

Global Forest Generation

FINANCIAL STATEMENTS and INDEPENDENT AUDITOR'S REPORT

for the years ended June 30, 2021 and June 30, 2020

Independent Auditor's Report

Board of Directors
Global Forest Generation
200 Chambers Street
New York, NY 10007

Report on the Financial Statements

I have audited the accompanying statement of financial position of Global Forest Generation, as of June 30, 2021 and June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Global Forest Generation, as of June 30, 2021 and June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Global Forest Generation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and FASB ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. My opinion is not modified with respect to these matters.



Helen Nelson, CPA

Hancock, Maryland

November 8, 2021

Global Forest Generation
Statement of Financial Position
as of June 30, 2021 and June 30, 2020

Assets	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents		
Bank Accounts	\$ 73,893	\$ 220,228
Money Market	27,644	100,161
	<hr/>	<hr/>
Total Cash and Cash Equivalents	\$ 101,536	\$ 320,389
Investments	126,596	
Grants Receivable	652,103	55,000
Prepaid Expenses	296	2,850
	<hr/>	<hr/>
Total Assets	<u><u>\$ 880,532</u></u>	<u><u>\$ 378,239</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 997	\$ 9,243
	<hr/>	<hr/>
Total Liabilities	\$ 997	\$ 9,243
Net Assets:		
Without donor restrictions	\$ 132,202	\$ 187,542
With donor restrictions	747,333	181,454
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Total Net Assets	\$ 879,535	\$ 368,996
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Total Liabilities & Net Assets	<u><u>\$ 880,532</u></u>	<u><u>\$ 378,239</u></u>

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

Global Forest Generation
Statement of Activities
for the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Contributed Income	\$ 487,561	\$ 101,085	\$ 588,646
Grant Income	831,961	680,647	1,512,609
Interest and Dividends	2,001		2,001
Gain (Loss) on Investments	7,632		7,632
 Support Provided by expiring purpose restrictions	 215,853	 (215,853)	 -
Total Revenues, Gains, and Support	\$ 1,545,009	\$ 565,879	\$ 2,110,888
 Expenses			
Program Services			
Accion Andina Administration	\$ 133,526	\$ -	\$ 133,526
Accion Andina Implementation	1,294,062		1,294,062
Conservation	36,000		36,000
Communications	35,352		35,352
Total Program Services	1,498,940	-	1,498,940
 Supporting Services			
Management and General	51,293		51,293
Fund Raising	50,116		50,116
Total Supporting Services	101,409	-	101,409
Total Expenses	\$ 1,600,349	\$ -	\$ 1,600,349
 Change in Net Assets	 \$ (55,340)	 \$ 565,879	 \$ 510,539
 Net Assets at Beginning of Year	 \$ 187,542	 \$ 181,454	 \$ 368,996
Net Assets at End of Year	\$ 132,202	\$ 747,333	\$ 879,535

Global Forest Generation
Statement of Activities
for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Contributed Income	\$ 316,030	\$ 2,546	\$ 318,576
Grant Income	45,000	712,500	757,500
Interest and Dividends	912		912
Gain (Loss) on Investments	(3,759)		(3,759)
Support Provided by expiring purpose restrictions	<u>533,592</u>	<u>(533,592)</u>	<u>-</u>
Total Revenues, Gains, and Support	\$ 891,775	\$ 181,454	\$ 1,073,229
Expenses			
Program Services			
Accion Andina	\$ 696,382	\$ -	\$ 696,382
Communications	16,281		16,281
Total Program Services	<u>712,663</u>	<u>-</u>	<u>712,663</u>
Supporting Services			
Management and General	27,849		27,849
Fund Raising	32,176		32,176
Total Supporting Services	<u>60,025</u>	<u>-</u>	<u>60,025</u>
Total Expenses	<u>\$ 772,688</u>	<u>\$ -</u>	<u>\$ 772,688</u>
Change in Net Assets	<u>\$ 119,087</u>	<u>\$ 181,454</u>	<u>\$ 300,541</u>
Net Assets at Beginning of Year	\$ 68,455	\$ -	\$ 68,455
Net Assets at End of Year	\$ 187,542	\$ 181,454	\$ 368,996

