

National Forest Foundation

Financial Report
September 30, 2023

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-21



Independent Auditor's Report

RSM US LLP

Board of Directors
National Forest Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Forest Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In the performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, 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 April 15, 2024, 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
April 15, 2024

National Forest Foundation

Statement of Financial Position
September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 14,430,568	\$ 28,325,947
Receivables, net	16,949,685	11,854,642
Investments	35,160,694	16,171,140
Prepaid expenses and other assets	254,592	174,435
Property, equipment and leasehold improvements, net	351,335	169,172
Investments held for endowment	6,669,886	4,933,925
	<u>\$ 73,816,760</u>	<u>\$ 61,629,261</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,128,149	\$ 6,914,926
Deferred revenue	8,506,461	6,875,115
Lines of credit	3,036,487	1,101,400
	<u>22,671,097</u>	<u>14,891,441</u>
Commitments and contingencies (Notes 10 and 11)		
Net assets:		
Without donor restrictions	4,743,272	8,894,284
With donor restrictions	46,402,391	37,843,536
	<u>51,145,663</u>	<u>46,737,820</u>
	<u>\$ 73,816,760</u>	<u>\$ 61,629,261</u>

See notes to financial statements.

National Forest Foundation

Statement of Activities
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions:				
Foundations	\$ 412,939	\$ 2,083,256	\$ 2,496,195	\$ 4,497,492
Corporations	1,230,359	14,220,586	15,450,945	17,162,729
Individuals	1,024,513	872,580	1,897,093	3,900,391
Nonfinancial assets	73,795	-	73,795	48,917
Contract and reimbursable grant revenue	21,689,672	-	21,689,672	14,582,176
U.S. government grants	5,337,947	-	5,337,947	3,616,624
State and local grants	-	2,857,508	2,857,508	2,587,704
Natural resources	-	195,661	195,661	2,412,294
Special events	307,372	-	307,372	234,289
Other income	113,742	-	113,742	40,830
Investment income (loss), net of expenses	1,337,767	735,961	2,073,728	(1,232,083)
Net assets released from restrictions	12,406,697	(12,406,697)	-	-
Total support and revenue	43,934,803	8,558,855	52,493,658	47,851,363
Expenses:				
Program services:				
Conservation	37,904,943	-	37,904,943	27,979,921
Grants and awards	5,103,991	-	5,103,991	2,475,318
Total program services	43,008,934	-	43,008,934	30,455,239
Supporting services:				
General and administrative	2,993,089	-	2,993,089	2,108,362
Marketing, development and communications	2,083,792	-	2,083,792	1,657,285
Total supporting services	5,076,881	-	5,076,881	3,765,647
Total expenses	48,085,815	-	48,085,815	34,220,886
Change in net assets	(4,151,012)	8,558,855	4,407,843	13,630,477
Net assets:				
Beginning	8,894,284	37,843,536	46,737,820	33,107,343
Ending	\$ 4,743,272	\$ 46,402,391	\$ 51,145,663	\$ 46,737,820

See notes to financial statements.

National Forest Foundation

Statement of Functional Expenses Year Ended September 30, 2023 (With Comparative Totals for 2022)

