

National Forest Foundation

Financial Report
September 30, 2022

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RSM US LLP

Independent Auditor's Report

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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, 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 June 26, 2023, 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
June 26, 2023

National Forest Foundation

**Statement of Financial Position
September 30, 2022
(With Comparative Totals for 2021)**

	2022	2021
Assets		
Cash and cash equivalents	\$ 28,325,947	\$ 18,141,416
Receivables, net	11,854,642	7,191,486
Investments	16,171,140	15,363,514
Deferred compensation plan assets	-	141,576
Prepaid expenses and other assets	174,435	255,383
Property, equipment and leasehold improvements, net	169,172	358,344
Investments held for endowment	4,933,925	5,080,697
	<u>\$ 61,629,261</u>	<u>\$ 46,532,416</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,914,926	\$ 4,618,897
Deferred revenue	6,875,115	6,630,929
Lines of credit	1,101,400	2,033,671
Deferred compensation plan liability	-	141,576
	<u>14,891,441</u>	<u>13,425,073</u>
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions	8,894,284	4,039,343
With donor restrictions	37,843,536	29,068,000
	<u>46,737,820</u>	<u>33,107,343</u>
	<u>\$ 61,629,261</u>	<u>\$ 46,532,416</u>

See notes to financial statements.

National Forest Foundation

Statement of Activities

Year Ended September 30, 2022

(With Comparative Totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions:				
Foundations	\$ 791,254	\$ 3,706,238	\$ 4,497,492	\$ 2,285,375
Corporations	3,195,603	13,967,126	17,162,729	10,169,656
Individuals	2,574,664	1,325,727	3,900,391	4,067,825
In-kind	48,917	-	48,917	221,775
Contract and reimbursable grant revenue	14,582,176	-	14,582,176	10,860,117
U.S. government grants	3,616,624	-	3,616,624	3,058,641
State and local grants	-	2,587,704	2,587,704	2,873,368
Natural resources	-	2,412,294	2,412,294	-
Special events	234,289	-	234,289	314,897
Other income	40,830	-	40,830	57,734
Investment (loss) income, net of expenses	(1,232,083)	-	(1,232,083)	1,004,883
Net assets released from restrictions	15,223,553	(15,223,553)	-	-
Total support and revenue	39,075,827	8,775,536	47,851,363	34,914,271
Expenses:				
Program services:				
Conservation	27,979,921	-	27,979,921	20,771,107
Grants and awards	2,475,318	-	2,475,318	2,224,999
Total program services	30,455,239	-	30,455,239	22,996,106
Supporting services:				
General and administrative	2,108,362	-	2,108,362	1,237,282
Marketing, development and communications	1,657,285	-	1,657,285	1,544,654
Total supporting services	3,765,647	-	3,765,647	2,781,936
Total expenses	34,220,886	-	34,220,886	25,778,042
Change in net assets	4,854,941	8,775,536	13,630,477	9,136,229
Net assets:				
Beginning	4,039,343	29,068,000	33,107,343	23,971,114
Ending	\$ 8,894,284	\$ 37,843,536	\$ 46,737,820	\$ 33,107,343

See notes to financial statements.

National Forest Foundation

Statement of Functional Expenses Year Ended September 30, 2022 (With Comparative Totals for 2021)

	2022								2021 Total
	Program Services			Supporting Services					
	Conservation	Grants and Awards	Total Program Services	General and Administrative	Marketing, Development and Communications	Total Supporting Services	Total		
Salaries	\$ 2,856,855	\$ 40,081	\$ 2,896,936	\$ 561,467	\$ 860,308	\$ 1,421,775	\$ 4,318,711	\$ 3,454,685	
Fringe benefits	618,570	8,739	627,309	85,565	186,540	272,105	899,414	809,231	
Contract and professional fees	4,315,545	-	4,315,545	847,779	177,959	1,025,738	5,341,283	3,020,081	
Supplies	441,139	-	441,139	7,895	7,589	15,484	456,623	255,749	
Office expenses	38,094	217	38,311	16,715	156,891	173,606	211,917	228,188	
Rent and occupancy costs	36,644	472	37,116	6,152	12,629	18,781	55,897	74,142	
Equipment, equipment rental and maintenance	8,228	-	8,228	5,030	1,295	6,325	14,553	11,281	
Information technology	91,609	1,360	92,969	155,783	52,992	208,775	301,744	146,927	
Depreciation	146,587	655	147,242	5,821	20,355	26,176	173,418	198,640	
Travel	141,193	186	141,379	21,724	20,200	41,924	183,303	76,765	
Conferences and meetings	12,177	-	12,177	207,295	72,439	279,734	291,911	28,902	
Insurance	4,741	-	4,741	31,182	-	31,182	35,923	40,214	
Dues and staff development	25,508	-	25,508	48,371	6,659	55,030	80,538	14,731	
Advertising	13,973	-	13,973	2,460	43,850	46,310	60,283	51,326	
Miscellaneous	3,002	-	3,002	85,690	333	86,023	89,025	439,873	
Grants and sub awards	19,194,571	2,423,608	21,618,179	-	21,875	21,875	21,640,054	16,768,633	
In-kind goods and services	31,485	-	31,485	19,433	15,371	34,804	66,289	158,674	
	\$ 27,979,921	\$ 2,475,318	\$ 30,455,239	\$ 2,108,362	\$ 1,657,285	\$ 3,765,647	\$ 34,220,886	\$ 25,778,042	

