# FOREST STEWARDSHIP COUNCIL, A.C. AND SUBSIDIARIES

## Consolidated Financial Statements

Years Ended December 31, 2014 and 2013
with Report of Independent Auditors

# FOREST STEWARDSHIP COUNCIL, A.C. AND SUBSIDIARIES

## Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

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# REPORT OF INDEPENDENT AUDITORS

To the Associates of
Forest Stewardship Council, A.C. and subsidiaries

We have audited the accompanying consolidated financial statements of Forest Stewardship Council, A.C., and subsidiaries which comprise the consolidated statements of financial position at December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, as well as a summary of the significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Mexican Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audits. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Forest Stewardship Council, A.C. and subsidiaries at December 31, 2014 and 2013, and their consolidated financial performance and cash flows for the year then ended, in conformity with Mexican Financial Reporting Standards.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.
A Member Practice of
Ernst & Young Global

Carlos de la Rosa

Puebla, Mexico
September 23, 2015

## FOREST STEWARDSHIP COUNCIL, A.C. AND SUBSIDIARIES

### Consolidated Statements of Financial Position

(Amounts in USD Dollars)

| | December 31 | | | |
|---|---|---|---|---|
| | | **2014** | | 2013 |
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents (Note 2) | **USD** | **12,413,166** | USD | 11,725,752 |
| Trade receivables (net of allowance for doubtful accounts of USD 1,402,198 in 2014 and USD 813,540 in 2013) | | **3,126,559** | | 3,728,254 |
| Other accounts receivable | | **809,396** | | 296,810 |
| Total current assets | | **16,349,121** | | 15,750,816 |
| **Non-current assets:** | | | | |
| Furniture and equipment (Note 3) | | **669,566** | | 524,364 |
| Intangible assets (Note 4) | | **731,954** | | 977,019 |
| Advances payments (Note 5) | | **1,556,550** | | 1,163,862 |
| Total non-current assets | | **2,958,070** | | 2,665,245 |
| Total assets | **USD** | **19,307,191** | USD | 18,416,061 |
| **Liabilities and net assets** | | | | |
| Current liabilities: | | | | |
| Suppliers of services | **USD** | **2,283,553** | USD | 1,822,223 |
| Provisions and accrued liabilities (Note 6) | | **812,797** | | 755,838 |
| Taxes payable | | **1,983,137** | | 1,293,874 |
| Employee benefits | | **330,269** | | 254,514 |
| Deferred revenue | | **221,419** | | 222,474 |
| Total liabilities | | **5,631,175** | | 4,348,923 |
| **Net assets (Note 8):** | | | | |
| Unrestricted net assets | | **13,676,016** | | 14,067,138 |
| Total net assets | | **13,676,016** | | 14,067,138 |
| Total liabilities and net assets | **USD** | **19,307,191** | USD | 18,416,061 |

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

## FOREST STEWARDSHIP COUNCIL, A.C. AND SUBSIDIARIES

### Consolidated Statements of Activities

(Amounts in USD Dollars)

| | For the year ended December 31 2014 | 2013 |
|---|---|---|
| **Changes in unrestricted net assets:** | | |
| **Revenues:** | | |
| Donations | USD **312,195** | USD 606,506 |
| Aquaculture | **179,728** | 110,555 |
| Roundtable of sustainable palm oil | **814,179** | 553,055 |
| Accreditation annual fees | **23,995,262** | 16,792,657 |
| Audits | **1,938,494** | 1,419,182 |
| Marine | **783,889** | 761,866 |
| Commercial services | **140,810** | - |
| Memberships and fees | **146,570** | 120,510 |
| Other | **4,947,930** | 3,617,707 |
| Total revenue | **33,259,057** | 23,982,038 |
| **Expenses:** | | |
| Staff Salary | **5,542,475** | 4,849,990 |
| Other benefits employees | **1,127,006** | 909,733 |
| Recruitment and relocation | **34,367** | 70,125 |
| Travel Staff | **404,100** | 373,723 |
| Travel third party | **1,722,208** | 1,460,351 |
| Audit and lawyer fees | **449,532** | 501,610 |
| Communication | **368,116** | 97,390 |
| Training | **89,860** | 74,789 |
| Computer service | **174,209** | 92,527 |
| License Fee & IT | **1,556,918** | 4,201,819 |
| Other third party services | **6,356,890** | 1,875,697 |
| Consultants | **8,564,867** | 5,851,747 |
| Basic costs | **1,805,168** | 329,506 |
| Office communication costs | **58,126** | 14,324 |
| Office resources and materials | **66,652** | 9,082 |
| Office financials | **3,339,365** | 3,874,752 |
| Neutral expenses | **632,886** | 552,369 |
| Total expenses | **32,292,745** | 25,139,534 |
| Increase (decrease) in the net assets | **966,312** | ( 1,157,496) |
| Exchange difference | **( 1,357,434)** | ( 458,514) |
| Assets at beginning of year | **14,067,138** | 15,683,148 |
| Assets at end of year | **USD 13,676,016** | USD 14,067,138 |