	2023								2022 Total
	Program Services			Supporting Services					
	Conservation	Grants and Awards	Total Program Services	General and Administrative	Marketing, Development and Communications	Total Supporting Services	Total		
Salaries	\$ 4,474,167	\$ 129,559	\$ 4,603,726	\$ 1,307,443	\$ 1,085,806	\$ 2,393,249	\$ 6,996,975	\$ 4,318,711	
Fringe benefits	911,134	26,422	937,556	233,910	221,276	455,186	1,392,742	899,414	
Contract and professional fees	1,711,104	-	1,711,104	742,930	332,573	1,075,503	2,786,607	5,341,283	
Supplies	387,089	327	387,416	10,494	27,251	37,745	425,161	456,623	
Office expenses	56,328	603	56,931	17,634	132,508	150,142	207,073	211,917	
Rent and occupancy costs	36,049	1,061	37,110	9,097	10,351	19,448	56,558	55,897	
Equipment, equipment rental and maintenance	14,879	-	14,879	6,282	590	6,872	21,751	14,553	
Information technology	212,201	5,514	217,715	76,851	94,353	171,204	388,919	301,744	
Depreciation	30,716	912	31,628	8,636	7,582	16,218	47,846	173,418	
Travel	269,370	1,094	270,464	86,867	50,202	137,069	407,533	183,303	
Conferences and meetings	26,040	6	26,046	132,602	49,615	182,217	208,263	291,911	
Insurance	-	-	-	40,632	-	40,632	40,632	35,923	
Dues and staff development	37,048	-	37,048	122,827	14,812	137,639	174,687	80,538	
Advertising	13,873	-	13,873	2,232	46,668	48,900	62,773	60,283	
Miscellaneous	11,234	170	11,404	163,240	418	163,658	175,062	89,025	
Grants and sub awards	29,681,419	4,938,323	34,619,742	-	1,235	1,235	34,620,977	21,640,054	
In-kind goods and services	32,292	-	32,292	31,412	8,552	39,964	72,256	66,289	
	\$ 37,904,943	\$ 5,103,991	\$ 43,008,934	\$ 2,993,089	\$ 2,083,792	\$ 5,076,881	\$ 48,085,815	\$ 34,220,886	

See notes to financial statements.

National Forest Foundation

Statement of Cash Flows
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 4,407,843	\$ 13,630,477
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,846	173,418
Realized and unrealized gain on investments, net	(763,174)	(1,352,886)
Increase (decrease) in discount on receivables	72,691	32,069
Bad debt expense	106,504	17,834
Contributions restricted for endowment in perpetuity	(1,000,000)	(1,000,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(5,274,238)	(4,713,059)
Prepaid expenses and other assets	(80,157)	80,948
Increase (decrease) in:		
Accounts payable and accrued expenses	4,213,223	2,296,029
Deferred revenue	1,631,346	244,186
Net cash provided by operating activities	3,361,884	9,409,016
Cash flows from investing activities:		
Purchases of investments	(20,069,703)	(3,335,836)
Proceeds from sales of investments	107,362	4,027,868
Proceeds from sale of property and equipment	-	30,000
Purchases of property and equipment	(230,009)	(14,246)
Net cash (used in) provided by investing activities	(20,192,350)	707,786
Cash flows from financing activities:		
Contributions restricted for endowment in perpetuity	1,000,000	1,000,000
(Repayments) draws on lines of credit	1,935,087	(932,271)
Net cash provided by financing activities	2,935,087	67,729
Net (decrease) increase in cash and cash equivalents	(13,895,379)	10,184,531
Cash and cash equivalents:		
Beginning	28,325,947	18,141,416
Ending	\$ 14,430,568	\$ 28,325,947

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 presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topics of the ASC, 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.

Net assets without donor restrictions: Net assets are available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation had \$8,669,886 of net assets with donor restrictions that are required to be maintained in perpetuity at September 30, 2023.

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 risk. 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.

National Forest Foundation

Notes to Financial Statements

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

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, 2023, the present value discount was \$115,944. 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 fundraising activity. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At September 30, 2023, the allowance for doubtful accounts was \$684,051.

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 \$8,040,901 of conditional promises to give at September 30, 2023. The Foundation will earn and receive the conditional funds contingent upon the Foundation meeting certain milestones documented in the agreements.

Investments: Investments in 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; 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. The Foundation capitalizes all equipment and improvements with a cost of \$2,500 or more.

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 unconditional contributions and unconditional state and local grants are considered to be available for unrestricted use, unless specifically restricted by the donor. Unconditional gifts, grants and contracts that are expected to be collected within one year are recorded at net realizable value. Unconditional gifts, grants and contracts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using market rates that are commensurate with the risks identified. The portion of unconditional gifts, grants and contracts that was discounted in prior fiscal years but is collected in the current year is recorded as revenue in the current year. Contributions, state and local grants and contracts that have been committed to the Foundation but have not been received are reflected as receivable in the accompanying statement of financial position.