See notes to financial statements.

National Forest Foundation

Statement of Cash Flows Year Ended September 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 13,630,477	\$ 9,136,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	173,418	198,640
Realized and unrealized gain on investments, net	(1,352,886)	(905,882)
Increase (decrease) in discount on receivables	32,069	(19,673)
Bad debt expense	17,834	(269,339)
Gain on disposal of property and equipment	-	(22,500)
Contributions restricted for endowment in perpetuity	(1,000,000)	(1,000,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(4,713,059)	(461,364)
Prepaid expenses and other assets	80,948	(113,012)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,296,029	1,281,109
Deferred revenue	244,186	1,707,568
Refundable advance	-	(562,300)
Net cash provided by operating activities	9,409,016	8,969,476
Cash flows from investing activities:		
Purchases of investments	(3,335,836)	(129,781)
Proceeds from sales of investments	4,027,868	430,549
Proceeds from sale of property and equipment	30,000	469,999
Purchases of property and equipment	(14,246)	(195,297)
Net cash provided by investing activities	707,786	575,470
Cash flows from financing activities:		
Contributions restricted for endowment in perpetuity	1,000,000	1,000,000
(Repayments) draws on lines of credit	(932,271)	1,134,239
Net cash provided by financing activities	67,729	2,134,239
Net increase in cash and cash equivalents	10,184,531	11,679,185
Cash and cash equivalents:		
Beginning	18,141,416	6,462,231
Ending	\$ 28,325,947	\$ 18,141,416

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 (the Codification). As required by the Not-for-Profit Entities Topics of the Codification, 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 available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets 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 statements of activities as net assets released from restrictions. The Foundation had \$4,933,925 of net assets with donor restrictions that are required to be maintained in perpetuity at September 30, 2022.

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

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

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

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, 2022, the present value discount was \$43,253. An allowance for uncollectible receivables is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fund-raising activity. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At September 30, 2022, the allowance for doubtful accounts was \$577,547.

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 \$5,283,025 of conditional promises to give at September 30, 2022. 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 and, therefore, value realized upon disposition may vary significantly from the currently reported value.

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

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

The Foundation's revenue from contracts with customers include natural resources revenue. The Foundation recognizes natural resource revenue when billed, which coincides with when services 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.

Donated services and assets: The Foundation receives contributions of services (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, 2022.

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

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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, 2021, from which the summarized information was derived.

Adopted accounting pronouncement: As of October 1, 2021, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU make improvement to the information provided in financial statements and accompanying notes for not-for-profit entities with contributed nonfinancial assets, or gifts-in-kind.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the Codification Topic 840, *Leases*. Under ASU 2016-02, lessees are required to recognize lease assets and lease liabilities on the balance sheet 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. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Foundation is in the process of its evaluation of the impact of the ASU.

Reclassifications: Certain items in the 2021 information have been reclassified to conform with the current year presentation. These classifications had no effect on previously reported change in net asset or net assets.

Subsequent events: The Foundation evaluated subsequent events through June 26, 2023, the date on which the financial statements were available to be issued.

Note 2. Liquidity and Financial Availability

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

Cash and cash equivalents	\$ 28,325,947
Receivables, net	11,854,642
Investments	16,171,140
Total liquidity	<u>56,351,729</u>
Less:	
Investments subject to withdrawal restrictions	1,095,496
Net assets with donor restrictions	37,843,536
Board-designated quasi-endowment net assets*	<u>1,059,970</u>
	<u>39,999,002</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,352,727</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.

National Forest Foundation

Notes to Financial Statements

Note 3. Property, Equipment and Leasehold Improvements

Property, equipment, and leasehold improvements consist of the following at September 30, 2022:

Vehicles	\$ 360,000
Furniture and equipment	417,699
Leasehold improvements	<u>11,210</u>
	788,909
Less accumulated depreciation	<u>619,737</u>
	<u>\$ 169,172</u>

Depreciation expense for the year ended September 30, 2022, amounted to \$173,418.

