

National Forest Foundation

Financial Report
September 30, 2017

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Notes to financial statements	6-15

Independent Auditor's Report

To the 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, 2017, the related statements of activities 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, 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 January 23, 2018, 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 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
January 23, 2018

National Forest Foundation

**Statement of Financial Position
September 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
Assets		
Cash and cash equivalents	\$ 6,528,352	\$ 4,407,510
Receivables, net	3,112,965	4,423,281
Investments	9,166,786	8,629,055
Deferred compensation plan assets	309,724	241,026
Prepaid expenses and other assets	73,080	55,168
Equipment, net	39,949	24,218
	<u>\$ 19,230,856</u>	<u>\$ 17,780,258</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,424,391	\$ 1,284,161
Deferred revenue	3,463,066	2,906,984
Deferred compensation plan liability	309,724	241,026
	<u>5,197,181</u>	<u>4,432,171</u>
Contingencies (Note 8)		
Net assets:		
Unrestricted	3,144,409	4,326,249
Temporarily restricted	8,441,141	9,021,838
Permanently restricted	2,448,125	-
	<u>14,033,675</u>	<u>13,348,087</u>
	<u>\$ 19,230,856</u>	<u>\$ 17,780,258</u>

See notes to financial statements.

National Forest Foundation

Statement of Activities

Year Ended September 30, 2017

(With Comparative Totals for 2016)

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Contributions:					
Foundations	\$ 486,180	\$ 1,637,819	\$ -	\$ 2,123,999	\$ 1,444,248
Corporations	863,959	1,674,798	-	2,538,757	2,009,719
Individuals	1,980,623	385,893	30,000	2,396,516	2,202,644
In-kind	304,397	-	-	304,397	323,947
U.S. Government grants	2,823,558	-	-	2,823,558	3,264,355
State and local grants	184,714	705,099	-	889,813	1,404,767
Special events	258,840	25,122	-	283,962	287,027
Ski Conservation Fund contributions	-	778,798	-	778,798	589,104
Contract and reimbursable grant revenue	1,885,717	-	-	1,885,717	1,796,438
Forest Stewardship Fund contributions	-	64,700	-	64,700	114,088
Other income	70,754	-	-	70,754	96,784
Investment income	26,320	445,291	-	471,611	259,093
Net assets released from restrictions	6,298,217	(6,298,217)	-	-	-
Total support and revenue	15,183,279	(580,697)	30,000	14,632,582	13,792,214
Expenses:					
Program services:					
Grants and awards	7,133,770	-	-	7,133,770	5,732,540
Conservation	4,301,147	-	-	4,301,147	5,573,473
Total program services	11,434,917	-	-	11,434,917	11,306,013
Supporting services:					
General and administrative	932,235	-	-	932,235	775,242
Marketing, development and communications	1,579,842	-	-	1,579,842	1,204,336
Total supporting services	2,512,077	-	-	2,512,077	1,979,578
Total expenses	13,946,994	-	-	13,946,994	13,285,591
Transfer to permanently restricted net assets	(2,418,125)	-	2,418,125	-	-
Change in net assets	(1,181,840)	(580,697)	2,448,125	685,588	506,623
Net assets:					
Beginning	4,326,249	9,021,838	-	13,348,087	12,841,464
Ending	\$ 3,144,409	\$ 8,441,141	\$ 2,448,125	\$ 14,033,675	\$ 13,348,087

See notes to financial statements.

National Forest Foundation

Statement of Cash Flows
Year Ended September 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 685,588	\$ 506,623
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,824	15,343
Realized and unrealized gain on investments, net	(455,209)	(237,047)
Decrease in discount on receivables	(19,638)	(84,661)
Contributions restricted for permanent endowment	(30,000)	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Receivables	1,329,954	1,138,382
Prepaid expenses and other assets	(17,912)	27,419
Increase (decrease) in:		
Accounts payable and accrued expenses	140,230	(540,983)
Deferred revenue	556,082	538,278
Net cash provided by operating activities	2,203,919	1,363,354
Cash flows from investing activities:		
Purchases of investments	(82,522)	(1,083,962)
Proceeds from sales of investments	-	600,000
Purchases of property and equipment	(30,555)	(13,950)
Net cash used in investing activities	(113,077)	(497,912)
Cash flows from financing activities:		
Contributions restricted for permanent endowment	30,000	-
Net cash provided by financing activities	30,000	-
Net increase in cash and cash equivalents	2,120,842	865,442
Cash and cash equivalents:		
Beginning	4,407,510	3,542,068
Ending	\$ 6,528,352	\$ 4,407,510

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 held in the investment portfolios is 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. 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. There was no provision for doubtful receivables at September 30, 2017. Management believes all receivables are fully collectible.