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

## FOREST STEWARDSHIP COUNCIL, A.C. AND SUBSIDIARIES

### Consolidated Statements of Cash Flows

(Amounts in USD Dollars)

| | For the year ended December 31 2014 | 2013 |
|---|---|---|
| **Operating activities** | | |
| Expenses (revenues) in excess of the year | **USD 966,312** | USD( 1,157,496) |
| Items not affecting cash flows: | | |
| Depreciation and amortization | **207,707** | 179,719 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | **898,504** | ( 718,928) |
| Other accounts receivable | **( 809,396)** | 185,406 |
| Advances payments | **( 392,689)** | ( 1,087,985) |
| Suppliers of services | **461,331** | 696,978 |
| Taxes payable | **688,208** | 132,685 |
| Labor liabilities | **132,713** | 75,370 |
| Exchange differences | **( 1,357,434)** | ( 458,514) |
| Effects of fixed asset conversion | **117,046** | - |
| Net cash flow from (used in) operating activities | **912,302** | ( 2,152,764) |
| **Investing activities:** | | |
| Acquisition of fixed assets | **( 166,741)** | ( 94,300) |
| Increase in intangible assets | **( 58,147)** | ( 53,000) |
| Net cash flow used in investing activities | **( 224,888)** | ( 147,300) |
| Net increase (decrease) in cash and cash equivalents | **687,414** | ( 2,300,064) |
| Cash and cash equivalents at beginning of year | **11,725,752** | 14,025,816 |
| **Cash and cash equivalents at end of year** | **USD 12,413,166** | USD 11,725,752 |

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

# FOREST STEWARDSHIP COUNCIL, A.C. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## December 31, 2014 and 2013

(Amounts in USD Dollars)

### 1. Operations and Summary of Significant Accounting Policies

The Association Forest Stewardship Council, A.C. (the Association) was incorporated on October 25, 1995 and is primarily engaged in promoting responsible management of forests and the use of forests that is environmentally viable. The Association has three subsidiaries: Forest Stewardship Council International Center, FSC Global Development and ASI – Accreditation Services International.

The Company's operating period and fiscal year is from January 1 through December 31.

On September 23, 2015, the accompanying consolidated financial statements and these notes were authorized by Annette Becker, the Association's Finance Director, for their issuance and subsequent approval by the Board of Directors and the associates, who have the authority to modify the Association's financial statements. Information on subsequent events covers the period from January 1, 2015 through the above-mentioned issue date of the financial statements.

**Summary of Significant Accounting Policies**

#### a) Compliance with Mexican Financial Reporting Standards

The accompanying financial consolidated statements were prepared in conformity with Mexican Financial Reporting Standards (Mexican FRS).

#### b) Basis of preparation

The accompanying consolidated financial statements have been prepared on a historical-cost basis, except for those non-monetary items that were acquired or recorded in the financial statements before December 31, 2007.

The annual rate of inflation for 2014 and 2013, as determined based on the National Consumer Price Index (NCPI) published by the National Statistical and Geographical Information Agency (INEGI), was 4.08% and 3.97%, respectively, while the cumulative inflation rate for the three prior years was 12.08% and 11.80%, respectively. Under Mexican FRS, this cumulative inflation rate represents the necessary condition for considering Mexico as having a non-inflationary economic environment, which means that the financial statements should be prepared on an historical-cost basis.

#### c) Consolidation and investments in subsidiaries

The accompanying consolidated financial statements include the financial information of the companies over which the Association has significant control and influence.

