

National Forest Foundation

Financial Report
September 30, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
National Forest Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of National Forest Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2020, the related statements of activities, functional expenses and cash flows for the year 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 audit to obtain reasonable assurance about whether the 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. Accordingly, we 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of National Forest Foundation as of September 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021, on our consideration of the Foundation'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 solely 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 effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

RSM US LLP

McLean, Virginia
February 10, 2021

National Forest Foundation

Statement of Financial Position
September 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 6,462,231	\$ 8,531,342
Receivables, net	6,441,110	4,766,543
Investments	19,839,097	11,966,131
Deferred compensation plan assets	141,576	221,097
Prepaid expenses and other assets	142,371	47,461
Property, equipment and leasehold improvements, net	809,186	1,256,152
	<u>\$ 33,835,571</u>	<u>\$ 26,788,726</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,337,788	\$ 2,992,205
Deferred revenue	4,923,361	3,635,497
Lines of credit	899,432	550,000
Refundable advance	562,300	-
Deferred compensation plan liability	141,576	221,097
	<u>9,864,457</u>	<u>7,398,799</u>
Commitments and contingencies (Notes 8 and 10)		
Net assets:		
Without donor restrictions	5,559,210	3,604,541
With donor restrictions	18,411,904	15,785,386
	<u>23,971,114</u>	<u>19,389,927</u>
	<u>\$ 33,835,571</u>	<u>\$ 26,788,726</u>

See notes to financial statements.

National Forest Foundation

Statement of Activities
Year Ended September 30, 2020
(With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions:				
Foundations	\$ 470,513	\$ 3,532,988	\$ 4,003,501	\$ 2,466,502
Corporations	1,207,446	5,926,477	7,133,923	8,218,034
Individuals	1,142,876	1,301,935	2,444,811	1,031,165
In-kind	209,982	-	209,982	262,265
Contract and reimbursable grant revenue	7,160,707	83,979	7,244,686	4,162,942
U.S. Government grants	3,023,095	-	3,023,095	3,057,142
State and local grants	-	596,650	596,650	1,110,687
Special events	3,000	-	3,000	235,725
Other income	17,173	-	17,173	30,364
Investment income, net of expenses	135,694	556,975	692,669	194,090
Net assets released from restrictions	9,372,486	(9,372,486)	-	-
Total support and revenue	22,742,972	2,626,518	25,369,490	20,768,916
Expenses:				
Program services:				
Conservation	15,876,091	-	15,876,091	11,930,426
Grants and awards	2,312,142	-	2,312,142	2,350,615
Total program services	18,188,233	-	18,188,233	14,281,041
Supporting services:				
General and administrative	937,100	-	937,100	842,224
Marketing, development and communications	1,662,970	-	1,662,970	1,729,282
Total supporting services	2,600,070	-	2,600,070	2,571,506
Total expenses	20,788,303	-	20,788,303	16,852,547
Change in net assets	1,954,669	2,626,518	4,581,187	3,916,369
Net assets:				
Beginning	3,604,541	15,785,386	19,389,927	15,743,558
Ending	\$ 5,559,210	\$ 18,411,904	\$ 23,971,114	\$ 19,659,927

See notes to financial statements.

National Forest Foundation

Statement of Functional Expenses Year Ended September 30, 2020 (With Comparative Totals for 2019)