Global Forest Generation
Statement of Cash Flows
for the years ended June 30, 2021 and June 30, 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Cash inflows for operations:		
Contributed Income	\$ 588,646	\$ 318,576
Grant Income	915,505	717,500
Interest and Dividends	2,001	912
Gains (Losses) on investments	7,632	(3,759)
Cash outflows for operations:		
Payments to employees, consultants	(191,135)	(115,591)
Payments to vendors	<u>(1,414,907)</u>	<u>(652,281)</u>
 Net Cash (used) provided by operating activities	 <u>\$ (92,257)</u>	 <u>\$ 265,357</u>
 Investing activities:		
Transfer of funds to investments	<u>(126,596)</u>	<u>-</u>
 Net Cash (used) provided by investing activities	 <u>\$ (126,596)</u>	 <u>\$ -</u>
 Net Increase (Decrease) in Cash	 <u><u>\$ (218,853)</u></u>	 <u><u>\$ 265,357</u></u>
 Cash at Beginning of Year	 \$ 320,389	 \$ 55,032
 Cash at End of Year	 \$ 101,536	 \$ 320,389

Global Forest Generation
Statement of Functional Expenses
for the year ended June 30, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	Accion Andina Administration	Accion Andina Implementation	Conservation	Communi-cations	Management and General	Fund Raising	
Program Administration through Science	\$ 64,163	\$ 31,199	\$ 36,000	\$ -	\$ -	\$ -	\$ 131,362
Program Implementation through Science	5,000	1,256,613					1,261,613
Payroll Expenses	2,064			16,250	2,451	21,767	42,532
Fees	61,673	6,250		17,561	41,870	21,249	148,603
Travel					57		57
Dues and Subscriptions	626			1,541	3,566	1,600	7,333
Insurance					1,378		1,378
Registration						5,500	5,500
Office Costs					1,972		1,972
TOTAL	\$ 133,526	\$ 1,294,062	\$ 36,000	\$ 35,352	\$ 51,293	\$ 50,116	\$ 1,600,349

Global Forest Generation
Statement of Functional Expenses
for the year ended June 30, 2020

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	Accion Andina	Communi- cations	Management & General	Fund Raising	
Program Administration through Science	\$ 630,505	\$ -	\$ -	\$ -	\$ 630,505
Consultant and Professional Fees	51,185	10,737	24,283	29,386	115,591
Travel	12,692	76	1,341		14,109
Website		5,100		567	5,667
Dues and Subscriptions		343	1,128	2,223	3,694
Meetings and Events	2,000	25			2,025
Insurance			681		681
Office Costs and Miscellaneous			416		416
TOTAL	\$ 696,382	\$ 16,281	\$ 27,849	\$ 32,176	\$ 772,688

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

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

1. Description of Organization

Global Forest Generation (GFG), a nonprofit organization formed in 2018, engages in large-scale restoration of threatened forests which play a critical role in preserving water, protecting biodiversity, storing carbon, and sustaining local livelihoods. GFG identifies and brings together the best native forest projects across entire ecosystems, providing strategic, technical, and financial support to grassroots conservation leaders and their communities. GFG's first major restoration program, Acción Andina, is empowering its local partners in Latin America to restore high altitude forest ecosystems that span seven Andean nations. The initiative aims to protect and restore one million hectares of threatened high Andean, *Polylepis* forest ecosystems in Argentina, Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela over 25 years. In addition, GFG proactively informs and shapes policy for a global audience on where and how to have the greatest and most enduring conservation and social impact through restoration of native forest ecosystems.

2. Significant Accounting Policies

Global Forest Generation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by GFG are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

GFG prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, GFG's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. GFG's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of GFG, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. All donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions could be perpetual in nature; GFG must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. GFG maintains a checking account in a US bank which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance in the account is occasionally in excess of this level, however as of June 30, 2020 and 2021, the balance was below \$250,000 and fully insured.

Accounts and Grants Receivable

Grants receivable are unconditional promises to give that are recognized as grants when the promise is received. Accounts and grants receivable are expected to be collected in less than one year are reported at net realizable value. At June 30, 2020 and 2021, all receivables were considered collectible, therefore no allowance for doubtful accounts has been recognized.

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

Revenue recognition

Contributions, including unconditional promises to give, are recognized when pledged or received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year.

Conditional promises, such as those with very specific requirements that must be met, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. GFG did have signed conditional contracts for grants that are not recognized as income or receivables in these financial statements because of the conditions. Specifically, there is a total of \$150,080 due for two grants from a foundation that have not been posted as either income or receivables as of June 30, 2021. GFG does expect to meet the conditions for the grants in Fiscal Year 2022, and to recognize the income when conditions are met.

