145,996
Change in discount on grants and contracts receivable	(79,492)	1,039
Change in allowance for doubtful accounts	(2,004)	(3,829)
Receipt of securities	(17,526)	(21,523)
Proceeds from sale of contributed securities	17,622	21,538
Gain on sale of contributed securities	(96)	(15)
Decrease (increase) in:		
Grants and contributions receivable	340,661	(596,574)
Other receivables	31,900	(24,754)
Prepaid expenses and other assets	(36,788)	(294)
Deposits	(54,236)	(14,086)
Increase (decrease) in:		
Accounts payable and accrued liabilities	99,190	(59,016)
Refundable advances	(19,556)	31,721
Operating lease liabilities	<u>(96,427)</u>	<u>(30,889)</u>
Net cash (used) provided by operating activities	<u>(1,127,884)</u>	<u>615,887</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loan	<u>(3,956)</u>	<u>(3,620)</u>
Net cash used by financing activities	<u>(3,956)</u>	<u>(3,620)</u>
Net (decrease) increase in cash and cash equivalents	(1,131,840)	612,267
Cash and cash equivalents at beginning of year	<u>3,667,062</u>	<u>3,054,795</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,535,222</u>	<u>\$ 3,667,062</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 12,469</u>	<u>\$ 16,706</u>
Right-of-Use Assets	<u>\$ -</u>	<u>\$ 106,551</u>
Operating Lease Liabilities for Right-of-Use Assets	<u>\$ -</u>	<u>\$ 106,551</u>

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Forest Trends Association (FTA) is a not-for-profit organization founded in 1996, and located in the District of Columbia. 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. During the year ended December 31, 2024, the Group raised \$96,347 of revenue and incurred \$383,868 of expenses. As of December 31, 2024 and 2023, the Group owed FTA an aggregate total of \$297,295. 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 New Infrastructure for Water Security (NIWS) 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. As of the date of this report, the Peru branch office activities related to USAID funding are in the process of being terminated. FTA's Peru office is working on new possible funding opportunities to continue to operate. See also Note 15 for additional details.

Principles of consolidation -

The accompanying consolidated financial statements are presented in accordance with the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., the ability to appoint a major voting interest) and economic interest in that other organization. The accompanying consolidated financial statements include the operations of Forest Trends Association and The Katoomba Group (together, the Association). All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. 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". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. There are no Board Designated Net Assets as of December 31, 2024 and 2023.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 consolidated 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.

The Association maintains cash on hand and in banks in foreign bank accounts totaling approximately \$51,000 and \$100,000 as of December 31, 2024 and 2023, respectively. Funds held in local foreign bank accounts are uninsured. Management believes the risk in these situations to be minimal.

Grants and contributions receivable -

All 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 management's estimated incremental borrowing rate applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions 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 assets in excess of \$10,000 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. Computer 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 lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$19,291 and \$19,291 during the years ended December 31, 2024 and 2023, respectively.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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

Income taxes -

FTA and the Group are exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Neither entity is deemed to be a private foundation.

Support from grants and contributions, including Federal awards -

The majority of the Association's revenue is received through awards from the U.S. and foreign governments, international organizations, individuals, and foundations. 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 funding stream follows the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support 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. Contributions, including grants 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. The Association considers all awards from governments to be conditional assistance, and accordingly have been recognized in the accompanying consolidated financial statements as revenue (without donor restrictions) at such time when the conditions have been met. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. As of December 31, 2024 and 2023, the Association has recorded \$122,081 and \$141,637, respectively, of refundable advances under conditional assistance awards.

As of December 31, 2024 and 2023, the Association has received conditional commitments for support which have not been recorded in the accompanying consolidated 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 \$19,963,059 and \$24,844,231, respectively. As of the date of this report, 90% of the Association's Federal awards have been terminated and the remaining awards are dormant and uncertain if they will continue. See also Note 15 for additional details.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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

Contributed nonfinancial assets -

The Association receives contributions of professional services (at no cost) in furtherance of its program activities; these donated services are considered to be contributed nonfinancial assets and are recorded at their fair value as of the date of the gift. These contributions are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. None of the contributed nonfinancial assets were restricted by donors and none of the donated goods were monetized through sale. The Association recognized \$56,442 and \$190,295 of donated professional services during the years ended December 31, 2024 and 2023, respectively.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated 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 actual 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 Consolidated Statements of Financial Position.

Use of estimates -

The preparation of the consolidated 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 CONTRIBUTIONS RECEIVABLE

The Association has received unconditional commitments for support of which \$4,829,757 and \$5,170,418 has yet to be received as of December 31, 2024 and 2023, respectively.

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. GRANTS AND CONTRIBUTIONS RECEIVABLE (Continued)

Grants and contributions 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 2.75%.