	2020							2019 Total
	Program Services			Supporting Services				
	Conservation	Grants and Awards	Total Program Services	General and Administrative	Development and Communications	Total Supporting Services	Total	
Salaries	\$ 1,881,040	\$ 34,574	\$ 1,915,614	\$ 457,933	\$ 761,843	\$ 1,219,776	\$ 3,135,390	\$ 2,597,870
Fringe benefits	407,873	7,603	415,476	84,935	165,416	250,351	665,827	532,975
Contract and professional fees	1,963,646	(4,000)	1,959,646	180,981	159,286	340,267	2,299,913	2,369,890
Supplies	108,388	-	108,388	5,925	23,007	28,932	137,320	141,070
Office expenses	58,331	253	58,584	16,961	146,959	163,920	222,504	188,640
Rent and occupancy costs	39,748	557	40,305	4,147	42,093	46,240	86,545	86,998
Equipment, equipment rental and maintenance	12,874	-	12,874	9,213	3,102	12,315	25,189	17,039
Information technology	55,390	573	55,963	15,849	58,860	74,709	130,672	118,223
Depreciation	271,515	3,073	274,588	63,018	77,476	140,494	415,082	34,491
Travel	75,092	-	75,092	18,056	23,994	42,050	117,142	297,172
Conferences and meetings	30,142	-	30,142	38,601	451	39,052	69,194	99,457
Insurance	14,885	-	14,885	11,577	250	11,827	26,712	21,853
Dues and staff development	9,393	-	9,393	3,834	10,196	14,030	23,423	33,301
Advertising	9,819	-	9,819	1,368	27,211	28,579	38,398	58,511
Miscellaneous	242,165	-	242,165	23,602	853	24,455	266,620	135,111
Grants and sub awards	10,640,776	2,269,509	12,910,285	-	22,900	22,900	12,933,185	9,866,309
In-Kind goods and services	55,014	-	55,014	1,100	139,073	140,173	195,187	253,637
	\$ 15,876,091	\$ 2,312,142	\$ 18,188,233	\$ 937,100	\$ 1,662,970	\$ 2,600,070	\$ 20,788,303	\$ 16,852,547

See notes to financial statements.

National Forest Foundation

**Statement of Cash Flows
Year Ended September 30, 2020
(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 4,581,187	\$ 3,916,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	415,082	34,491
Realized and unrealized gain on investments, net	(562,541)	(103,331)
Decrease in discount on receivables	19,673	(14,849)
Bad debt expense	192,105	77,234
Loss on disposal of property and equipment	1,251	-
Contributions restricted for endowment in perpetuity	(6,000)	(3,500)
Donated vehicles	-	(1,170,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(1,886,345)	(2,215,664)
Prepaid expenses and other assets	(94,910)	17,685
Increase (decrease) in:		
Accounts payable and accrued expenses	345,583	811,709
Deferred revenue	1,287,864	292,118
Refundable Advance	562,300	-
Net cash provided by operating activities	4,855,249	1,642,262
Cash flows from investing activities:		
Purchases of investments	(15,348,723)	(2,050,760)
Proceeds from sales of investments	8,038,298	2,749,634
Sale of property and equipment	90,000	-
Purchases of property and equipment	(59,367)	(51,798)
Net cash (used in) provided by investing activities	(7,279,792)	647,076
Cash flows from financing activities:		
Contributions restricted for endowment perpetuity	6,000	3,500
Draws on lines of credit	349,432	550,000
Net cash provided by financing activities	355,432	553,500
Net (decrease) increase in cash and cash equivalents	(2,069,111)	2,842,838
Cash and cash equivalents:		
Beginning	8,531,342	5,688,504
Ending	\$ 6,462,231	\$ 8,531,342
Supplemental schedule of noncash investing activities		
Donated vehicles	\$ -	\$ 1,170,000

See notes to financial statements.

National Forest Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: National Forest Foundation (the Foundation) was established by Congress on November 16, 1990, pursuant to the National Forest Foundation Act, as a nonprofit, charitable organization. The purpose of the Foundation is to collect gifts to be used to support the Forest Service of the U.S. Department of Agriculture (USDA) and to conduct educational and technical programs that promote a higher quality of life and further purposes of the national forests.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities Topics of the Codification, Balance Sheet and Income Statement, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and cash equivalents: For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and certificates of deposit that mature within three months held in the investment portfolios are excluded from cash and cash equivalents and reported in investments.

Financial risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant financial risk on cash.

The Foundation invests in professionally managed portfolios that contain various securities that are exposed to risks, such as market, interest and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

Receivables: Receivables stem from unconditional contributions and grants received by the Foundation, federal contracts and reimbursable grants. Unconditional contributions and grants to be received after one year are discounted, based on estimated future cash flows, at a discount rate commensurate with the risks involved. Amortization of the discounts is included in support and revenue. At September 30, 2020, the present value discount was \$19,673. An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fund-raising activity. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At September 30, 2020, the allowance for doubtful accounts was \$269,339.