Net assets with donor restrictions become net assets without donor restrictions when the respective time restriction expires, or during the period the funds are used for the restricted purpose. The conversion of net assets with donor restrictions to net assets without donor restrictions is reported in the accompanying statement of activities as net assets released from restrictions.

National Forest Foundation

Notes to Financial Statements

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

The Foundation receives grants from federal agencies for various purposes and are considered conditional contributions since they contain both barrier and rights of return. Generally, revenue under these types of awards are recognized as related reimbursable expenses are incurred. Revenue under conditional awards is recognized to net assets without donor restrictions if any restrictions had already been satisfied at the time of recording. Allowable expenses incurred in excess of cumulative reimbursements are reported with receivables..

The Foundation's revenue from contracts with customers include natural resources revenue. The Foundation recognizes natural resource revenue when billed, which coincides with when serves are performed over time.

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

Contributions of nonfinancial assets: The Foundation receives contributions of nonfinancial assets (in-kind contributions) towards the fulfillment of program objectives and general operations. Those services that meet the accounting criteria for recognition have been included in revenue and expense categories at their fair value.

Volunteers contribute significant amounts of professional services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America (U.S. GAAP). The Foundation records in-kind contributions at the respective fair values of the services received (see Note 7).

Fair value techniques: Professional services are valued based on market rates for the service providers.

Donor restrictions and use: None of the contributed services are restricted in use. All of the contributed services are used for programmatic activities.

Expense allocation: Program and supporting services have been presented on a functional basis in the accompanying statements 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, 2023.

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

National Forest Foundation

Notes to Financial Statements

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

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Adopted accounting pronouncement: On October 1, 2022, the Foundation adopted Accounting Standards Update (ASU) 2016-02 using the modified retrospective approach with cumulative effect of applying the standard being recognized at the date of initial adoption. The Foundation elected to apply the package of practical expedients related to the transition. These practical expedients allowed the Foundation to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at October 1, 2022, and whether any initial direct costs for such leases qualified for capitalization. The adoption of the new lease standard was not material to the Foundation and did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Upcoming accounting pronouncement: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU required financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected through an allowance for credit losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. In July 2019, FASB extended the effective date for ASU 2016-13 beginning with the Foundation's fiscal year end September 30, 2024, with early adoption permitted. The Foundation is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

Subsequent events: The Foundation evaluated subsequent events through April 15, 2024, the date on which the financial statements were available to be issued.

National Forest Foundation

Notes to Financial Statements

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 the following:

Cash and cash equivalents	\$ 14,430,568
Receivables, net	16,949,685
Investments	<u>35,160,694</u>
Total liquidity	<u>66,540,947</u>
Less:	
Investments subject to withdrawal restrictions	1,262,638
Net assets with donor restrictions	46,402,391
Board-designated quasi-endowment net assets*	<u>1,170,386</u>
	<u>48,835,415</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,705,532</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 \$2,996,600 available line of credit to draw down on if needed.

Note 3. Receivables

Receivables consist of the following at September 30, 2023:

Unconditional contributions and grants, federal contracts and reimbursable grants expected to be collected in:	
Less than one year	\$ 15,701,573
One year to five years	<u>1,364,056</u>
Gross unconditional contributions and grants, federal contracts and reimbursable grants	17,065,629
Less unamortized discount (at a rate of 8.50%)	<u>(115,944)</u>
Total unconditional contributions, federal and non-federal contracts and reimbursable grants	<u>\$ 16,949,685</u>

Amounts restricted for endowment purposes consist of \$2,000,000 for the year ended September 30, 2023.

National Forest Foundation

Notes to Financial Statements

Note 4. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements consist of the following at September 30, 2023:

Vehicles	\$ 225,000
Furniture, equipment and other	658,918
	<hr/>
	883,918
Less accumulated depreciation	532,583
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	\$ 351,335
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Depreciation expense for the year ended September 30, 2023, amounted to \$47,846.