Gifts-in-Kind Contributions

Global Forest Generation benefits greatly from personal services provided by a number of volunteers who donate their time and skills. Generally accepted accounting principles allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Services donated by volunteers during Fiscal 2021 and 2020 did not meet the criteria and were not included in the financial statements.

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

Expense Recognition and Allocation

The cost of providing the GFG's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Expenses are charged directly to the program or support function benefited by the expenditure. Consultant and payroll costs are allocated based on estimates by employees, consultants and management of time spent on programs, administrative tasks, and fundraising.

Statement of Cash Flows

The statement of cash flows is presented in the direct method, presenting revenues and expenditures on a cash basis.

Adoption of New Accounting Standards

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

GFG adopted the requirements of this new guidance as of July 1, 2019, and had no impact on previous net assets.

GFG adopted ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement* as of July 1, 2020. This ASU removes and modifies fair value measurement disclosure requirements retrospectively for non-public entities. My opinion is not modified with respect to this matter.

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and June 30, 2020 are:

Financial assets:	2021	2020
Cash and cash equivalents	\$101,536	\$320,389
Accounts and grants receivable	<u>652,103</u>	<u>55,000</u>
Total financial assets:	\$753,639	\$375,389
Less financial assets held to meet non-operational donor-imposed restrictions:	<u>(747,333)</u>	<u>(181,454)</u>
Amount available for general expenditures within one year	<u>\$ 6,306</u>	<u>\$ 193,935</u>

Global Forest Generation does have a policy that excess funds are placed in an investment account, and as of June 30, 2021 those funds are available in addition to funds shown in the above table.

4. Income Tax Status

Global Forest Generation is an exempt organization operating under Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal and State taxes on any net income derived from activities related to its exempt purpose. This code section enables GFG to accept donations that qualify as charitable contributions to the donor. GFG is taxed on net income from any unrelated business activities. The organization did not engage in any unrelated business activities and, accordingly, no income tax expense has been recognized. Management has determined that no significant uncertain tax positions qualify for either recognition or disclosure in the accompanying financial statements.

5. Fair Value Measurements

GFG reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

All of GFG's assets and liabilities are considered to be Level 1, and investments were valued at the closing quoted price in an active market.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

On June 30, 2021, the total of net assets with donor restrictions was \$747,333, which represents purpose-related restrictions from the unspent portion of funds from four different donors in the amount of \$95,230, and time restricted funds for grants promised, but not yet received, in the amount of \$652,103 from four granting organizations.

On June 30, 2020, the total of net assets with donor restrictions was \$181,454, which represents a purpose-related restriction of \$114,000 for the unspent portion of a grant from a foundation, and \$67,454 for the unspent funds from another organization, with \$12,454 representing a purpose-related restriction, and \$55,000 representing a time restriction.

Global Forest Generation
Notes to Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

7. Commitments and Contingencies

In March 2020 Global Forest Generation entered into an agreement with Ecosistemas Andinos (ECOAN) that crosses over fiscal years. The agreement provides for payments from GFG to ECOAN for services related to the Acción Andina project (Note 1). There have been multiple updates to the agreement, and the most recent agreement was updated in July 2021, and the current grant total is \$1,841,318. The agreement calls for specific deliverables, with payments due for future work in periods after June 30, 2020 and June 30, 2021. An initial payment of \$475,000 was made in April 2020, and additional amounts due after the close of the most recent fiscal year could total up to \$1,011,318 under this agreement.

Amounts due under the agreements between ECOAN and its partners are not payable if sufficient funds are not available. Fundraising efforts by GFG are based upon Acción Andina partners' budgets, which are scrupulously analyzed and refined by GFG and ECOAN staff. While some advance commitments have been received when the written agreements are made with ECOAN, diligent efforts by GFG are required to raise the necessary funds after the agreements are signed in order to make timely payments.

8. Related Parties

George Fenwick, President, is married to Rita Fenwick, Chief Executive Officer. George Fenwick is an unpaid volunteer and a voting board member. Rita Fenwick is not on the board, and worked initially as a volunteer, but began drawing a modest salary in March 2021.

9. Rent

GFG works on a virtual basis and has no physical office and pays no rent.

10. COVID-19

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen. To date, GFG has been fortunate that the impact on its operation and finances has been minimal. GFG has determined that at this time that the financial position and results of operations as of and for the years ended June 30, 2021 and June 30, 2020 should not be adjusted to reflect the impact of COVID-19's spread.

11. Subsequent Events

Subsequent events have been evaluated through November 8, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.