Grants and contributions receivable are due to be collected as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 3,959,758	\$ 2,809,003
One to five years	<u>869,999</u>	<u>2,361,415</u>
Subtotal	4,829,757	5,170,418
Less: Allowance for doubtful accounts (current)	(115,441)	(117,445)
Less: Discount to present value (noncurrent)	<u>(37,478)</u>	<u>(116,970)</u>
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF ALLOWANCE AND DISCOUNT	<u>\$ 4,676,838</u>	<u>\$ 4,936,003</u>

3. FIXED ASSETS

Fixed assets consisted of the following:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 9,500	\$ 9,500
Computer hardware and software	<u>331,394</u>	<u>331,394</u>
Subtotal	340,894	340,894
Less: Accumulated depreciation and amortization	<u>(331,249)</u>	<u>(311,956)</u>
NET FIXED ASSETS	<u>\$ 9,645</u>	<u>\$ 28,938</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Forest Policy, Trade and Finance	\$ 1,365,995	\$ 2,057,017
Ecosystem Marketplace	349,561	393,486
Water and Marine	507,877	89,835
Communities	1,485,248	2,481,274
Strategic Outreach/Communications	-	14,734
Time Restricted	<u>1,302,066</u>	<u>1,598,607</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,010,747</u>	<u>\$ 6,634,953</u>

**FOREST TRENDS ASSOCIATION
THE KATOOMBA GROUP**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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.

	2024	2023
Forest Policy, Trade and Finance	\$ 1,329,973	\$ 1,854,021
Ecosystem Marketplace	234,984	951,740
Water and Marine	428,257	261,712
Communities	1,415,797	1,524,299
Strategic Outreach/Communications	17,028	5,266
Passage of Time	858,000	828,336
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 4,284,039	\$ 5,425,374

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

5. LIQUIDITY AND AVAILABILITY

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

	2024	2023
Cash and cash equivalents	\$ 2,535,222	\$ 3,667,062
Grants and contributions receivable	4,676,838	4,936,003
Other receivables	4,634	36,534
Subtotal	7,216,694	8,639,599
Less: Donor restricted funds	(4,283,681)	(5,036,346)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR DISBURSEMENTS WITHIN ONE YEAR	\$ 2,933,013	\$ 3,603,253

The Association has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, the Association has a line of credit agreement (as further discussed in Note 6) which allows for additional access to resources.

6. LINE OF CREDIT

The Association maintains a line of credit 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 7.25% (changed to 4.75% effective December 31, 2024); accordingly, the actual borrowing rates as of December 31, 2024 and 2023, were 8.50% and 9.50%, respectively. Borrowings are secured by the Association's assets. The line of credit expires on January 1, 2026.

As of December 31, 2024 and 2023, there were no outstanding borrowings.

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7. 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, 2024 and 2023, including principal and accrued interest, aggregated \$133,697 and \$137,653, respectively.

Following is an estimate of the expected principal payments due over future years:

Year Ended December 31,

2025	\$ 4,067
2026	4,180
2027	4,296
2028	4,416
2029	4,537
Thereafter	<u>112,201</u>
	<u>\$ 133,697</u>

8. RETIREMENT 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. During the years ended December 31, 2024 and 2023, contributions to the Plan totaled \$202,979 and \$212,254, respectively.

9. LEASE COMMITMENTS

The Association follows FASB ASC 842 for leases. The Association has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Association has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

The Association entered into an operating lease agreement for its principal office space in Washington, D.C., 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).

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9. LEASE COMMITMENTS (Continued)

During 2022, the Association entered into a second amendment to the original lease effective August 1, 2023 and expiring on January 1, 2034, with another six months of free rent and \$137,600 of additional tenant improvements.

The amended base rent is \$302,720 per year, increasing by a factor of 2.75% per year, plus proportionate share of taxes and operating expenses.

In December 2022, the Association entered a new lease agreement for office space in Lima, Peru. The lease commenced on January 13, 2023 and will expire on January 12, 2026. On a monthly basis the Association is required to pay \$3,000, with no annual escalation. Additionally, the lease required a security deposit of \$6,000. Management is planning on terminating the Peru lease during 2025.

For the years ended December 31, 2024 and 2023, respectively, the total lease cost for both operating leases was \$334,926 and \$334,454, and is included in "Office expenses" in the accompanying Consolidated Statements of Functional Expenses. For the years ended December 31, 2024 and 2023, total cash paid under both operating leases was \$226,714 and \$226,714, respectively. As of December 31, 2024, the weighted-average remaining lease term is 8.79 years. The weighted average remaining rate for operating leases as of December 31, 2024 and 2023 was 2.77% and 2.75%, respectively.

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

<u>Year Ended December 31,</u>		
	2025	\$ 350,608
	2026	326,260
	2027	332,150
	2028	341,284
	2029	350,670
	Thereafter	<u>1,534,890</u>
		3,235,862
Less: Imputed interest		<u>(379,459)</u>
		2,856,403
Less: Current portion		<u>(240,828)</u>
NONCURRENT PORTION		<u>\$ 2,615,575</u>

10. CONTRIBUTED NONFINANCIAL ASSETS

During the year ended December 31, 2024, the Association was the beneficiary of donated professional services which allowed the Association to provide greater resources toward various programs (as discussed in Note 1).

