

National Forest Foundation

Financial Report
September 30, 2014

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	6-14



Independent Auditor's Report

To the Board of Directors
National Forest Foundation
Missoula, Montana

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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, 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 30, 2015, 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 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.

A handwritten signature in cursive script that reads "McGladrey LLP".

McLean, Virginia
January 30, 2015

National Forest Foundation

**Statement of Financial Position
September 30, 2014
(With Comparative Totals for 2013)**

Assets	2014	2013
Cash and Cash Equivalents	\$ 2,878,871	\$ 2,831,809
Receivables, Net	3,714,721	4,215,230
Investments	5,911,225	5,608,608
Prepaid Expenses and Other Assets	124,128	87,997
Equipment, Net	36,622	12,806
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	\$ 12,665,567	\$ 12,756,450
	<hr/>	<hr/>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,720,265	\$ 725,944
Deferred revenue	2,242,168	3,073,587
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	3,962,433	3,799,531
	<hr/>	<hr/>
Contingencies (Note 9)		
Net Assets		
Unrestricted	970,585	859,567
Temporarily restricted	7,459,424	7,824,227
Permanently restricted	273,125	273,125
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	8,703,134	8,956,919
	<hr/>	<hr/>
	\$ 12,665,567	\$ 12,756,450
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See Notes to Financial Statements.

National Forest Foundation

Statement of Activities

Year Ended September 30, 2014

(With Comparative Totals for 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Contributions:					
Foundations	\$ 1,211,451	\$ 1,535,410	\$ -	\$ 2,746,861	\$ 2,139,098
Corporations	78,364	1,211,011	-	1,289,375	1,689,261
Individuals	78,570	161,108	-	239,678	414,663
In-kind	52,933	-	-	52,933	116,248
U.S. Government grants	4,001,608	-	-	4,001,608	3,815,166
State and local grants	1,100,172	369,140	-	1,469,312	549,686
Special events	400,719	-	-	400,719	264,119
Ski Conservation Fund	49,496	280,469	-	329,965	392,501
Contract revenue	126,675	-	-	126,675	177,307
Membership	89,562	-	-	89,562	103,073
Forest Stewardship Fund	12,458	70,607	-	83,065	73,635
Other income	76,461	-	-	76,461	48,424
Investment income	6,295	-	-	6,295	28,255
Net assets released from restrictions	3,992,548	(3,992,548)	-	-	-
Total support and revenue	11,277,312	(364,803)	-	10,912,509	9,811,436
Expenses					
Program services:					
Grants and awards	6,218,758	-	-	6,218,758	5,754,590
Conservation	3,319,880	-	-	3,319,880	2,310,585
Membership	55,977	-	-	55,977	65,816
Total program services	9,594,615	-	-	9,594,615	8,130,991
Supporting services:					
General and administrative	636,117	-	-	636,117	598,762
Marketing, development and communications	935,562	-	-	935,562	765,181
Total supporting services	1,571,679	-	-	1,571,679	1,363,943
Total expenses	11,166,294	-	-	11,166,294	9,494,934
Change in net assets	111,018	(364,803)	-	(253,785)	316,502
Net Assets					
Beginning	859,567	7,824,227	273,125	8,956,919	8,640,417
Ending	\$ 970,585	\$ 7,459,424	\$ 273,125	\$ 8,703,134	\$ 8,956,919

See Notes to Financial Statements.

National Forest Foundation

Statement of Cash Flows
Year Ended September 30, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (253,785)	\$ 316,502
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,452	1,328
Realized and unrealized (gains) on investments, net	(3,391)	(16,208)
Increase (decrease) in discount on receivables	42,209	(14,694)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	458,300	(789,414)
Prepaid expenses and other assets	(36,131)	(64,150)
Increase (decrease) in:		
Accounts payable and accrued expenses	994,321	(95,346)
Deferred revenue	(831,419)	(264,764)
Net cash provided by (used in) operating activities	379,556	(926,746)
Cash Flows From Investing Activities		
Purchases of investments	(3,224,361)	(4,305,523)
Proceeds from sales of investments	2,925,135	4,378,947
Purchases of property and equipment	(33,268)	(10,890)
Net cash (used in) provided by investing activities	(332,494)	62,534
Net increase (decrease) in cash and cash equivalents	47,062	(864,212)
Cash and Cash Equivalents		
Beginning	2,831,809	3,696,021
Ending	\$ 2,878,871	\$ 2,831,809

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 non-profit, 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 support and revenue are 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 Accounting Standards Codification (the Codification). As required by the Non-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 an original 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 purchases certificates of deposit for amounts lower than the current federally insured limits per bank to limit risk.

The Foundation invests in professionally managed portfolios that contain cash, a money market fund, certificates of deposit, and mutual funds. Such investments are exposed to various risks, such as market 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 and federal contracts. Unconditional contributions and grants are recognized as support in the period received. 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, 2014. Management believes all receivables are fully collectible.