Conditional contributions and similar grants are not recognized as support until such times as the conditions are substantially met. The Foundation is the recipient of \$10,492,431 of conditional promises to give at September 30, 2020. The Foundation will earn and receive the conditional funds contingent upon the Foundation meeting certain milestones documented in the agreements.

National Forest Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments in money market funds, certificates of deposit, equities, mutual and exchange traded funds and the hedge fund are carried at fair value. Cash held within the investment portfolio is reported at cost. To adjust the carrying value, unrealized and realized gains and losses are included in the accompanying statement of activities. The hedge fund is reported at estimated fair value based on a percentage of ownership practical expedient provided by the investment manager. The Foundation believes the carrying amount of this financial instrument is a reasonable estimate of fair value. Because the hedge fund is not readily marketable, its estimated value is subject to additional uncertainty and, therefore, value realized upon disposition may vary significantly from the currently reported value.

Property, equipment and leasehold improvements: Property and equipment purchases and donations are capitalized and depreciated on a straight-line basis over their estimated lives, generally three to five years. Leasehold improvements are depreciated over the lesser of the life of the asset or lease. The Foundation capitalizes all equipment and improvements with a cost of \$2,500 or more.

Paycheck protection program loan: The Foundation received proceeds from the Paycheck Protection Program (PPP) during the year ended September 30, 2020. The Foundation initially recognized the funds as a refundable advance and is presented as a liability on the accompanying balance sheet. The Foundation will reduce the refundable advance balance and recognize revenue (other income) once the forgiveness conditions have been substantially met. The Foundation considers the conditions to be substantially met once forgiveness determination has been received, The Foundation elected this treatment as the Foundation expects to meet the PPP's eligibility criteria for forgiveness.

Support and revenue: Unconditional contributions and unconditional state and local grants received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Conditional contributions and grants are recognized when all conditions are realized or as qualifying expenses are incurred. Contributions and grants received with de minimis conditions are recorded as support when received.

The Foundation receives grants from federal agencies for various purposes. Federal grant awards revenue and receivable are recognized as expenses have been incurred for the purposes specified by an approved grant. The Foundation defers federal grant payments under approved awards to the extent that the payments received exceed expenses incurred for the purposes specified under the grant restrictions. Contract revenue is comprised of total contracted labor and other direct costs (ODCs). Labor revenue is recognized in accordance with total units worked for each employee multiplied by that employee's contracted hourly or daily rate. ODC revenue is recognized as qualifying expenses are incurred.

Special event revenue consists of contributions, silent auction proceeds, sponsorships and registrations. Revenue is recognized at the time of the event.

Donated services and assets: Contributions of services are recognized in the financial statements as in-kind contributions if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation. These services are recorded at their estimated fair values at the date of donation and are recognized in the financial statements as in-kind contributions. Donated assets are recorded at their estimated fair values at the date of donation and are recognized in the financial statements as contributions and presented on the accompanying statement of activities based on the resource provider.

National Forest Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Expense allocation: Program and supporting services have been presented on a functional basis in the accompanying statement of activities and functional expenses. Certain costs, such as depreciation, rent and occupancy costs, and information technology have been allocated among programs, general and administrative, marketing, development and communications based on salary by department.

Income taxes: The Foundation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation did not have any net unrelated business income for the year ended September 30, 2020.

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Adopted accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This new standard clarifies the scope and the accounting guidance for contributions received. The amendments in this ASU should assist entities in 1) evaluating whether transaction should be accounted for as contributions (nonreciprocal transactions) within the scope, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. The ASU has different effective dates for resource recipients and resource providers. Where the Foundation is a resource recipient, the ASU is applicable to contributions received for year ended September 30, 2020, and the Foundation has adopted this amendment on a modified prospective basis with no effect on the financial statements.