Note 5. Related-Party Transactions

During the year ended September 30, 2023, the Foundation received \$388,228 of contribution support from Board members and their affiliated organizations.

Note 6. Fair Value Measurements and Investments

The Foundation follows the ASC 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 6. 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, 2023:

	Level 1	Total
Assets:		
Investments:		
Equities:		
Technology	\$ 1,800	\$ 1,800
Large blend	2,443,187	2,443,187
Foreign large blend	1,554,238	1,554,238
Total equities	<u>3,999,225</u>	<u>3,999,225</u>
Fixed-income mutual funds and exchange-traded funds:		
Corporate bond	199,619	199,619
Intermediate core bond	558,615	558,615
Long-term bond	100,336	100,336
Short-term bond	231,851	231,851
World bond	489,788	489,788
Total fixed-income mutual funds and exchange-traded funds	<u>1,580,209</u>	<u>1,580,209</u>
	<u>\$ 5,579,434</u>	<u>5,579,434</u>
Hedge fund measured using a practical expedient		<u>1,262,638</u>
Total investments at fair value		<u>6,842,072</u>
Plus cash held at cost		<u>34,988,508</u>
Total investments		<u>\$ 41,830,580</u>

The Foundation's hedge fund, valued using a practical expedient, totaled \$1,262,638 at September 30, 2023. At September 30, 2023, 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 ending September 30, 2024. 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.

The following table reconciles total investments at September 30, 2023:

Investments	\$ 35,160,694
Investments held for endowment	6,669,886
	<u>\$ 41,830,580</u>

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2023, and changes in net assets with donor restrictions during the year ended September 30, 2023, are as follows:

	Balance September 30, 2022	Additions	Released	Balance September 30, 2023
Tree Planting	\$ 14,781,558	\$ 9,130,486	\$ (4,312,367)	\$ 19,599,677
Bill Williams Steep Slope Thinning	407,489	-	-	407,489
Tehachapi Renewable Transmission Project	1,156,844	-	(26,477)	1,130,367
Ski Conservation Fund	1,927,399	263,627	(874,658)	1,316,368
Midewin National Tallgrass Prairie	532,185	161,742	(620,490)	73,437
Restoring our Western Forests	461,514	-	(151,474)	310,040
Mount Baker-Snoqualmie National Forest	508,618	20	(46,548)	462,090
Northern Arizona Forest Fund	555,698	74,465	(116,101)	514,062
Angeles National Forest	365,882	2,500	(17,426)	350,956
Eastern Field Office	360,422	-	(186)	360,236
California Forest Health & Wildfire Resilience	92,305	-	(43,843)	48,462
San Juan National Forest	231,124	48,875	(52,398)	227,601
Four Forests Restoration Initiative	1,320	7,525	(3,694)	5,151
Boat Replacements	148,273	-	(95,337)	52,936
Upper Arkansas Forest Fund	90,602	25,000	(89,193)	26,409
Tongass National Forest Boat Replacements	156,026	-	(81,624)	74,402
General Springs Restoration Project	165,751	-	(161,289)	4,462
Wildfire Resilience & Post-Fire Restoration	8,867	-	(2,334)	6,533
North Yuba River Watershed Tahoe NF	658,988	-	(431,804)	227,184
San Gabriel National Monument	94,249	200,000	(205,319)	88,930
Forest Stewardship	149,619	64,111	(21,497)	192,233
Adam's Gulch Project, Sawtooth National Forest	57,073	-	(51,362)	5,711
Sawtooth General	56,396	19,568	(23,982)	51,982
Caribou-Targhee National Forest	87,109	-	-	87,109
Granite Basin Forest Restoration	63,912	-	(61,234)	2,678
Eagle Creek Fire Restoration	105,916	874	(42,101)	64,689
Clackamas, Douglas, Linn and Mario Counties	100,992	-	(13,037)	87,955
Camp Hale Project	57,396	-	(55,680)	1,716
Arizona Highline Recreation	66,000	116,000	(69,515)	112,485
STOR Corps	37,205	-	-	37,205
California National Forests Restoration	63,750	-	-	63,750
Water Balance Project	38,035	-	-	38,035
White River National Forest	2,369,438	143,341	(8,254)	2,504,525
Carbon Capital Fund	80,061	-	-	80,061
Bill Williams Mountain Restoration	949	-	-	949
Mount Elbert Collaborative Stewardship Project	19,421	-	-	19,421
Treasured Landscapes	59,939	-	(318)	59,621
White Mountain National Forest	57,544	73,980	(76,952)	54,572
Bald Mountain	63,285	48,699	(66,814)	45,170
Colorado Front Range Trail Stewardship Strike Team	37,809	-	(19,430)	18,379
Ocala National Forest	79,904	150,000	(81,476)	148,428
Highline Trail	44,500	-	(44,500)	-
Trail Improvements	18,233	2,500	(18,313)	2,420