Investments: Investments are carried at fair value. To adjust the carrying value, unrealized and realized gains and losses are included in the accompanying statement of activities.

National Forest Foundation

Notes to Financial Statements

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

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: Contributions and 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. 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 not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Foundation defers federal grant revenue received under approved awards to the extent that payments received exceed expenses incurred for the purposes specified under the grant restrictions. Federal 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 is recognized when the event occurs.

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, and 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, 2014.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

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 to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2011.

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. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2013, from which the summarized information was derived.

Subsequent events: The Foundation evaluated subsequent events through January 30, 2015, which is the date the financial statements were available to be issued.

Note 2. Receivables

Receivables at September 30, 2014, are comprised of the following:

Unconditional contributions and grants and federal contracts expected to be collected in:	
Less than one year	\$ 2,455,920
One year to five years	<u>1,371,149</u>
Gross unconditional contributions and grants and federal contracts receivable	3,827,069
Less unamortized discount (at a rate of 3.25%)	<u>(112,348)</u>
Total unconditional contributions and grants and federal contracts receivable	<u><u>\$ 3,714,721</u></u>

Note 3. Fair Value Measurements

The Foundation follows the Codification topic, *Fair Value Measurement*. The Codification applies to all assets and liabilities that are being measured and reported on a fair value basis. The Codification requires disclosure that establishes a framework for measuring fair value in accordance with generally accepted accounting principles in the United States of America and expands disclosure about fair value measurements. The Codification 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 Codification 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 Codification topic, *Fair Value Measurement*. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

National Forest Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

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

Assets	Level 1	Level 2	Level 3	Total
Investments				
Cash	\$ 1,730,307	\$ -	\$ -	\$ 1,730,307
Money market fund	862,191	-	-	862,191
Certificates of deposit	-	3,159,762	-	3,159,762
	<u>2,592,498</u>	<u>3,159,762</u>	<u>-</u>	<u>5,752,260</u>
Investments in Deferred Compensation Plan				
Equity mutual funds:				
Large blend	43,736	-	-	43,736
Large growth	27,860	-	-	27,860
Real estate	10,741	-	-	10,741
World stock	9,492	-	-	9,492
Emerging markets	7,620	-	-	7,620
Fixed income mutual funds:				
Multisector bond	48,670	-	-	48,670
Emerging markets bond	10,846	-	-	10,846
	<u>158,965</u>	<u>-</u>	<u>-</u>	<u>158,965</u>
Total assets at fair value	<u>\$ 2,751,463</u>	<u>\$ 3,159,762</u>	<u>\$ -</u>	<u>\$ 5,911,225</u>
Liabilities:				
Investments in deferred compensation plan	\$ -	\$ (158,965)	\$ -	\$ (158,965)
Total liabilities at fair value	<u>\$ -</u>	<u>\$ (158,965)</u>	<u>\$ -</u>	<u>\$ (158,965)</u>

The cash is classified as a Level 1 instrument as it is held within the Foundation's investment accounts and valued using broker quotes that utilize observable inputs. The money market fund and mutual 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 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.

Investment income for the year ended September 30, 2014, consists of the following:

Realized and unrealized gains, net	\$ 3,391
Interest and dividends	2,904
	<u>\$ 6,295</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, 2014, by purposes are as follows:

	Balance September 30, 2013	Additions	Releases	Transfers Within Temporarily Restricted Net Assets	Balance September 30, 2014
Disney	\$ 2,125,201	\$ -	\$ (850,994)	\$ -	\$ 1,274,207
Hendricks	501,094	1,000,000	(198,524)	(50,000)	1,252,570
Salt River	369,837	187,500	(52,563)	-	504,774
Foreman - Bison	442,284	-	(11,077)	-	431,207
Barrett Prize	434,508	-	(34,227)	-	400,281
Sierra Nevada Conservancy	-	349,140	-	-	349,140
Cons Camp	155,676	388,151	(194,782)	(41,143)	307,902
Lynx CO White River Project	333,819	-	(28,655)	-	305,164
Vail	225,565	196,971	(205,409)	9,414	226,541
WRNF	196,066	59,500	(41,924)	-	213,642
Chevy/Bonneville	161,643	-	(23,603)	-	138,040
Forest Stewardship Fund	89,222	70,607	(39,571)	(2,000)	118,258
Tree Planting	99,784	104,358	(86,991)	-	117,151
S. California AQMD	722,648	-	(613,710)	-	108,938
New Jersey Highlands - El Paso FY11	96,667	-	-	-	96,667
Aspen Reforestation/Kaibab NF	-	102,050	(6,232)	-	95,818
Murdock - PNW Development Director	159,440	-	(74,452)	-	84,988
S. California Station Fire Restoration	160,540	-	(89,164)	-	71,376
Polaris	29,345	52,000	(11,342)	-	70,003
Plow & Hearth	119,166	-	(54,737)	-	64,429
Avista Utilities	-	61,000	-	-	61,000
Whychus Overlook	-	6,763	(1,273)	52,644	58,134
Ski Apache	83,686	15	(28,333)	-	55,368
Carbon Capital Fund General	44,523	8,449	(232)	-	52,740
CO WRNF - Gates Family Foundation	-	63,750	(15,330)	-	48,420
Boeing	27,259	21,641	(3,661)	-	45,239
TP Lands Ends 2014 (4 projects)	-	43,870	-	-	43,870
CO WRNF - Climax Molybdenum	-	42,500	-	-	42,500
Smart Family Foundation	66,521	-	(24,845)	-	41,676
OneMain Financial	-	80,750	(42,500)	-	38,250
CA Tahoe	-	46,028	(8,776)	-	37,252
Ocala	30,250	30,315	(23,938)	-	36,627
Aurora Water	36,550	-	(37)	-	36,513
NH WM	27,200	52,700	(28,609)	(17,000)	34,291
IL Midewin	56,995	97,572	(275,090)	154,373	33,850
Kirkwood	33,239	-	-	-	33,239
Idaho - Sun Valley	-	42,500	(9,999)	-	32,501
Ecosystem Services	55,375	-	(23,989)	-	31,386
Southwest Energy	28,873	1,651	-	-	30,524
Alliance Sheyenne Grassland	33,250	-	(2,750)	-	30,500
Tree Planting all small donations for specific areas	23,214	14,984	(9,350)	-	28,848
Copper Mtn	16,014	24,340	(18,228)	-	22,126
International Conservation	-	21,250	-	-	21,250

National Forest Foundation

Notes to Financial Statements

Note 4. Temporarily Restricted Net Assets (Continued)

CWCB Healthy Rivers Fund	-	20,000	-	-	20,000
Alaska Mitigation	137,318	-	(119,101)	-	18,217
WA - Okanogan Wenatchee	4,430	16,741	(3,048)	-	18,123
Ford	12,238	5,781	-	-	18,019
NH Waterville Valley	-	-	-	17,000	17,000
NH - White Mountain - General	28,419	2,153	(14,193)	-	16,379
ALCOA/Am. Forestry	17,106	-	(1,986)	-	15,120
Hayman Individual Gifts	13,945	230	-	-	14,175
Board Recruiting Funds	-	13,253	-	-	13,253
Gates Heyman	12,979	-	(685)	-	12,294
Jackson Hole	14,632	31	(4,319)	-	10,344
Whychus Metolius	11,151	85	(1,842)	-	9,394
Honest Tea	8,500	-	-	-	8,500
ID - Wood River Valley - Peter Foreman	-	8,500	-	-	8,500
ID - Wood River Valley - Wodecroft Fnd	-	8,500	-	-	8,500
Angeles - Alcoa - American Forests #2	-	10,000	(1,695)	-	8,305
AZ Coconino Hendrick	13,700	-	(6,034)	-	7,666
Bonneville TP	17,733	-	(10,679)	-	7,054
Sugar Bowl	6,232	822	-	-	7,054
Cooper Spur	5,315	1,631	-	-	6,946
Alleghany	8,387	-	(1,443)	-	6,944
Timberline	2,798	4,034	-	-	6,832
Mt Shasta	6,736	-	-	-	6,736
Mt Bachelor	5,884	-	-	-	5,884
UT UWC	-	23,958	(18,221)	-	5,737
Mead Foundation	7,373	-	(2,594)	-	4,779
Kendeda Fund	-	4,250	-	-	4,250
CO Whispering Fox/San Isabel	-	12,750	(8,582)	-	4,168
FOF Day Sponsor	4,158	-	-	-	4,158
Stub Hub	4,024	-	-	-	4,024
Rim Fire Recovery Fund	77	3,515	-	-	3,592
Snowpine Lodge	1,321	1,901	-	-	3,222
Community Assistance Program	6,922	-	(4,324)	-	2,598
Winter Valley	940	1,574	-	-	2,514
Ricoh	1,950	-	-	-	1,950
Winter Park	11,126	1,591	(10,902)	-	1,815
The Newfield Foundation	1,700	-	-	-	1,700
Co Convention	1,637	-	-	-	1,637
Breaking New Ground	3,140	-	(1,653)	-	1,487
Friends of Northern AZ	1,445	-	-	-	1,445
ID Panhandle - Priest Community Forest Connection	-	1,740	(298)	-	1,442
California Tahoe	1,870	812	(1,259)	-	1,423
Freeport	18,864	-	(17,792)	-	1,072
CO Watersheds - General	20	911	-	-	931
AK -Wilburforce Tongass	3,858	-	(3,000)	-	858
National Forest Trust/Mike Freed Real Estate Transactions	2,382	-	(1,698)	-	684
Arizona Campgrounds	643	35	-	-	678
Booth Ck Tahoe	676	-	-	-	676