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 net asset value (NAV) per share (or its equivalent) 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.

Equipment: Equipment purchases are capitalized and depreciated on a straight-line basis over their estimated lives, generally three to five years. The Foundation capitalizes all equipment with a cost of \$2,500 or more.

Support and revenue: Unconditional contributions and unconditional state and local grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 received 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 on the cost reimbursement basis.

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

Donated services: 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.

Expense allocation: Program and supporting services have been presented on a functional basis in the accompanying statement of activities. Certain overhead costs have been allocated among programs, general and administrative, marketing, development and communications.

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, 2017.

National Forest Foundation

Notes to Financial Statements

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

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 requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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, 2016, from which the summarized information was derived.

Reclassification: Certain prior year items were reclassified to conform to the current year presentation. These changes had no impact on net assets or change in net assets.

Pending accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 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, 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied.

In May 2014, the FASB issued ASU No. 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 No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Subsequent events: The Foundation evaluated subsequent events through January 23, 2018, which is the date the financial statements were available to be issued.

National Forest Foundation

Notes to Financial Statements

Note 2. Receivables

Receivables at September 30, 2017, are comprised of the following:

Unconditional contributions and grants, federal contracts and reimbursable grants expected to be collected in:	
Less than one year	\$ 2,387,229
One year to five years	769,200
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Gross unconditional contributions and grants, federal contracts and reimbursable grants	3,156,429
Less unamortized discount (at a rate of 4.25%)	(43,464)
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Total unconditional contributions, federal and non-federal contracts and reimbursable grants	\$ 3,112,965
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Receivables from Board members and their affiliated organizations amounted to approximately \$721,000 at September 30, 2017. During the year ended September 30, 2017, the Foundation received approximately \$557,000 of contribution support from Board members and their affiliated organizations.

Note 3. 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.

National Forest Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

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, 2017:

	Level 1	Level 2	Total
Assets:			
Investments:			
Certificates of deposit	\$ -	\$ 3,361,274	\$ 3,361,274
Money market funds	242,335	-	242,335
Equities:			
Financial	136,501	-	136,501
Healthcare	107,660	-	107,660
Technology	105,085	-	105,085
Services	80,237	-	80,237
Basic materials	64,262	-	64,262
Consumer goods	36,241	-	36,241
Industrial goods	35,779	-	35,779
Utilities	1,917	-	1,917
Total equities	<u>567,682</u>	<u>-</u>	<u>567,682</u>
Equity mutual funds and exchange traded funds:			
Diversified emerging markets	167,690	-	167,690
Foreign large blend	300,630	-	300,630
Foreign large growth	118,617	-	118,617
Foreign large value	60,925	-	60,925
Foreign small/mid value	27,597	-	27,597
Global real estate	24,249	-	24,249
Infrastructure	26,840	-	26,840
Large blend	131,981	-	131,981
Large growth	70,137	-	70,137
Large value	65,832	-	65,832
Mid-cap growth	55,045	-	55,045
Mid-cap value	56,518	-	56,518
Real estate	22,924	-	22,924
Small blend	26,220	-	26,220
Small growth	56,142	-	56,142
Small value	69,345	-	69,345
Total equity mutual funds	<u>1,280,692</u>	<u>-</u>	<u>1,280,692</u>
Fixed income mutual funds and exchange traded funds:			
Intermediate-term bond	161,588	-	161,588
Short-term bond	106,756	-	106,756
Corporate bond	169,137	-	169,137
Inflation-protected bond	32,926	-	32,926
Bank loan	38,533	-	38,533
Intermediate government	73,879	-	73,879
Nontraditional bond	30,159	-	30,159
Short government	40,114	-	40,114
Long government	26,944	-	26,944
World bond	22,180	-	22,180
High yield bond	26,816	-	26,816
Total fixed income mutual funds	<u>729,032</u>	<u>-</u>	<u>729,032</u>