Where the Foundation is a resource provider, ASU 2018-08 is effective October 1, 2020. The Foundation has not yet evaluated the effect that the ASU will have on the financial statements.

National Forest Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Pending accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021.

Subsequent events: The Foundation evaluated subsequent events through February 10, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Financial Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Cash and cash equivalents	\$ 6,462,231
Receivables, net	6,441,110
Investments	19,839,097
Total liquidity	<u>32,742,438</u>
Less:	
Investments subject to withdrawal restrictions	1,076,456
Net assets with donor restrictions	18,411,904
Board-designated quasi-endowment net assets*	876,354
	<u>20,364,714</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,377,724</u>

* The Board-designated net assets can be used to meet general expenditures at the discretion of the Board of Directors

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The foundation has \$3,048,000 available line of credit to draw down on if needed.

National Forest Foundation

Notes to Financial Statements

Note 3. Property, Equipment, and Leasehold Improvements

Vehicles	\$ 1,080,000
Furniture and equipment	238,155
Leasehold improvements	11,210
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	1,329,365
Less accumulated depreciation	520,179
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	<u>\$ 809,186</u>

Note 4. Related Party Transactions

During the year ended September 30, 2020, the Foundation received approximately \$190,000 of contribution support from Board members and their affiliated organizations.

Note 5. Fair Value Measurements and Investments

The Foundation follows the Codification Topic, Fair Value Measurement. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosure about fair value measurements. The topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the topic, Fair Value Measurement.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at September 30, 2020:

National Forest Foundation

Notes to Financial Statements

Note 5. Fair Value Measurements and Investments (Continued)

	Level 1	Level 2	Total
Assets:			
Investments:			
Certificates of deposit	\$ -	\$ 15,747,231	\$ 15,747,231
Equities:			
Basic Materials	27,977	-	27,977
Communication Services	8,653	-	8,653
Consumer Cyclical	39,582	-	39,582
Consumer Defensive	27,698	-	27,698
Consumer Goods	21,550	-	21,550
Diversified Emerging Markets	181,050	-	181,050
Energy	8,904	-	8,904
Financial	58,904	-	58,904
Financial Services	25,235	-	25,235
Foreign Large Blend	248,504	-	248,504
Foreign Large Growth	214,824	-	214,824
Foreign Large Value	24,710	-	24,710
Foreign Small/Mid Blend	30,039	-	30,039
Health	40,838	-	40,838
Healthcare	89,888	-	89,888
Industrial Goods	2,959	-	2,959
Industrials	36,356	-	36,356
Infrastructure	28,115	-	28,115
Large Blend	74,783	-	74,783
Large Cap	163,101	-	163,101
Large Growth	73,371	-	73,371
Large Value	169,333	-	169,333
Managed Futures	64,579	-	64,579
Mid-Cap Growth	182,772	-	182,772
Real Estate	85,560	-	85,560
Robo Global	29,323	-	29,323
Services	51,055	-	51,055
Small Growth	99,393	-	99,393
Small Value	29,706	-	29,706
Technology	152,456	-	152,456
Utilities	8,374	-	8,374
Total equities	<u>2,299,592</u>	<u>-</u>	<u>2,299,592</u>
Fixed income mutual funds and exchange traded funds:			
Corporate Bond	128,235	-	128,235
High Yield Bond	14,462	-	14,462
Inflation-Protected Bond	40,473	-	40,473
Intermediate Government	103,427	-	103,427
Intermediate-Term Bond	174,021	-	174,021
Long Government	39,759	-	39,759
Multialternative	75,313	-	75,313
Multisector Bond	65,686	-	65,686
Ultrashort Bond	40,269	-	40,269
Total fixed income mutual funds and exchange traded funds	<u>681,645</u>	<u>-</u>	<u>681,645</u>
	<u>2,981,237</u>	<u>15,747,231</u>	<u>18,728,468</u>
Hedge fund measured using a practical expedient			<u>1,076,456</u>
Total investments at fair value			19,804,924
Plus cash held at cost			34,173
Total investments			<u>\$ 19,839,097</u>
Investments in deferred compensation plan:			
Money market funds	141,576	-	\$ 141,576
Total investments in deferred compensation plan	<u>141,576</u>	<u>-</u>	<u>141,576</u>
Total assets at fair value	<u>\$ 3,122,813</u>	<u>\$ 15,747,231</u>	<u>\$ 19,946,500</u>
Liabilities:			
Investments in deferred compensation plan	\$ -	\$ 141,576	\$ 141,576
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 141,576</u>	<u>\$ 141,576</u>