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2022	Additions	Released	Balance September 30, 2023
California Wildfire Restoration	\$ 35,588	\$ 400	\$ (1,311)	\$ 34,677
CSKT Youth Corps	1,573	10,104	-	11,677
Sabino Canyon Invasive Species Project	15,962	-	-	15,962
Idaho Panhandle National Forest	37,046	7,500	(13,015)	31,531
Pacific Northwest Recreation Enhancement	35,000	-	-	35,000
International Forestry Fellows Program	30,435	-	(30,435)	-
General Operating Support—California	30,000	-	-	30,000
Colorado Projects	40,947	5,850	(3,711)	43,086
Alaska Forest Fund	2,923	247	(40)	3,130
Grizzly Creek Fire Restoration Fund	2,000	-	-	2,000
Southern Arizona Forest Fund	12,489	14,676	(5,033)	22,132
Mount Hood National Forest	15,947	146,293	(73,635)	88,605
Coronado NF Adjacent Community	1,257	-	-	1,257
GMUG National Forest	117,006	135,500	(17,609)	234,897
5BRC	18,552	-	-	18,552
Bighorn Fire Restoration	-	24,000	(3,600)	20,400
Taylor Creek Visitor Center	10,115	-	(8,199)	1,916
Iron Mountain Project	20,000	-	(2,500)	17,500
Mount Baker-Snoqualmie Trail Ambassador Program	13,013	-	(10,000)	3,013
Lookout Tower Funds	2,275	-	(2,275)	-
Hendricks	17,371	-	-	17,371
SoCal Forest Fund	20,302	11,223	(1,547)	29,978
Dolly Copp Campground	1,890	-	-	1,890
Rivers to Peaks Treasured Landscapes Site	38,141	50,000	(22,150)	65,991
Angoon Youth Conservation Corps	31,878	-	(8,790)	23,088
Arizona Sonora Desert Museum	15,000	15,000	(15,000)	15,000
Stillaguamish Youth Engagement	1	-	(1)	-
Beacon Checkers—Vail Pass	5,942	-	-	5,942
Sam Houston National Forest	33,920	-	-	33,920
Wildfire Assistance Fund	(916)	-	-	(916)
Grand Mesa Uncompahgre & Gunnison National Forest	11,355	-	-	11,355
Rim Fire Recovery Fund	11,102	-	-	11,102
Coconino National Forest	1,034	2,077,897	(399,562)	1,679,369
Arundo Removal	10,500	-	(1,500)	9,000
Backwoods Fellowship	9,650	-	-	9,650
Ladybug Project	8,500	-	-	8,500
Lynx Habitat Mitigation Fund	4,095	-	(4,095)	-
Projects on the National Forest System	2,925	-	-	2,925
Chippewa Soo Line Bridge	9,715	-	-	9,715
El Yunque Projects	13,917	200	(30)	14,087
Midewin Outdoor Education Programs	9,564	-	-	9,564
Find Your Fourteeners	2,122	-	-	2,122
Lower Salt River Riparian Restoration	1,304	-	-	1,304