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

	Level 1	Level 2	Total
Assets – investments (continued):			
Hedge fund measured using a net asset value per share (or its equivalent) practical expedient	\$ -	\$ -	\$ 692,231
Total investments at fair value	<u>\$ 2,819,741</u>	<u>\$ 3,361,274</u>	6,873,246
Plus cash held at cost			2,293,540
Total investments			<u>\$ 9,166,786</u>
Investments in deferred compensation plan:			
Equity mutual funds:			
Large growth	\$ 129,076	\$ -	\$ 129,076
Health	32,502	-	32,502
Fixed income mutual funds:			
High yield bond	44,801	-	44,801
Corporate bond	44,158	-	44,158
Emerging markets bond	29,618	-	29,618
Multisector bond	29,569	-	29,569
Total investments in deferred compensation plan	<u>309,724</u>	<u>-</u>	<u>309,724</u>
Total assets at fair value	<u>\$ 3,129,465</u>	<u>\$ 3,361,274</u>	<u>\$ 7,182,970</u>
Liabilities:			
Investments in deferred compensation plan	\$ -	\$ (309,724)	\$ (309,724)
Total liabilities at fair value	<u>\$ -</u>	<u>\$ (309,724)</u>	<u>\$ (309,724)</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.

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 liabilities included in accounts payable and accrued expenses are based on the fair market value of the deferred compensation plan assets, which are observable inputs; however, the liabilities are not publicly traded and are, therefore, considered Level 2 items.

The Foundation's hedge fund, valued using a NAV per share (or its equivalent) practical expedient, totaled \$692,231 at September 30, 2017. At September 30, 2017, there are no unfunded commitments. The amount invested has a three-year lock-up period that will expire during the fiscal year ending September 30, 2018. There is a 90-day notice period after the lock up period ends. The fund investments the majority of its assets in common and preferred stocks in companies based in the United States and internationally.

Investment income for the year ended September 30, 2017, consists of the following:

Realized and unrealized gains, net	\$ 455,209
Interest and dividends	16,402
	<u>\$ 471,611</u>

National Forest Foundation

Notes to Financial Statements

Note 4. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended September 30, 2017, by purposes are as follows:

	Balance September 30, 2016	Additions	Released	Balance September 30, 2017
Tree planting	\$ 1,948,165	\$ 342,474	\$ (620,059)	\$ 1,670,580
Disney	1,008,234	-	(169,788)	838,446
Hendricks	1,107,288	-	(292,612)	814,676
Ski Conservation Fund	497,730	778,796	(609,068)	667,458
Angeles National Forest	1,819,756	1,050	(1,188,287)	632,519
CA Tahoe Crown Family Philanthropies	-	400,000	(30,951)	369,049
White River National Forest	656,572	-	(376,262)	280,310
Northern Arizona Forest Fund	551,807	-	(285,944)	265,863
REI	-	750,000	(500,000)	250,000
AZ NAFF City of Phoenix	-	400,000	(165,579)	234,421
CA Tahoe Coca-Cola Stewardship	-	200,000	(30,140)	169,860
CO - Find Your Fourteeners/Gates Family Foundation	-	225,000	(64,783)	160,217
Midewin - Donnelley Foundation	-	136,830	(8,210)	128,620
Midewin - Grand Victoria Foundation	-	136,830	(8,210)	128,620
NH - Cornelia Cogswell Rossi Foundation	-	150,000	(36,185)	113,815
CA SGNM Edison International	-	150,000	(45,513)	104,487
Midewin - Turnbull Burnstein Family Charitable Fund	-	100,000	(4,003)	95,997
Benson Family Fund	90,465	-	-	90,465
5BRC	81,508	10,000	(5,419)	86,089
CA Tahoe Coca-Cola French Meadows	-	100,000	(15,000)	85,000
Forest Stewardship	161,584	64,701	(141,558)	84,727
Tree Planting - Salt River Project	-	174,472	(105,250)	69,222
IL - Midewin/Donnelley Foundation	-	75,000	(16,228)	58,772
Illinois Midewin Tallgrass Prairie	213,411	1,600	(159,355)	55,656
CA Pacific Gas & Electric	-	65,000	(13,516)	51,484
Tree Planting - Pernod Ricard	-	50,000	-	50,000
FL - Polaria Apalachicola Silver Lake Trail	-	58,824	(8,824)	50,000
CO - Gates Frontiers Fund	-	50,000	(906)	49,094
Utah Uinta-Wasatch-Cache National Forest	50,571	-	(3,824)	46,747
Angeles National Forest - SGNM REI	-	50,000	(3,638)	46,362
ID - Charles Engelhard Foundation	-	50,000	(7,549)	42,451
AZ NAFF City of Mesa	-	30,000	7,950	37,950
FL - Spurlino Foundation - Restoration of long-leaf pine	-	40,000	(6,000)	34,000
Ocala National Forest	69,553	-	(36,942)	32,611
UT - UWC Sorenson Legacy Foundation	-	35,000	(4,250)	30,750
New Hampshire White Mountain	119,608	-	(89,497)	30,111
AZ NAFF City of Glendale	-	25,000	5,100	30,100
Tree Planting - Revision Skincare	-	35,319	(5,298)	30,021
Grant Foundation	-	30,000	-	30,000
AZ NAFF City of Scottsdale	-	50,000	(25,000)	25,000
Tahoe National Forest	136,389	-	(112,485)	23,904
Tree Planting - MinuteKey	-	27,747	(4,162)	23,585
Carbon Capital Fund	23,287	-	-	23,287
CA Tahoe CA Foundation for Stronger Communities	-	20,000	-	20,000
NH - Mary Smart Tuckerman Ravine	-	20,000	-	20,000
CA SGNM Boeing	-	30,000	(11,790)	18,210
Eagle Creek Fire Restoration	-	16,645	(1,667)	14,978
AZ NAFF Crown Family Philanthropies	-	150,000	(136,117)	13,883
Tree Planting - Imperial International	-	15,000	(2,250)	12,750
ID - Cross Charitable Foundation	-	20,000	(7,952)	12,048
Rim Fire Recovery Fund	11,102	-	-	11,102
Idaho Panhandle National Forest	36,206	100	(26,918)	9,388
AZ NAFF - Bonneville Foundation	-	12,500	(3,149)	9,351

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 4. Temporarily Restricted Net Assets (Continued)