The money market funds, equities and mutual and exchange traded funds are classified as Level 1 instruments as they are actively traded on public exchanges with identical assets.

National Forest Foundation

Notes to Financial Statements

Note 5. Fair Value Measurements and Investments (Continued)

Certificates of deposit are classified as Level 2 instruments as there are not quoted market prices in active markets for identical assets. Their value is determined using models and other valuation methodologies, which are corroborated by market data.

The deferred compensation plan liability is based on the fair market value of the deferred compensation plan assets, which are observable inputs; however, the liability is not publicly traded and are, therefore, considered a Level 2 item.

The Foundation's hedge fund, valued using a practical expedient, totaled \$1,076,456 at September 30, 2020. At September 30, 2020, there are no unfunded commitments. The amount invested is subject to rolling three-year lock-up periods, and the current one will expire during the fiscal year ended September 30, 2021. There is a 90-day notice period for withdrawal before the current lock up period ends. The fund invests the majority of its assets in common and preferred stocks in companies based in the United States and internationally.

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2020, and changes in net assets with donor restrictions during the year ended September 30, 2020, are as follows:

	Balance September 30, 2019	Additions	Released	Balance September 30, 2020
Tree Planting	\$ 3,564,647	\$ 5,504,443	\$ (2,303,871)	\$ 6,765,219
Tehachapi Renewable Transmission Project	1,900,000	-	(105,635)	1,794,365
Dolly Copp Campground	-	638,750	(53,946)	584,804
Ski Conservation Fund	813,534	647,709	(901,298)	559,945
Hendricks	619,304	-	(81,601)	537,703
Angeles National Forest	567,155	500	(58,273)	509,382
Midewin National Tallgrass Prairie	429,509	1,106,711	(1,054,409)	481,811
Bill Williams Mountain Restoration	722,500	420,825	(666,354)	476,971
Northern Arizona Forest Fund	301,611	270,560	(219,279)	352,892
San Juan National Forest	285,627	1,439	(1,264)	285,802
Colorado Front Range Trail Stewardship Strike Team	-	422,400	(150,279)	272,121
Treasured Landscapes	1,142,070	74,116	(1,064,697)	151,489
Mount Elbert Collaborative Stewardship Project	-	242,650	(119,496)	123,154
Granite Basin Forest Restoration	-	128,225	(9,469)	118,756
Caribou-Targhee National Forest	-	130,000	(14,031)	115,969
Lower Salt River Riparian Restoration	4,250	200,000	(98,441)	105,809
Wildfire Assistance Fund	388,202	-	(288,688)	99,514
Eagle Creek Fire Restoration	108,060	9,264	(17,896)	99,428
Water Balance Project	-	100,000	(15,000)	85,000
Carbon Capital Fund	80,061	-	-	80,061
Mount Hood National Forest	124,875	-	(49,269)	75,606
San Gabriel National Monument	82,944	-	(8,905)	74,039
Bighorn Fire Restoration	-	60,220	-	60,220
Trail Restoration	60,006	-	-	60,006
Northern Rockies Position	96,496	42,000	(78,639)	59,857
Ocala National Forest	22,457	50,020	(14,593)	57,884
Forest Stewardship	63,899	80,240	(86,345)	57,794
White Mountain National Forest	98,829	-	(43,262)	55,567
Med-Bow Routt National Forest Water Replenishment	103,861	-	(50,979)	52,882
Camp Hale Project	47,039	-	-	47,039
5BRC	52,447	4,100	(13,346)	43,201