The following donations have been included in revenue and expense for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Consultants	<u>\$ 56,442</u>	<u>\$ 190,295</u>

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10. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The aforementioned contributions have been recorded in the following categories in the accompanying Consolidated Statements of Functional Expenses:

	2024	2023
Program Services	\$ -	\$ 139,900
Management and General	56,442	50,395
TOTAL	\$ 56,442	\$ 190,295

11. CONCENTRATION OF REVENUE AND RECEIVABLES

Approximately 51% of the Association's revenue during the year ended December 31, 2024 was derived from a single donor (USAID). In addition, 15% of grants and contributions receivable as of December 31, 2024 was due under other (non-USAID) Federal awards (all of which were collected as of the date of this report).

Approximately 70% of the Association's revenue during the year ended December 31, 2023 was under awards received from three donors (USAID and two private foundations). In addition, 52% of grants and contributions receivable as of December 31, 2023 was due from two donors (NORAD and a private foundation).

As of the date of this report, 53% of the receivables recorded as of December 31, 2024 have been fully collected. Management is of the opinion that the remaining balance is collectible. However, the Association's relationship with USAID has been interrupted (due to terminations of assistance), accordingly, ongoing operations have been impacted during 2025. Approximately 90% of the Association's support and revenue sourced from the Federal Government has either been suspended or terminated during January 2025. See also Note 15 for additional details.

12. 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 2024. 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.

13. 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 *New Infrastructure for Water Security* (NIWS) 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 NIWS award.

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13. FUTURE COMMITMENTS FROM USAID (Continued)

The period of performance of the NIWS award was not amended in connection with this grant modification. On May 15, 2023, FTA received another modification for an additional \$24,681,653 for a four and half year period, ending December 5, 2027.

The total of the three awards (aggregating \$52,181,653) are obligated on a periodic basis. As of December 31, 2024, FTA has received obligations from USAID totaling \$36,706,635 and FTA has spent \$35,589,105 of the total obligations to date. The total unliquidated obligation (as of December 31, 2024) aggregating \$1,117,530, as well as the remaining unliquidated balance of the two awards totaling \$16,592,548, has not been recorded as revenue (or grants receivable) in the accompanying consolidated 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. However, as discussed in Note 11, the Association's Federal assistance has been terminated, accordingly, the aforementioned unliquidated balance will not be realized.

14. FGMC ACTIVITIES

The Association has received an award in the amount of 593,438 Euro from the European Institute (EFI), the activities under this award are funded by the UK Foreign, Commonwealth, and Development office (FCDO).

Below are the income and expenditure report for the project as of December 31, 2024:

Project Title: Enhancing Forest Governance in the Mekong Countries and Liberia and Strengthening Law Enforcement in Consumer Countries

	USD		Euro		Exchange Rate
Cash received	\$ 422,505	€	395,002	\$	0.935
Expenses	\$ 455,453	€	425,806	\$	-
Cash not yet disbursed	\$ 148,465	€	138,801	\$	-
Interest earned	\$ 1,551	€	1,450	\$	-
Cash on hand	\$ 117,067	€	109,447	\$	-

ASSETS

Cash		\$ 117,067	
Grants and contributions receivable		<u>206,682</u>	

TOTAL ASSETS **\$ 323,749**

LIABILITIES AND NET ASSETS

Accounts payable		\$ <u>148,465</u>	
Total liabilities		<u>148,465</u>	

NET ASSETS

With donor restrictions		<u>175,284</u>	
Total net assets		<u>175,284</u>	

TOTAL LIABILITIES AND NET ASSETS **\$ 323,749**

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14. FGMC ACTIVITIES (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Grants and contributions	\$ -	\$ 723,389	\$ 723,389
Translation loss	-	(94,203)	(94,203)
Interest	-	1,551	1,551
Net assets released from donor restrictions	<u>455,453</u>	<u>(455,453)</u>	<u>-</u>
Total revenue	<u>455,453</u>	<u>175,284</u>	<u>630,737</u>
EXPENSES			
	<u>455,453</u>	<u>-</u>	<u>455,453</u>
Change in net assets	-	175,284	175,284
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 175,284</u></u>	<u><u>\$ 175,284</u></u>

15. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 7, 2025, the date the consolidated financial statements were issued.

On January 27, 2025, the Association received a stop-work order applicable to its United States Government funded programs. This directive was issued as a result of the Presidential Executive Order entitled "Reevaluating and Realigning United States Foreign Aid" which was issued on January 20, 2025 and mandates a 90-day pause in United States foreign development assistance for assessment of programmatic efficiencies and consistency with United States foreign policy. Subsequently, its Federal awards were terminated. The Association is currently assessing the financial and operational impact of this event. Management does not anticipate any immediate effects on other programs or funding sources, however, there is inherent uncertainty regarding the long-term implications of the foreign aid freeze. These consolidated financial statements do not reflect any adjustments related to this subsequent event.