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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**



## **Independent Auditor's Report**

The Board of Directors  
World Forest ID Association  
Boulder, CO

### **Opinion**

We have audited the accompanying financial statements of World Forest ID Association (the Association), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.



Bethesda, Maryland  
April 25, 2024

Certified Public Accountants

**World Forest ID Association**  
**Statement of Financial Position**  
**December 31, 2023**

**Assets**

Cash	\$ 945,815
Certificates of Deposit	725,514
Grants and Pledges Receivable	817,908
Prepaid Expenses and Other	<u>247,122</u>

**Total Assets** **\$ 2,736,359**

**Liabilities and Net Assets**

**Liabilities**

Accounts Payable and Accrued Expenses	<u>\$ 55,819</u>
Total Liabilities	<u>55,819</u>

**Net Assets**

Without Donor Restrictions	29,182
With Donor Restrictions	<u>2,651,358</u>
Total Net Assets	<u>2,680,540</u>

**Total Liabilities and Net Assets** **\$ 2,736,359**

***See Accompanying Notes to Financial Statements***

**World Forest ID Association**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>Support and Revenues</b>			
Contributions	\$ 21,127	\$ 5,538,929	<b>\$ 5,560,056</b>
Program Fees	98,350	-	<b>98,350</b>
Other Income (Loss)	(18,930)	-	<b>(18,930)</b>
Interest	7,142	-	<b>7,142</b>
Net Assets Released from Restrictions	<u>3,951,981</u>	<u>(3,951,981)</u>	<u>-</u>
Total Support and Revenues	<u>4,059,670</u>	<u>1,586,948</u>	<u><b>5,646,618</b></u>
<b>Expenses</b>			
Program Services	3,233,810	-	<b>3,233,810</b>
Supporting Services			
General and Administrative	571,409	-	<b>571,409</b>
Fundraising	<u>191,070</u>	<u>-</u>	<u><b>191,070</b></u>
Total Supporting Services	<u>762,479</u>	<u>-</u>	<u><b>762,479</b></u>
Total Expenses	<u>3,996,289</u>	<u>-</u>	<u><b>3,996,289</b></u>
Changes in Net Assets	63,381	1,586,948	<b>1,650,329</b>
Net Assets (Deficit), Beginning of Period	<u>(34,199)</u>	<u>1,064,410</u>	<u><b>1,030,211</b></u>
<b>Net Assets (Deficit), End of Period</b>	<u>\$ 29,182</u>	<u>\$ 2,651,358</u>	<u><b>\$ 2,680,540</b></u>

***See Accompanying Notes to Financial Statements***

## World Forest ID Association

### Statement of Functional Expenses For the Year Ended December 31, 2023

	Program Services	General and Administrative	Fundraising	<b>Total</b>
Personnel Costs	\$ 239,403	\$ 412,963	\$ 184,320	\$ <b>836,686</b>
Professional Fees	2,826,790	59,530	-	<b>2,886,320</b>
Occupancy	-	1,698	-	<b>1,698</b>
Travel	27,671	21,825	6,750	<b>56,246</b>
Office Expense	1,784	44,579	-	<b>46,363</b>
Kits and Supplies	126,109	-	-	<b>126,109</b>
Equipment	12,043	-	-	<b>12,043</b>
Insurance	-	11,434	-	<b>11,434</b>
Bank and Merchant Fees	10	10,825	-	<b>10,835</b>
Advertising and Media	-	8,555	-	<b>8,555</b>
<b>Total Expenses</b>	<b>\$ 3,233,810</b>	<b>\$ 571,409</b>	<b>\$ 191,070</b>	<b>\$ 3,996,289</b>

*See Accompanying Notes to Financial Statements*

**World Forest ID Association**  
**Statement of Cash Flows**  
**For the Year Ending December 31, 2023**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	<b>\$ 1,650,329</b>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	
<u>(Increase) Decrease in Assets</u>	
Grants and Pledges Receivable	<b>(706,408)</b>
Prepaid Expenses and Other	<b>(247,092)</b>
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	<b>(127,154)</b>
Net Cash Provided by (Used in) Operating Activities	<b><u>569,675</u></b>
<b>Cash Flows from Investing Activities</b>	
Purchases of Certificates of Deposit	<b><u>(725,514)</u></b>
Net Cash Provided By (Used in) Investing Activities	<b><u>(725,514)</u></b>
Net Increase (Decrease) in Cash	<b>(155,839)</b>
Cash, Beginning of Period	<b><u>1,101,654</u></b>
<b>Cash, End of Period</b>	<b><u>\$ 945,815</u></b>

***See Accompanying Notes to Financial Statements***

# **World Forest ID Association**

## **Notes to Financial Statements December 31, 2023**

### **1. ORGANIZATION AND PURPOSE**

World Forest ID Association (the Association) is a nonprofit organization incorporated on February 15, 2021 in the state of Delaware. The Association aims to protect our forests with a science-based solution to product verification. The Association is an international organization building sample collections and reference databases sufficient to independently verify product identity and origin in forest-connected supply chains, thereby reducing the demand for illegal wood and agriculture products and protecting the world's forests. The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements are presented in accordance with the accrual basis of accounting.