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	Balance			Balance
	September 30,	Additions	Released	September 30,
	2019			2020
White River National Forest	\$ 156,567	\$ 29,031	\$ (144,327)	\$ 41,271
Tongass National Forest	7,525	49,000	(17,064)	39,461
California Wildfire Restoration	47,166	2,182	(11,498)	37,850
Grand Mesa Uncompahgre & Gunnison National Forest	-	40,000	(3,000)	37,000
Idaho Panhandle National Forest	35,548	-	-	35,548
Comanche Creek - Carson National Forest	35,244	-	-	35,244
Pacific Northwest Recreation Enhancement	35,000	-	-	35,000
Sabino Canyon Invasive Species Project	-	50,000	(15,375)	34,625
International Forestry Fellows Program	-	35,000	(4,565)	30,435
General Operating Support - California	-	30,000	-	30,000
Alaska Forest Fund	6,573	100,000	(78,231)	28,342
Chippewa Soo Line Bridge	185,000	-	(160,000)	25,000
Flathead Youth Corp	-	25,000	(3,750)	21,250
Sam Houston National Forest	-	25,000	(3,750)	21,250
San Antonio Creek	-	100,000	(79,614)	20,386
Eastern Field Office	18,583	-	-	18,583
Bald Mountain Stewardship Project	6,605	30,000	(18,262)	18,343
San Gabriel National Monument	46,467	105	(30,209)	16,363
Stillaguamish Youth Engagement	-	10,000	4,460	14,460
Conservation Connect Fellow Program	11,207	55,000	(53,014)	13,193
Navajo & Hope Fuelwood Supply Initiative	-	15,000	(1,957)	13,043
Angoon Youth Conservation Corps	10,000	15,000	(12,250)	12,750
Youth Engagement	34,403	60,620	(82,292)	12,731
Rim Fire Recovery Fund	11,102	-	-	11,102
Schultz Fire Community Restoration	-	35,295	(24,504)	10,791
Trail Restoration	10,295	-	-	10,295
Coconino National Forest	3,077	-	7,197	10,274
Grizzly Creek Fire Restoration Fund	-	10,000	-	10,000
Mission Mountains Youth Crew	-	10,000	-	10,000
Arundo Removal	10,000	-	-	10,000
Halliburton Volunteer Event	10,000	-	(114)	9,886
Coconino & Kaibab National Forests	-	12,500	(2,737)	9,763
El Yunque Projects	3,847	5,745	(110)	9,482
Western Headlands Waterways	8,500	-	-	8,500
Find Your Fourteeners	17,814	-	(9,427)	8,387
Chippewa Soo Line Trail	8,099	-	-	8,099
Tahoe Headwaters	12,896	-	(5,110)	7,786
Environmental Program Support	-	7,500	-	7,500
Open the National Forests	3,594	3,755	-	7,349
Cathedral Ledge Access	-	111,000	(103,919)	7,081
Conjejos Peak District, Rio Grande National Forest	7,578	5,000	(5,750)	6,828
Gunnison Stewardship Fund	31,100	10,000	(34,856)	6,244
Tahoe National Forest	28,682	1,135	(24,069)	5,748
North Mountain Fire Lookout Restoration	-	10,679	(5,450)	5,229
River Intern Stewardship Program	-	49,400	(44,375)	5,025
Arizona Sonora Desert Museum	5,000	-	-	5,000
White Mountain National Forest	5,000	-	-	5,000
SoCal Post-Fire Restoration	-	4,500	-	4,500
SoCal Forest Fund	-	3,953	(303)	3,650
Southern Arizona Forest Fund	1,829	2,092	(314)	3,607