At December 31, 2014 and 2013, the Association's equity interest in its subsidiaries and associated company is as follows:

| Name | Relationship | % equity interest 2014 | 2013 |
|---|---|---|---|
| International Center GmbH | Subsidiary | 100% | 100% |
| Accreditation Services International | Subsidiary | 100% | 100% |
| Global Development | Subsidiary | 100% | 100% |

The subsidiaries are consolidated from the time the Company acquires control over them.

Global Development is a corporation founded under German law. Its principal corporate purpose is to conduct the licensing business related to the FSC trademarks, to protect the FSC trademarks worldwide and to ensure their universal recognition. As part of a reallocation of responsibilities within the different FSC organizations, FSC AC grant to FSC GD the right to exploit and use the Licensed Material including the FSC Certificate Database, and thus to allow FSC GD to perform the worldwide license business.

The FSC international Center GmbH is a Not-for-Profit corporation founded under German law. Its purpose is to promote the ecology and environment and particularly to support the preservation of worldwide forest resources.

Accreditation Services International (ASI) is a corporation founded under German law. Its purpose is to assess organizations that issue certificates for a range of standards, ensuring that audits are conducted with competence and global consistency. ASI oversees the correct application of a standard's criteria for certified operations worldwide such as the Forest Stewardship Council, the Marine Stewardship Council, the Aquaculture Stewardship Council, the Roundtable on Sustainable Palm Oil, and Roundtable on Sustainable Biomaterials.

The financial statements of the subsidiaries have been prepared for the same accounting period and following the same accounting policies as those of the Company.

All significant intercompany balances, investments and transactions have been eliminated in the consolidated financial statements.

**d) Basis of translation of financial statements of foreign subsidiaries and affiliates**

The Company's consolidated financial statements are presented in dollars, which is the currency of the economic environment in which the Company operates. It is also the currency it uses for financial reporting purposes.

The accounting records of the foreign subsidiaries and affiliates are prepared using the functional currency and following the accounting standards of the country in which the related parties operate.

For the consolidation of the financial statements of each subsidiary, the financial statements are first adjusted to conform to Mexican FRS and then assets and liabilities are translated to dollars at the prevailing exchange rate at the end of the year, shareholders' equity is translated using the historical exchange rate and income statement captions are translated using the average exchange rate of the corresponding month.

**e) Recognition of revenues**

The Association recognizes its revenues based on International Accounting Standard 18 (IAS 18), *Revenue Recognition,* issued by the International Accounting Standards Board (IASB), applied on a supplementary basis as of the Company's incorporation, since Mexican FRS do not specifically address revenue recognition.

Revenues from the accreditations shall be recognized when all of the following conditions have been satisfied:

(i) The entity has transferred to the buyer the significant risks and rewards of ownership of the certificates
(ii) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the certificates sold
(iii) The amount of revenue can be measured reliably
(iv) It is probable that the economic benefits associated with the transaction will flow to the entity
(v) The costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the sale of certificates is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates discounts, rebates and taxes.

**f) Use of estimates**

The preparation of consolidated financial statements in conformity with Mexican FRS requires the use of estimates and assumptions in certain areas. Management based its estimates on the best available information at the time the financial statements were prepared. However, the existing circumstances and assumptions about future events may change due to changes in the market or circumstances that are beyond the Association's control.

**g) Cash and cash equivalents**

Cash and cash equivalents principally consist of bank deposits and highly liquid investments.

**h) Allowance for doubtful accounts**

The Association's policy is to provide for doubtful accounts on the balance of accounts receivable of two years old according to their statutes.

The Association annually evaluates the collectability of accounts due from related parties by examining their financial position and the market in which each of the related parties operates.

**i) Prepaid expenses**

Prepaid expenses are recognized as assets as of the date the payment is made, provided that it is probable that future economic benefits associated with the item will flow to the Association. At the time the goods or services are received, prepaid expenses are either capitalized or charged to the activities statement, depending on whether there is certainty that the purchased goods or services will generate future economic benefits.

The Association periodically evaluates prepaid expenses to determine the probability that these assets will no longer generate future economic benefits or to assess their recoverability. Any unrecoverable amounts are recognized in the income statement as impairment losses.

**j) Furniture and equipment**

Furniture and equipment are recognized at cost, net of accumulated depreciation and/or accumulated impairment loss, if any.

