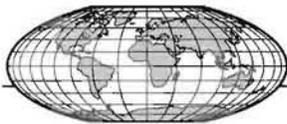


SUSTAINABLE FORESTRY INITIATIVE, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009



MARINI & ASSOCIATES

Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors of
Sustainable Forestry Initiative Inc.

We have audited the accompanying statement of financial position of Sustainable Forestry Initiative Inc. as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Sustainable Forestry Initiative Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sustainable Forestry Initiative Inc. as of December 31, 2010 and 2009, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2011 on our consideration of Sustainable Forestry Initiative Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Marini and Associates
February 15, 2011

SUSTAINABLE FORESTRY INITIATIVE INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 781,671	\$ 408,653
Accounts Receivable	834,389	916,484
Prepaid Expenses	<u>37,435</u>	<u>37,910</u>
TOTAL CURRENT ASSETS	<u>1,653,495</u>	<u>1,363,047</u>
Long Term Assets:		
Furniture and equipment (Net of accumulated depreciation)	<u>43,647</u>	<u>48,301</u>
TOTAL LONG-TERM ASSETS	<u>43,647</u>	<u>48,301</u>
TOTAL ASSETS	<u>1,697,142</u>	<u>1,411,348</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 465,537	\$ 196,284
Unearned revenue	<u>710,528</u>	<u>850,768</u>
TOTAL CURRENT LIABILITIES	<u>1,176,065</u>	<u>1,047,052</u>
Long Term Liabilities:		
TOTAL LONG TERM LIABILITIES	<u>0</u>	<u>0</u>
NET ASSETS		
Unrestricted	291,049	364,296
Temporarily restricted	230,028	0
Permanently restricted	<u>0</u>	<u>0</u>
TOTAL NET ASSETS	<u>521,077</u>	<u>364,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,697,142</u>	<u>\$ 1,411,348</u>

See accompanying notes.

SUSTAINABLE FORESTRY INITIATIVE INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2010 and 2009

UNRESTRICTED NET ASSETS

	<u>2010</u>	<u>2009</u>
Support:		
Revenue from membership dues	\$ 4,250,760	\$ 4,037,903
Contribution income	1,520,097	1,658,744
Grants income	0	13,000
Meetings income	116,764	130,220
Publication revenue	11,519	0
FPAC market outreach contrib.	30,648	0
Investment income	3,154	2,128
PEFC income	355,861	125,812
Other income	<u>9,059</u>	<u>6,926</u>
TOTAL SUPPORT	<u>6,297,862</u>	<u>5,974,733</u>
EXPENSES		
Program Services	5,143,580	4,765,692
Management and general	<u>997,501</u>	<u>860,548</u>
TOTAL EXPENSES	<u>6,141,081</u>	<u>5,626,240</u>
CHANGE IN UNRESTRICTED NET ASSETS	156,781	348,493
NET ASSETS AT BEGINNING OF YEAR	<u>364,296</u>	<u>15,803</u>
NET ASSETS AT END OF YEAR	<u>\$ 521,077</u>	<u>\$ 364,296</u>

See accompanying notes.

SUSTAINABLE FORESTRY INITIATIVE INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 and 2009

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>2010</u>	<u>2009</u>
Increase (decrease) in net assets	\$ 156,782	\$ 348,493
Depreciation	22,161	14,960
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
(Increase) decrease in accounts receivable	82,094	(863,081)
(Increase) decrease in prepaid expenses	475	25,892
Increase (decrease) in accounts payable & accrued expenses	269,253	(65,854)
Increase (decrease) in unearned revenue	<u>(140,240)</u>	<u>850,768</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>390,525</u>	<u>311,178</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase Fixed Assets	<u>(17,507)</u>	<u>(40,948)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(17,507)</u>	<u>(40,948)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH EFFECT OF FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	373,018	270,230
BEGINNING CASH AND CASH EQUIVALENTS	<u>408,653</u>	<u>138,423</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 781,671</u>	<u>\$ 408,653</u>
 Taxes Paid	 <u>\$ 0</u>	 <u>\$ 0</u>
Interest Paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes.

SUSTAINABLE FORESTRY INITIATIVE INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 and 2009

1. Nature of Organization:

Nature of Activities

The Sustainable Forestry Initiative, Inc. (SFI) is a non-profit corporation established in the District of Columbia on November 3, 2006. The purpose for which the corporation is organized and operated are charitable and educational purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended (or the corresponding provision of any future United States Revenue Code), as stated in the Articles of Incorporation, to ensure the environmental, social, and economic sustainable development of the nation's forests, for the benefit of public and private stakeholders. The corporation shall have sole responsibility for all activities necessary for the development, maintenance, implementation, promotion, and continual improvement of the Sustainable Forestry Initiative ® Standard and Program.

2. Summary of Significant Accounting Policies:

Significant accounting policies followed by SFI in preparation of its financial statements are summarized below.

Basis of Accounting

The financial statements of SFI have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUSTAINABLE FORESTRY INITIATIVE INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 and 2009

3. Summary of Significant Accounting Policies (continued):

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on an estimated useful life of:

Furniture and equipment	3 – 5 years
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Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Net Assets

Unrestricted

Unrestricted net assets represent resources over which the organization has discretionary control and are used to carry out the Organization's operations in accordance with its bylaws and exempt purposes.

Temporarily restricted

Temporarily restricted net assets represents resources stipulated by donors for specific operating purposes or those not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted

Permanently restricted net assets represent resources stipulated by a donor requiring the contribution be maintained in perpetuity with use of income for temporarily restricted and unrestricted purposes.

SUSTAINABLE FORESTRY INITIATIVE INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 and 2009

4. Furniture & Equipment

Furniture and equipment consist of the following:

	2010	2009
Furniture & Equipment	\$ 99,134	\$ 81,627
	99,134	81,627
Accumulated depreciation	(55,487)	(33,326)
Net Furniture & Equipment	\$ 43,647	\$ 48,301

Depreciation expense for the years ended December 31, 2010 and 2009 was \$22,161 and \$14,960, respectively.

5. Lease Commitments

The organization maintains various leases for rental of office space, future minimum payments under these operating leases are as follows:

2011	113,533
2012	38,120

6. Future Commitments

During 2010 the organization established a Conservation and Community Collaboration Grant Program.

The organization has the right to terminate any grant program for any reason and at any time during the pendency of the agreement by giving 30 days written notice of termination to the Grantee (or in the event cancellation of the program by the organization, immediately upon written notice of termination to the grantee).

During 2010 the organization executed grants to various recipients (grantees) to the extent of \$298,000 (of which \$144,500 was expended outside the United States of America).

The organization has committed to future grant funding of \$236,000 and \$150,000 for 2011 and 2012 respectively (of which \$84,500 was committed to grantees outside the United States of America in 2011 and \$80,000 was committed to grantees outside the United States of America in 2012).

SUSTAINABLE FORESTRY INITIATIVE INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 and 2009

7. Temporary Restricted Net Assets

The organization board of directors has temporarily restricted net assets as of December 31, 2010 as follows:

Conservation and Community Collaboration Grant Program	\$ 95,500
Outreach Campaign	73,000
PEFC Promotion	<u>61,528</u>
Temporarily restricted net assets at December 31, 2010	<u>\$ 230,028</u>