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2022	Additions	Released	Balance September 30, 2023
Western Headlands Waterways	\$ 8,414	\$ -	\$ -	\$ 8,414
Southern California Forest Fund	7,608	-	-	7,608
Price of Wales Sustainable Recreation Project	1	-	(1)	-
Open the National Forests	7,350	-	-	7,350
Tahoe National Forest	677,172	599,087	(503,569)	772,690
Conjejos Peak District, Rio Grande National Forest	6,828	-	-	6,828
Tahoe Headwaters	6,285	-	-	6,285
Green Drone Project	2,881	20,000	(3,513)	19,368
Med-Bow Routt NF	750	100,000	-	100,750
Cathedral Ledge Access	4,540	-	-	4,540
Chippewa Soo Line Trail	3,973	-	-	3,973
Youth Engagement	106,851	25,000	(30,069)	101,782
Coconino & Kaibab National Forests	3,576	-	-	3,576
River Intern Stewardship Program	3,559	-	-	3,559
Tongass National Forest	10,001	100,000	(91,039)	18,962
Mokelumne Fund	3,014	-	-	3,014
Central Idaho Dark Sky Reserve Project	2,500	-	-	2,500
San Antonio Creek	2,321	-	-	2,321
Penny Lake Platform	2,250	-	(2,250)	-
Big Jack East Project	3,869	3,585	(538)	6,916
Lolo National Forest	3,080	-	(3,080)	-
Chugach NF Turnagain Pass	1,427	-	-	1,427
Sangre de Cristo Stewardship Crew—South Colony Lakes Basin	7,677	-	(3,315)	4,362
Lake Tahoe West	1,239	-	-	1,239
Washington Okanogan-Wenatchee National Forest	1,232	-	-	1,232
White River National Forest Reforestation	1,147	-	-	1,147
Mountain Pine Beetle Response Project	850	-	(70)	780
Nantahala Pisgah	1,018	9,243	(3,787)	6,474
Halliburton Volunteer Event	676	-	(69)	607
Restoring Florida' Longleaf Pine Forest	696	-	-	696
Iditarod Trailwork	594	17,500	(15,297)	2,797
Mission Mountains Youth Crew	7,174	40,000	(24,053)	23,121
Environmental Program Support	500	-	-	500
Wildfire Relief	307	16	-	323
Elizabeth Lake	265	-	-	265
OW Methow National Forest Projects	200	-	-	200
Bald Mountain Stewardship Project	28,733	30,000	(4,500)	54,233
Daniel Boone National Forest	125	-	-	125
Southern Idaho Forest Fund	110	10,000	(10,002)	108
El Yunque Restoration	100	686	-	786
Tonto National Forest	126,159	485,655	(196,902)	414,912
Wood for Life—Tribal Fuelwood Initiative	50	-	-	50