Depreciation of furniture and equipment is computed on the assets' carrying values using the straight-line method (since management considers that this method best reflects the use of these assets).

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is immediately recorded in the income statement.

For the years ended December 31, 2014 and 2013, there are no indicators of impairment.

**k) Intangible assets**

Patents and trademarks are capitalized only when such costs can be reliably quantified, the Association expects to obtain future economic benefits from the investment and control is maintained over such benefits.

Intangible assets with defined useful lives are amortized using the straight-line method and based on the estimated useful lives of the related assets.

At December 31, 2014 and 2013, the Association recognized no loss from impairment in the value of its intangible assets.

**l) Accrued liabilities**

Accrued liabilities are recognized whenever (i) the Association has current obligations (legal or constructive) resulting from a past event, (ii) when it is probable the obligation will give rise to a future cash disbursement for its settlement, and (iii) the amount of the obligation can be reasonably estimated.

**m) Exchange differences**

Transactions in foreign currency are recognized at the prevailing exchange rate on the day of the related transactions. Foreign currency denominated assets and liabilities are valued at the prevailing exchange rate at the date of the statement of financial position.

Exchange differences from the transaction date to the time foreign currency denominated assets and liabilities are settled, as well as those arising from the translation of foreign currency denominated balances at the balance sheet date, are charged or credited to the income statement, except for those arising on foreign currency denominated loans obtained for the construction of fixed assets, as such costs are capitalized as comprehensive financing cost during the construction period of such assets.

See Note 7 for the Association's foreign currency position at the end of each year and the exchange rates used to translate foreign currency denominated balances.

**n) Statement of activities**

The Statement of activities is a financial statement specific of the non-profit entities who show the information of the period transactions, as they are the revenues, costs and expenses, and the net change in the assets in the period, classified by type of asset (restricted permanent, temporary restricted or unrestricted).

**o) New accounting pronouncements**

*Improvements to Mexican FRS for 2014*

As part of its standards revision process, in December 2013, the CINIF issued Improvements to Mexican FRS for 2014, which will become effective as of January 1, 2014.

The new financial reporting rules that will give rise to accounting changes related to the valuations and disclosures in the financial statements, and to financial statement presentation, are as follows:

a) Mexican FRS C-5, Prepaid Expenses, has been amended to establish that prepaid expenses paid in a foreign currency should be translated using the prevailing exchange rate at the transaction date and should not be adjusted to reflect subsequent exchange rate fluctuations. This standard also establishes that losses from impairment in the value of prepaid expenses and reversals of previously recognized impairment should be recognized in profit or loss of the period such impairment or reversal occurs in the caption that management deems most appropriate;

b) Mexican FRS B-3, Statement of Comprehensive Income; B-16, Financial Statements of Not-For-Profit Organizations; C-6, Property, Plant and Equipment; C-8, Intangible Assets; and D-3, Employee Benefits, and Mexican accounting Bulletin C-9, Accrued Liabilities, Provisions, Contingent Assets and Liabilities and Commitments, have been amended to eliminate the requirement that certain transactions be recognized as part of Other income and Other expenses, and to allow this recognition at the discretion of an entity's management.

The adoption of these improvements had no effect on the Association's consolidated financial statements.

Following is a discussion of the new accounting pronouncements that will become effective as of January 1, 2015:

**Improvements to Mexican FRS for 2015**

The new financial reporting rules that will give rise to accounting changes related to the valuations and disclosures in the financial statements, and to financial statement presentation, are as follows:

a) As part of its further guidance regarding the need for investment entities to prepare consolidated financial statements, the CINIF amended Mexican FRS B-8, Consolidated or Combined Financial Statements, to establish that, considering the nature its primary activity, it is unlikely that an investment entity would ever exercise control over its investees. Nevertheless, preparers of financial statements will need to apply professional judgment to determine whether or not an investment entity exercises control over its investees. When it is determined that no such control exists, preparers should determine what kind of investment the entity has and apply the appropriate accounting treatment for that investment. Lastly, the amendments to Mexican FRS B-8 include the definition of an investment entity and provide guidance on when an entity would qualify as an investment entity.

b) Mexican FRS B-16, Financial Statements of Not-For-Profit Organizations, was amended to establish that all income, costs and expenses of a not-for-profit organization, including other components of comprehensive income, should be presented in a single statement of activities rather than in two separate statements of activities.

c) Mexican accounting Bulletin C-9, Accrued Liabilities, Provisions, Contingent Assets and Liabilities, and Commitments, was amended to establish that advances from customers in foreign currencies should be measured using the prevailing exchange rate on the date of the transaction and should not be adjusted for subsequent fluctuations in the exchange rate.