National Forest Foundation

Notes to Financial Statements

Note 4. Temporarily Restricted Net Assets (Continued)

Togwotee	668	-	-	-	668
Arizona	-	850	(320)	-	530
Mammoth	520	-	-	-	520
Wildfire Restoration	5,165	438	(5,165)	-	438
Snowbird	411	45,382	(45,432)	-	361
Booth Ck NH	360	-	-	-	360
Dodge Ridge	-	358	-	-	358
Steven's Pass	314	-	-	-	314
Reforestation Fundraiser	276	-	-	-	276
Z Red Rock Ranger District, Coconino NF Trails	-	85	-	-	85
NW FOF Days	2,384	601	(2,922)	-	63
Mt. Hood (OR)	60	-	-	-	60
Mokelumne Fund - CA	-	72	(14)	-	58
Loon Mountain	-	54	-	-	54
AZ Polaris Fnd - Kelly Trail Project	20,394	-	(20,394)	-	-
Treasured Landscapes	64,045	-	(64,045)	-	-
SE Alaska Watershed Project	13,645	-	(13,645)	-	-
ESS Coca Cola	-	207,073	(93,843)	(113,230)	-
Angeles, CA	9	4,174	(4,183)	-	-
Grand Tarhee	570	-	(570)	-	-
Alpinglow Inn	64	-	(64)	-	-
Ashland OR Watershed Restoration	-	42,500	(42,500)	-	-
Board Relations	83,484	-	(83,484)	-	-
Colorado Fire Recovery Fund	2,744	-	(2,744)	-	-
Conservation ConnectTA/CFLRP Workshop	-	85	(85)	-	-
Durango Mtn	9,414	-	-	(9,414)	-
El Pomar	100	-	(100)	-	-
Friends of the Angeles	-	561	(561)	-	-
Idaho Panhandle - General	-	94	(94)	-	-
Land's End 3 projects	42,225	-	(42,225)	-	-
Lightfoot Foundation	5,800	-	(5,800)	-	-
Montana NF - Sidney E Frank	-	8,500	(8,500)	-	-
Pike NF - Hayman	65,000	-	(65,000)	-	-
Ride for Two Rivers	51,244	-	(600)	(50,644)	-
Snoqualmie	4,250	-	(4,250)	-	-
Strategic Planning	42,500	-	(92,500)	50,000	-
Tellabs	5,000	-	(5,000)	-	-
TP Polaris Foundation	10,000	-	(10,000)	-	-
Waldo Canyon/Whispering Fox Grant	21	-	(21)	-	-
Arapaho Basin (CO)	2,853	1,765	(4,618)	-	-
ID - Idaho Forest Group	3,624	-	(3,624)	-	-
	<u>\$ 7,824,227</u>	<u>\$ 3,627,745</u>	<u>\$ (3,992,548)</u>	<u>\$ -</u>	<u>\$ 7,459,424</u>

The transfers within temporarily restricted net assets stem from management's research and review of gifts within the restricted fund balance during the year ended September 30, 2014.

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 a predictable stream of funding to programs while maintaining purchasing power. The income from the endowment will be used to support conservation programs.

Spending policy: The Foundation has not adopted a formal spending policy as of September 30, 2014. All earnings for the endowment are reflected as temporarily restricted 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, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (577)	\$ -	\$ 273,125	\$ 272,548

For the year ended September 30, 2014, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (610)	\$ -	\$ 273,125	\$ 272,515
Investment income	33	-	-	33
Endowment net assets, end of year	\$ (577)	\$ -	\$ 273,125	\$ 272,548

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 accounting principles generally accepted in the United States, deficiencies of this nature are reported in unrestricted net assets as of September 30, 2014, amounting to \$577. The deficiencies in the donor-restricted endowment funds at September 30, 2014, resulted from unfavorable market fluctuations.

Note 6. Related Party Transactions

The Foundation receives expected contributions from Board members and organizations they are affiliated with. Board members and their affiliated organizations contributed approximately \$1,245,000 during the year ended September 30, 2014. Receivables from Board members and their affiliated organizations amounted to approximately \$1,989,000 at September 30, 2014.

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) not-for-profit 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 \$56,000 for the year ended September 30, 2014. 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, 2014.

Note 8. Line of Credit

The Foundation has a \$400,000 line of credit that will expire on February 28, 2015. The line of credit accrues interest at the bank's prime lending rate plus 0.6% and is secured by the assets of the Foundation. There was no outstanding balance on the line at September 30, 2014.

Note 9. 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 an audit. Management does not anticipate any significant adjustments as a result of such an audit.