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2022	Additions	Released	Balance September 30, 2023
Youth Programs	\$ 15,975	\$ -	\$ (6,535)	\$ 9,440
Post-Fire Restoration Cleveland National Forest	25	-	(25)	-
Boot Spur Trail Bridge	7	-	(7)	-
Conservation/Restoration	1	-	(1)	-
Bill Williams Mountain	1,443,130	-	(785,700)	657,430
CO River Watershed	876,079	-	(268,566)	607,513
Angeles and Cleveland NFs	294,230	-	(161,148)	133,082
Kisatchie NF	255,000	-	(42,079)	212,921
Stanislaus NF	233,750	-	(158,331)	75,419
Sierra Nevada Forest Fund	150,502	68,430	(29,079)	189,853
White River Stewardship Coordinator	135,481	-	(59,017)	76,464
Pike San Isabel NF	105,674	20,000	(38,501)	87,173
Cononino NF	104,143	116,800	(26,000)	194,943
Colorado, White River NF	102,010	-	-	102,010
Coronado NF	80,000	200,000	(12,732)	267,268
Lightning Point and Messenger Flats	69,208	-	(52,676)	16,532
Chugah Public Cabins	66,309	218,750	(97,827)	187,232
Chugach NF, Seward District	63,750	-	-	63,750
Inyo National Forest	55,909	-	(25,702)	30,207
Trailhead Improvement	51,000	100,000	(86,466)	64,534
Southern Idaho NFs	50,606	-	(11,883)	38,723
Columbia River Gorge Nat'l Scenic Area	45,466	-	(20,061)	25,405
Taylor River Watershed	40,749	-	-	40,749
Umpqua NF	40,252	39,366	(73,566)	6,052
Chaffee Co LTPBR	37,386	-	(32,627)	4,759
San Gabriel Mountains Community Collaborative	37,000	-	-	37,000
Humboldt-Toiyable NF	27,726	46,920	(47,519)	27,127
Arapaho-Roosevelt NF	26,124	7,963	(19,519)	14,568
New Mexico Wood for Life	25,500	-	(16,625)	8,875
Sawtooth NF	22,878	136,000	-	158,878
Flathead National Forest	21,456	-	(21,250)	206
Tribal Fuelwood Initiative	20,745	12,000	(30,600)	2,145
CO SW Trails and Youth	20,737	-	(9,750)	10,987
Northern AZ, Kaibab NF	20,000	100,000	(39,000)	81,000
Restoration projects	17,449	29,801	(44,397)	2,853
Riverside Upland Restoration and N Cottonwood Creek, CO	17,000	-	(8,500)	8,500
Rumney Rocks	16,424	-	-	16,424
Trillium Lake	12,916	-	(12,916)	-
Chugach NF	12,754	50,000	(62,754)	-
San Isabel NF	12,750	40,000	(6,116)	46,634
Pitkin, Garfield and/or Rio Blanco	11,540	-	(1,438)	10,102
CO San Juan NF	10,000	-	-	10,000
Volunteer Events 2021 and 2022	10,000	-	-	10,000
Androscoggin District	9,350	-	(9,350)	-
Gunnison NF	8,500	-	-	8,500
UKB—Cherokee YCC	8,500	-	-	8,500
White River Ski Conservation Fund	8,500	-	(8,500)	-
Colorado, Rocky Mountain Region	8,388	-	(4,850)	3,538
Flathead Youth Corp	7,742	-	-	7,742

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2022	Additions	Released	Balance September 30, 2023
Nantahala NF	\$ 7,650	\$ -	\$ (7,200)	\$ 450
Tonto and Coronado NFs	5,000	-	-	5,000
Panhandle	4,717	-	(1,726)	2,991
Youth Programs LSR Tonto NF	4,461	-	(4,461)	-
Montana Forest Fund	2,655	16,872	(2,822)	16,705
Bronco Wild Fund	2,062	51,253	(5,786)	47,529
Smokey Bear Stewardship Fund; Lincoln NF	1,341	6,226	(934)	6,633
CO Wood For Life	1,150	13,000	(1,872)	12,278
Beaverhead Deerlodge Working Group	700	-	(700)	-
St Marys GW-Jefferson NF	675	-	-	675
Idaho Forest Restoration Partnership Facilitation	437	-	-	437
All NFS lands	-	25,664	(21,816)	3,848
Burley Mtn Fire Lookout	-	10,000	(10,000)	-
Caddo LBJ Grasslands	-	105,000	(38,250)	66,750
Chugach NF, Reconstruction of Martin Lake	-	1,000	-	1,000
Chugach NF, Tongass NF	-	175	(28)	147
Cleveland NF	-	125,000	(38,750)	86,250
CO California Park - LTPBR	-	5,000	-	5,000
CO Campgrounds, Chaffee Co	-	-	392	392
CO Chaffee Co Camping Infrastructure	-	100,000	(40,534)	59,466
CO Mass Timber Coalition	-	200,000	-	200,000
CO NoCO PLACES	-	30,000	(17,225)	12,775
CO Pikes Peak and 14ers Visioning	-	10,000	(6,500)	3,500
CO Trail Maintenance	-	11,765	(1,324)	10,441
Coconino NF; Yeager Canyon Habitat Protection	-	20,000	(3,000)	17,000
Colorado River Basin (CO, WY, AZ)	-	5,000	(750)	4,250
CO's 54 14ers	-	10,000	(9,144)	856
Gunnison Stewardship Fund	-	10,000	(1,500)	8,500
Holistic Reforestation	-	1,672	(308)	1,364
Lake Tahoe Basin NF	-	14,695	(700)	13,995
Larimer, Boulder, Clear Creek, Gilpin, and Jefferson Cos	-	113,920	(100,419)	13,501
Lincoln NF	-	4,422	(663)	3,759
Meredith Jacobson Fellowship	-	16,400	(8,455)	7,945
Midewin Youth Corps	-	20,900	(20,527)	373
New Mexico	-	30,000	(24,000)	6,000
Oak Creek	-	500	(75)	425
Oregon Trails	-	1,412	(1,412)	-
Ouachita NF	-	13,528	-	13,528
PNW & AK Program	-	10,000	-	10,000
Prescott NF	-	130,000	-	130,000
Presidential & Dry River Community Trails	-	75,000	(56,625)	18,375
Riverside Upland Restoration	-	10,000	(10,000)	-
Sangre de Cristo Stewardship Crew	-	14,400	(10,060)	4,340
Santa Catalina RD, Coronado NF	-	15,000	(1,500)	13,500
Santa Fe National Forest	-	26,529	-	26,529