The Association is analyzing what effects the adoption of these improvements will have on its consolidated financial statements.

Following is a discussion of the new accounting pronouncements whose adoption will be mandatory as of January 1, 2016, but that allow for early adoption as of January 1, 2015:

**Mexican FRS C-3, Accounts Receivable**

The principal accounting changes contained in Mexican FRS C-3 are as follows:

This new accounting standard establishes that accounts receivable that arise as the result of a contract represent financial instruments. Although certain accounts receivable arising as the result of a legal right or stemming from tax balances often have characteristics of a financial instrument, they are not actually financial instruments.

An entity's assessment regarding the non-recoverability of trade accounts receivable should be recognized from the time the balance is due from the counterparty based on the expected credit loss. This amount should be recognized in an entity's statement of income as part of an existing expense caption, or in a separate expense caption when the amount of the expected loss is material.

From initial recognition, the value of accounts receivable should be adjusted to reflect the time value of money. Whenever the time value of money is material on the basis of the term of the account receivable, the account receivable should be adjusted to present value. The effect of present value is considered material whenever the agreed upon term of full or partial payment of the account receivable is more than one year, since it is assumed that the account receivable represents a financing transaction.

Mexican FRS C-3 requires entities to present an analysis of the beginning balance and ending balance of their bad debt estimates in their financial statements.

Company management is analyzing what effects the adoption of this new standard will have on its financial statements.

Following is a discussion of the new accounting pronouncements whose adoption will be mandatory as of January 1, 2018, but that allow for early adoption as of January 1, 2016:

**Mexican FRS C-9, Provisions, Contingencies and Commitments**

The new Mexican FRS C-9, Provisions, Contingencies and Commitments, superseded Mexican accounting Bulletin C-9, Accrued Liabilities, Provisions, Contingent Assets and Liabilities and Commitments. The most important changes contained in the new Mexican FRS C-9 are as follows: the accounting treatment for financial liabilities is no longer addressed in Mexican accounting Bulletin FRS C-9, since this matter is now addressed in the new Mexican FRS C-19, Financial Liabilities, and b) the definition of liability has been modified to eliminate the "virtually certain" criteria and include the term "probable outflow of resources".

The Association's management is analyzing what effects the adoption of this new standard will have on the Company's consolidated financial statements.

## 2. Cash and Cash Equivalents

An analysis of cash and cash equivalents at December 31, 2014 and 2013 is as follows:

| | **2014** | 2013 |
|---|---|---|
| Cash and cash in banks | **USD 6,308,968** | USD 6,412,966 |
| Readily marketable securities | **6,104,198** | 5,312,786 |
| Total | **USD 12,413,166** | USD 11,725,752 |

## 3. Furniture and Equipment

An analysis of this caption at December 31, 2014 and 2013 is as follows:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Investment** | **Accumulated depreciation** | Investment | Accumulated depreciation |
| Furniture and equipment | **USD 1,226,217** | **USD ( 563,191)** | USD 1,012,212 | USD ( 492,846) |
| Computer and equipment | **22,901** | **( 16,361)** | 17,136 | ( 12,138) |
| | **1,249,118** | **USD ( 579,552)** | 1,029,348 | USD ( 504,984) |
| Furniture and equipment, net | **USD 669,566** | | USD 524,364 | |

Depreciation expense for the years ended December 31, 2014 and 2013 was USD 148,702 and USD 140,930 respectively.

## 4. Intangible Assets

An analysis of changes in intangible assets is as follows:

| | **2014** | 2013 |
|---|---|---|
| Patents and trademarks | **USD 443,570** | USD 428,751 |
| Prepayments for intangible | **197,266** | 462,981 |
| Software | **91,118** | 85,287 |
| Intangible assets, net | **USD 731,954** | USD 977,019 |

Amortization expense for the years ended December 31, 2014 and 2013 was USD 59,005 and USD 38,789 respectively.