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2019		Additions	Released	Balance September 30, 2020
Mokelumne Fund	\$ 3,014	\$ -	\$ -	\$ -	\$ 3,014
Trailhead Improvement	7,695	10,000	(14,742)		2,953
Find Your Fourteeners	14,335	-	(11,914)		2,421
Penny Lake Platform	-	15,000	(12,750)		2,250
Mountain Pine Beetle Response Project	-	2,050	(8)		2,042
Conservation/Restoration	-	5,000	(3,291)		1,709
Idaho Panhandle National Forest	5,950	2,000	(6,242)		1,708
Nature Ambassadors	3,592	-	(2,000)		1,592
Colorado Projects	501	1,687	(621)		1,567
Flathead National Forest	-	1,500	-		1,500
Chugach NF Turnagain Pass	4,145	-	(2,718)		1,427
Idaho Forest Restoration Partnership Facilitation	-	3,795	(2,506)		1,289
Restoring Florida's Longleaf Pine Forest	1,929	-	(770)		1,159
Washington Okanogan-Wenatchee National Forest	1,132	-	-		1,132
Mount Elbert Trail Improvement & Restoration Project	-	20,000	(19,135)		865
Southern Colorado & Northern New Mexico National Forests	800	-	-		800
Crawford Path Trail	611	-	-		611
Iditarod Trailwork	1,530	-	(936)		594
Nantahala Pisgah National Forest	510	110	(45)		575
Beacon Checkers - Vail Pass	-	500	-		500
Post-Fire Community Engagement & Citizen Science	2,278	-	(1,929)		349
Monument Peak Lookout Tower	232	-	-		232
Mount Baker-Snoqualmie National Forest	-	15,216	(15,009)		207
OW Methow National Forest Projects	200	-	-		200
Boot Spur Trail Bridge	2,283	-	(2,154)		129
Lolo National Forest	-	419	(380)		39
Post-Fire Restoration Cleveland National Forest	-	50,000	(49,975)		25
Tahoe National Forest	164,180	-	(164,180)		-
Yuba Deuce National Forest	83,979	(83,979)	-		-
Connecting California to Tree Mortality	50,900	-	(50,900)		-
Northern Yuba River	25,590	-	(25,590)		-
White Mountain National Forest	23,066	250	(23,316)		-
Utah Uinta-Wasatch-Cache National Forest	16,334	-	(16,334)		-
Banning Creek Forest Restoration	14,155	-	(14,155)		-
Mill Creek	13,640	-	(13,640)		-
Mount Hood National Forest	10,382	420	(10,802)		-
East Vail Pass Study	10,000	-	(10,000)		-
State Forest Action Plans	9,211	-	(9,211)		-
Glen Ellis Project	8,500	-	(8,500)		-
Post-Fire Restoration in Idaho	8,386	-	(8,386)		-
Admiralty Island National Monument	7,291	-	(7,291)		-
Alaska Forest Fund - Youth Corps	5,000	-	(5,000)		-
Columbia River Gorge	4,250	5,000	(9,250)		-
Beaverhead Deerlodge Working Group	2,500	14,300	(16,800)		-
Southeastern United States	5,821	-	(5,821)		-
Idaho Panhandle National Forest	1,974	-	(1,974)		-
Mount Hood National Forest	1,310	-	(1,310)		-
Arapaho & Roosevelt National Forest	-	151,000	(151,000)		-
Cutthroat Trail Project	-	24,453	(24,453)		-
Oak Creek Sustainable Trails	-	26,000	(26,000)		-
Pikes Peak Trails	-	10,000	(10,000)		-
SAWS & Naval Academy	-	2,644	(2,644)		-
Stonefly	-	1,000	(1,000)		-
STOR Corps	-	70,000	(70,000)		-
Net assets with donor restrictions before endowment	13,010,890	11,436,029	(9,372,486)		15,074,433
Endowment	2,774,496	562,975	-		3,337,471
	<u>\$ 15,785,386</u>	<u>\$ 11,999,004</u>	<u>\$ (9,372,486)</u>		<u>\$ 18,411,904</u>

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

Management has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of cash contributions to donor-restricted permanent endowment and (b) the discounted value of future cash contributions to donor-restricted permanent endowment, net of allowance for uncollectible pledges. The remaining portion of donor-restricted cash contributions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

The purposes of the Foundation and donor-restricted endowment fund
The duration and preservation of the fund
General economic conditions
The possible effect of inflation and deflation
The expected total return from income and the appreciation of investments
Other available financial resources
Investment policies

Investment policy: The Foundation has adopted an investment policy for endowment net assets that attempts to provide both preservation and appreciation.