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2022		Additions	Released	Balance September 30, 2023	
Texas Forests and Grasslands	\$	-	\$ 40,200	\$ (40,030)	\$	170
Thousand Springs Snow Park		-	35,000	(5,250)		29,750
TMWA Watersheds, Mt Rose Corridor		-	50,000	(19,511)		30,489
Tonto NF, Highline Trail		-	24,387	(3,658)		20,729
Tonto NF; Payson RD		-	50,000	-		50,000
Trails and Campgrounds		-	66,666	(42,655)		24,011
Various WFL Programs		-	50,000	(12,187)		37,813
Net assets with donor restrictions before endowment		32,909,611	17,229,591	(12,406,697)		37,732,505
Endowment		4,933,925	3,735,961	-		8,669,886
	\$	37,843,536	\$ 20,965,552	\$ (12,406,697)	\$	46,402,391

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.

National Forest Foundation

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued)

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, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,170,386	\$ -	\$ 1,170,386
Donor-restricted endowment funds	-	8,669,886	8,669,886
	<u>\$ 1,170,386</u>	<u>\$ 8,669,886</u>	<u>\$ 9,840,272</u>

For the year ended September 30, 2023, the Foundation had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,059,970	\$ 4,933,925	\$ 5,993,895
Additions	-	3,000,000	3,000,000
Net investment income	110,416	735,961	846,377
Endowment net assets, end of year	<u>\$ 1,170,386</u>	<u>\$ 8,669,886</u>	<u>\$ 9,840,272</u>

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, 2023, 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 8. Contributions of Nonfinancial Assets

The Foundation received contributions of professional services (donated professional services) as follows during the year ended September 30, 2023:

	Conservation	Grants and Awards	General and Administrative	Development and Communications	Total
Professional services	\$ 33,829	\$ -	\$ 31,414	\$ 8,552	\$ 73,795
	<u>\$ 33,829</u>	<u>\$ -</u>	<u>\$ 31,414</u>	<u>\$ 8,552</u>	<u>\$ 73,795</u>

National Forest Foundation

Notes to Financial Statements

Note 9. 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 pretax 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 \$178,283 for the year ended September 30, 2023.

Note 10. Lines of Credit

The Foundation has a \$10,000,000 line of credit that will expire on December 14, 2024. 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 \$2,500,000 at September 30, 2023.

The Foundation has an agreement with a private funder that allows for the Foundation to borrow a maximum of \$8,000,000, with minimum borrowings of \$25,000, 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, 2026. The outstanding principal balance was \$536,487 at September 30, 2023, and bears no interest.

Note 11. 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.