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### **Use of Estimates**

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Accordingly, actual results could differ from those estimates.



# **World Forest ID Association**

## **Notes to Financial Statements December 31, 2023**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Certificates of Deposits - Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values obtained from published sources in the accompanying statement of financial position.

#### **Grants and Pledges Receivable**

Grants and pledges receivables consist of grant awards and pledges made during the year ended December 31, 2023. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history. The Association considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. As of December 31, 2023, grants and pledges receivable are expected to be collected within one year.

#### **Property and Equipment**

All acquisitions and improvements of property and equipment of \$1,000 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Assets are depreciated over five years using straight-line method. As of December 31, 2023, there was no property and equipment.

#### **Revenue Recognition**

Contributions are recognized as revenue when received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction expires or the 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 statement of activities as net assets released from restrictions.

Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

# **World Forest ID Association**

## **Notes to Financial Statements December 31, 2023**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue Recognition (Continued)**

Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. Support funded by government grants, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the eligible expenses are incurred. Those expenditures are subject to audit and acceptance by the granting organization and, as a result of such audit, adjustments could be required.

Unconditional grants and pledges receivable are recognized as assets and as revenue in the period promised. Conditional grants and pledges receivable are recognized when the contributions upon which they depend are substantially met.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function have been allocated among the programs and supporting services based on time and effort.

#### **Income Tax Status**

The Association has been classified by the Internal Revenue Services as an organization exempt from income taxes (not a private foundation) under Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for such taxes is made in the statements. The Association continues to operate in compliance with its tax exempt purpose.

The Association did not receive any unrelated business taxable income during the year ended December 31, 2023 and, therefore, has no provision for income taxes in the accompanying financial statements. The Association believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. Generally, the three prior tax years are subject to examination by the Internal Revenue Service.

#### **New Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires the Association to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

# World Forest ID Association

## Notes to Financial Statements December 31, 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Subsequent Events

The Association has evaluated subsequent events through April 25, 2024, the date on which the financial statements were available to be issued.

### 3. CONCENTRATION OF CREDIT RISK

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. As of December 31, 2023, the bank balances exceeded the FDIC limit by approximately \$690,000. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Association has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 – Values are based on quoted prices for identical assets in active markets.

Level 2 – Values are based on quoted prices for similar assets in active or inactive markets.

Level 3 – Value are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

As of December 31, 2023, these investments and their fair value measurements were:

	<u>Fair Value</u>	<u>Level 2 Inputs</u>
Certificates of Deposit	\$ 725,514	\$ 725,514

Interest income for the year ended December 31, 2023 was \$7,142.

## World Forest ID Association

### Notes to Financial Statements December 31, 2023

#### 5. NET ASSETS

Net assets with donor restrictions were restricted as follows:

	<u>2022</u>	<u>Contributions</u>	<u>Releases</u>	<u>2023</u>
Forest Conservation and Research	\$ 896,844	\$ 2,222,269	\$(1,867,822)	\$1,251,291
Grain Analysis and Research	163,778	1,888,458	(1,969,596)	82,640
Ocean Conservation and Research	-	1,328,202	(107,589)	1,220,613
Research and Analysis	<u>3,788</u>	<u>100,000</u>	<u>(6,974)</u>	<u>96,814</u>
Total	<u>\$ 1,064,410</u>	<u>\$ 5,538,929</u>	<u>\$(3,951,981)</u>	<u>\$ 2,651,358</u>

Net assets without donor restrictions for the year ended December 31, 2023 were undesignated.

#### 6. RETIREMENT PLAN

The Association maintains a 401(k) Plan, through which eligible employees can make elective deferrals of compensation, up to the legal limits allowed by the Internal Revenue Code. The Association matches 100% of deferrals up to 5% of deferred compensation. The Association's expense for the year ended December 31, 2023 was \$15,863.

#### 7. LIQUIDITY AND AVAILABILITY

The following represents the Association's financial assets at December 31, 2023:

Financial Assets at Year End:

Cash	\$ 945,815
Certificates of Deposit	725,514
Grants and Pledges Receivable	<u>817,908</u>
Total Financial Assets	<u>2,489,237</u>
Less: Restricted Amounts Not Available To Be Used Within One Year:	
Donor-Restricted Amounts - Purpose Restricted	(2,651,358)
Donor-Restricted Amounts To Be Used Over the Next Twelve Months	<u>2,651,358</u>
	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 2,489,237</u>

The Association does not have a formal liquidity policy; however, the Association strives to maintain liquid assets to meet three months of operating expenses.