Spending policy: Earnings for the endowment are reflected in endowment net assets, until appropriated for expenditure in a prudent manner by the Board of Directors.

The endowment net asset composition by type of fund as of September 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 876,354	\$ -	\$ 876,354
Donor-restricted endowment funds:			
Coley Burke	-	3,337,471	3,337,471
	<u>\$ 876,354</u>	<u>\$ 3,337,471</u>	<u>\$ 4,213,825</u>

For the year ended September 30, 2020, the Foundation had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 870,178	\$ 2,774,496	\$ 3,644,674
Additions	-	6,000	6,000
Net investment gain	6,176	556,975	563,151
Endowment net assets, end of year	<u>\$ 876,354</u>	<u>\$ 3,337,471</u>	<u>\$ 4,213,825</u>

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of September 30, 2020, there were no such deficiencies.

Board designated endowment: Net assets not subject to donor-imposed restrictions (without donor restrictions), but designated as part of the quasi-endowment fund by the Board of Directors.

Note 7. Retirement Plans

The Foundation sponsors a 403(b) defined contribution pension plan covering all of its eligible full-time employees. To be eligible, an employee must have completed one year of service and must be an active contributor to the plan. The plan is administered by an outside agent. Employee participation is voluntary, and contribution amounts are determined by the participants. Under the guidelines for 501(c)(3) nonprofit corporations, the contribution amounts are payroll-deducted on a pre-tax basis. After meeting eligibility requirements and completing one year of service, the Foundation contributes up to 5% of the participant's salary to the plan. The Foundation's contribution was approximately \$108,000 for the year ended September 30, 2020.

The Foundation also sponsors a 457(b) deferred compensation plan for its former President. The Foundation made no contributions to the plan during the year ended September 30, 2020.

Note 8. Lines of Credit

The Foundation has a \$1,500,000 line of credit that will expire on August 14, 2022. The line of credit accrues interest at the prime lending rate and is secured by the assets of the Foundation. The outstanding balance on the line of credit was \$500,000 at September 30, 2020.

The Foundation has an agreement with a private funder that allows for the Foundation to borrow a maximum of \$2,598,000, with minimum borrowings of \$100,000, to fund specific forest restoration activities in connection with the project located in the North Yuba River Watershed of the Tahoe National Forest in California. The agreement matures on November 1, 2023. The outstanding principal balance was \$400,000 at September 30, 2020, and bears no interest.

Note 9. Refundable Advance

Under the CARES Act, the Foundation applied for the Paycheck Protection Program (PPP) loan with Small Business Administration (SBA) and received \$562,300 during the year ended September 30, 2020. The PPP loan has maturity date of April 9, 2022 with 18 monthly payments of \$31,650 to begin on November 9, 2020. At September 30, 2020, the PPP funds were recognized as a refundable advance of \$562,300 on the balance sheet.

The Foundation intends to use the full amount of the PPP funds for payroll and other qualified expenses listed to be forgiven per the terms of the refundable advance. Management expects the full amount to be forgiven during the year ending September 30, 2021 and the Foundation's accounting policy on the funds is disclosed in Note 1 to the financial statements. The Foundation determined it qualified for the program based on the criteria established by the SBA before applying and the Foundation intends to meet the PPP's eligibility criteria for forgiveness.

National Forest Foundation

Notes to Financial Statements

Note 10. Contingencies

Federal awards: The Foundation participates in a number of federally-assisted grant programs that are subject to financial and compliance audits by the federal government or its representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

COVID-19 Pandemic: On January 30, 2020, The World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included travel restrictions, and quarantines in certain areas, and forced closures for certain types of public places and business. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, include the geographical area in which the Foundation operates. Management is continually monitoring the potential impact of the pandemic on the Foundation. Management will review and adjust planned expenditures should it determine the outbreak will significantly impact the financial position and activities of the Foundation.