AZ NAFF Nina Mason Pulliam Trust	\$	-	\$	30,000	\$	(21,018)	\$	8,982
Tree Planting - Santa Fe Natural Tobacco Co.		-		10,500		(1,575)		8,925
Angeles National Forest - SGNM Alcoa Foundation		-		10,000		(1,354)		8,646
CO - Berniece Gates Hopper Family Fund		-		18,000		(9,373)		8,627
Midewin - C3 Presents		-		10,000		(1,500)		8,500
Kutnick Foundation		-		10,000		(1,500)		8,500
NH - Cricket Foundation		-		10,000		(1,500)		8,500
Arizona Projects		125,211		-		(117,095)		8,116
AZ SAFF - Tucson Electric		-		10,000		(2,287)		7,713
MN - Polaris Chippewa Soo Line Trail		-		49,412		(42,412)		7,000
AZ NAFF - Patagonia		-		8,000		(1,200)		6,800
Tree Planting - The Mitchell Gold CO		-		7,646		(1,147)		6,499
CA SGNM Southwest Airlines		-		15,000		(8,610)		6,390
Idaho Sun Valley		7,262		-		(916)		6,346
OR - Mt. Hood General		-		5,126		(7)		5,119
CO - Find Your Fourteeners		-		5,708		(688)		5,020
New Hampshire - General		-		5,000		-		5,000
CA Amrod Charitable Foundation		-		5,000		(500)		4,500
UT - UWC Hemingway Foundation		-		5,000		(750)		4,250
NH - Fields Pond		-		7,500		(4,296)		3,204
Coconino		8,086		-		(5,010)		3,076
Mokolumne Fund		3,008		-		-		3,008
Washington Okanogan-Wenatchee National Forest		9,063		100		(6,333)		2,830
NH - White Mountain		-		6,864		(4,086)		2,778
CA SGNM Southern Cal Gas Company		-		10,000		(7,507)		2,493
Colorado Projects		7,928		325		(6,425)		1,828
OR - Mt. Hood Jackson Foundation		-		1,500		-		1,500
Rasmuson Foundation		5,878		-		(4,855)		1,023
Ecosystem services		8,683		-		(8,011)		672
Washington post-fire restoration		500		-		-		500
WA - C.C. Filson Co		-		10,000		(9,500)		500
Midewin - General Donations		-		160		-		160
WA - Methow Moccasin Lake Foundation		-		5,000		(4,900)		100
Barrett		130,591		-		(130,591)		-
S California AQMD		47,026		-		(47,026)		-
Murdock Foundation		33,964		-		(33,964)		-
Colorado Watersheds		22,507		-		(22,507)		-
Board Recruiting Funds		10,088		-		(10,088)		-
Alliance Sheyenne Grassland		5,004		-		(5,004)		-
FOF Days		4,158		-		(4,158)		-
Gates Family Foundation FYF Fundraising Event		-		4,975		(4,975)		-
AZ NAFF General		-		10,099		(10,099)		-
AZ NAFF San Tan Brewing/Crescent Crown		-		10,000		(10,000)		-
Tree Planting - Kuat Racks		-		21,176		(21,176)		-
Tree Planting - Lands End		-		65,000		(65,000)		-
Midewin - Aqua Charitable Fund		-		1,000		(1,000)		-
Midewin - Allyn Foundation		-		7,500		(7,500)		-
Southwest Airlines - Treasured Landscapes		-		25,000		(25,000)		-
Alaska Forest Fund - Alaskan Brewing Co		-		4,000		(4,000)		-
Alaska Forest Fund - Hecla/Admiralty Island		-		10,000		(10,000)		-
AZ NAFF - CenturyLink		-		50,000		(50,000)		-
AZ SAFF - General Donations		-		1,041		(1,041)		-
CA Southwest Airlines		-		10,000		(10,000)		-
IL - Midewin/EcoLab		-		2,000		(2,000)		-
IL - Midewin/Dr. Scholl		-		5,000		(5,000)		-
IL - Midewin Youth Corp/Ecolab		-		2,000		(2,000)		-
NM - Coca-Cola Comanche Creek		-		140,000		(140,000)		-
WA - Methow Horizons Foundation		-		15,000		(15,000)		-
Kendeda Foundation		7,645		-		(7,645)		-
Minnesota Projects		2,000		-		(2,000)		-
		\$		9,021,838		\$		5,717,520
						\$		(6,298,217)
								\$
								8,441,141

National Forest Foundation

Notes to Financial Statements

Note 5. Permanently Restricted Net Assets

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 permanently restricted net assets (a) the original value of permanently restricted cash contributions, and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible pledges. The remaining portion of donor-restricted cash contributions are classified as temporarily restricted net assets 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, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 507,686	\$ -	\$ -	\$ 507,686
Donor-restricted endowment funds	-	125,950	2,448,125	2,574,075
	<u>\$ 507,686</u>	<u>\$ 125,950</u>	<u>\$ 2,448,125</u>	<u>\$ 3,081,761</u>

For the year ended September 30, 2017, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,899,491	\$ -	\$ -	\$ 2,899,491
Additions	-	-	30,000	30,000
Net investment gain	26,320	125,950	-	152,270
Transfer from unrestricted to permanent endowment	(2,418,125)	-	2,418,125	-
Endowment net assets, end of year	<u>\$ 507,686</u>	<u>\$ 125,950</u>	<u>\$ 2,448,125</u>	<u>\$ 3,081,761</u>

The transfer to permanently restricted endowment from the unrestricted board-designated endowment is due to a change in donor restriction.

National Forest Foundation

Notes to Financial Statements

Note 5. Permanently Restricted Net Assets (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 unrestricted net assets. As of September 30, 2017, there were no such deficiencies.

Note 6. 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 \$91,000 for the year ended September 30, 2017.

The Foundation also sponsors a 457(b) deferred compensation plan for certain executives. The Foundation made no contributions to the plan during the year ended September 30, 2017.

Note 7. Line of Credit

The Foundation has a \$1,000,000 line of credit that will expire on July 30, 2018. The line of credit accrues interest at the bank's prime lending rate, plus 1% and is secured by the assets of the Foundation. There was no outstanding balance on the line at September 30, 2017.

Note 8. 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.