## 5. Advances prepayments

Contains prepayments of the "OCP project" that has not been completed. This project "Online Claims plataform" digitally connects certified FSC suppliers and customers so that claims for FSC-certified products can be swiftly confirmed as accurate by both trading parties. This system will enhance the integrity of the FSC brand.

The advances prepayments at December 31, 2014 and 2013 was USD 1,556,550 and USD 1,163,862 respectively.

## 6. Provisions and accrued liabilities

Contains cost of preparation of the financial statements, cost of annual audit, outstanding invoices, license fees for outstanding accreditation administration fees.

| | **2014** | 2013 |
|---|---|---|
| Services suppliers | **USD 685,655** | USD 502,023 |
| License fees | **50,994** | 191,752 |
| Other liabilities | **76,148** | 62,063 |
| | **USD 812,797** | USD 755,838 |

## 7. Foreign currency position.

The financial statements at December 31, 2014 and 2013, include the following foreign currency denominated assets and liabilities:

| | **2014** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Euro** | **Pound Sterling** | **Soles** | **Vietnam Dong** | **Mexican Pesos** | **Canadian Dollar** | **Danish Krone** | **Swiss Franc** |
| Current assets | 1,679,522 | - | - | - | 1,999,489 | - | - | - |
| Current liabilities | ( 447,885) | ( 13,407) | ( 91,640) | ( 3,240) | ( 1,217,063) | ( 5,765) | ( 810) | ( 6,769) |
| Net long (short) position | 1,231,637 | ( 13,407) | ( 91,640) | ( 3,240) | 782,427 | ( 5,765) | ( 810) | ( 6,769) |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Euro | Pound Sterling | Soles | Vietnam Dong | Mexican Pesos |
| Current assets | 1,334,551 | - | - | - | 131,036 |
| Current liabilities | ( 447,972) | ( 7,668) | ( 31,240) | ( 3,240) | ( 620,135) |
| Net long (short) position | 886,579 | ( 7,668) | ( 31,240) | ( 3,240) | ( 489,099) |

At December 31, 2014 the prevailing exchange rates used to translate the above amounts to US dollars were 1.2101 per Euro, 1.5592 per Pound, 0.3356 per Soles, 0.0467 per Vietnam Dong, 0.0678 per Mexican pesos, 0.8633 per Canadian Dollar, 0.1625 per Danish Krone and 1.0064 per Swiss Franc. At September 23, 2015, the date of the audit report on these financial statements, the exchange rate was 1.1276 per Euro, 1.5240 per Pound, 0.3107 per Soles, 0.045 per Vietnam Dong, 0.0593 per Mexican pesos, 0.7615 per Canadian Dollar, 0.1496 per Danish Krone and 1.0222 per Swiss Franc.

## 8. Unrestricted Net Assets

a) All revenue received by the Association shall be applied to the development of the social object, not being allowed to grant benefits upon the distributable balance to individual taxpayers or to individual taxpayers or legal entities members.

b) Unrestricted net assets consist of the accumulated surpluses from prior years, plus income earned from accreditations, donations, royalties and memberships during the year, less the costs and expenses incurred to generate this income and administrative costs.

An analysis of the Association's unrestricted net assets at December 31, 2014 and 2013 is as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Accumulated unrestricted assets at beginning of year | USD | 14,067,138 | USD | 15,683,148 |
| Revenues in (decrease) excess of expenses of the year | | ( 391,122) | | ( 1,616,010) |
| Unrestricted net assets at end of year | USD | 13,676,016 | USD | 14,067,138 |

## 9. Contingencies

a) Federal and state taxes are open to review by the tax authorities for a period of five years. Consequently, the Association is contingently liable for payment of any omitted taxes plus restatement, penalties and surcharges that may be determined by the tax authorities.

b) The association has launched the "FSC Smallholder Fund" to secure FSC certification of smallholders, family forest owners and forest-related communities worldwide, who has faced challenges in coping with the requirements and procedures of this certification. The association commitments in 2014 and 2013 with this project are 451,915 USD and 415,937 USD respectively.

c) In March 2015, the Association received a request from the Mexican authorities to comply with the obligation to pay the payroll tax. This obligation should be covered since December 2012. The Association is analyzing the effects of this possible contingency.