Note 4. Related Party Transactions

During the year ended September 30, 2022, the Foundation received approximately \$250,892 of contribution support from Board members and their affiliated organizations.

Note 5. Fair Value Measurements and Investments

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

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

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

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

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

National Forest Foundation

Notes to Financial Statements

Note 5. 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, 2022:

	Level 1	Level 2	Total
Assets:			
Investments:			
Equities:			
Technology	\$ 967	\$ -	\$ 967
Large blend	2,030,619	-	2,030,619
Foreign large blend	1,290,274	-	1,290,274
Foreign large growth	587	-	587
Total equities	<u>3,322,447</u>	-	<u>3,322,447</u>
Fixed income mutual funds and exchange traded funds:			
Corporate bond	192,155	-	192,155
Intermediate core bond	554,591	-	554,591
Long-term bond	99,762	-	99,762
Short-term bond	252,316	-	252,316
World bond	479,627	-	479,627
Total fixed income mutual funds and exchange traded funds	<u>1,578,451</u>	-	<u>1,578,451</u>
	<u>4,900,898</u>	-	<u>4,900,898</u>
Hedge fund measured using a practical expedient			<u>1,095,496</u>
Total investments at fair value			<u>5,996,394</u>
Plus cash held at cost			<u>15,108,671</u>
Total investments			<u>\$ 21,105,065</u>

The Foundation's hedge fund, valued using a practical expedient, totaled \$1,095,496 at September 30, 2022. At September 30, 2022, 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, 2022:

Investments	\$ 16,171,140
Investments held for endowment	4,933,925
	<u>\$ 21,105,065</u>

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2022, and changes in net assets with donor restrictions during the year ended September 30, 2022, are as follows:

	Balance September 30, 2021	Additions	Released	Balance September 30, 2022
Tree Planting	\$ 10,398,225	\$ 9,427,580	\$ (5,044,247)	\$ 14,781,558
Bill Williams Steep Slope Thinning	1,937,422	-	(1,529,933)	407,489
Tehachapi Renewable Transmission Project	1,649,859	-	(493,015)	1,156,844
Ski Conservation Fund	1,618,411	1,352,999	(1,044,011)	1,927,399
Midewin National Tallgrass Prairie	725,051	355,228	(548,094)	532,185
Restoring our Western Forests	711,114	-	(249,600)	461,514
Mount Baker-Snoqualmie National Forest	506,215	15,200	(12,797)	508,618
Northern Arizona Forest Fund	409,202	472,971	(326,475)	555,698
Angeles National Forest	361,879	35,000	(30,997)	365,882
Eastern Field Office	360,422	-	-	360,422
California Forest Health & Wildfire Resilience	350,000	-	(257,695)	92,305
San Juan National Forest	285,342	-	(54,218)	231,124
Four Forests Restoration Initiative	277,500	1,375	(277,555)	1,320
Boat Replacements	266,484	-	(118,211)	148,273
Upper Arkansas Forest Fund	230,000	-	(139,398)	90,602
Tongass National Forest Boat Replacements	206,254	-	(50,228)	156,026
General Springs Restoration Project	179,210	5,250	(18,709)	165,751
Wildfire Resilience & Post-Fire Restoration	153,451	-	(144,584)	8,867
North Yuba River Watershed Tahoe NF	150,000	850,000	(341,012)	658,988
San Gabriel National Monument	136,427	1,030	(43,208)	94,249
Conservation Corps	121,643	-	(121,643)	-
Forest Stewardship	121,358	99,884	(71,623)	149,619
Adam's Gulch Project, Sawtooth National Forest	114,989	-	(57,916)	57,073
Sawtooth General	106,548	2,060	(52,212)	56,396
Caribou-Targhee National Forest	106,193	-	(19,084)	87,109
Granite Basin Forest Restoration	105,929	-	(42,017)	63,912
Eagle Creek Fire Restoration	103,023	3,258	(365)	105,916
Clackamas, Douglas, Linn and Mario Counties	101,181	-	(189)	100,992
Camp Hale Project	96,657	-	(39,261)	57,396
Arizona Highline Recreation	90,000	-	(24,000)	66,000
STOR Corps	85,425	19,651	(67,871)	37,205
California National Forests Restoration	85,000	-	(21,250)	63,750
Water Balance Project	83,377	-	(45,342)	38,035
White River National Forest	83,063	2,424,299	(137,924)	2,369,438
Carbon Capital Fund	80,061	-	-	80,061
Bill Williams Mountain Restoration	74,411	-	(73,462)	949
Mount Elbert Collaborative Stewardship Project	67,463	-	(48,042)	19,421
Treasured Landscapes	60,840	-	(901)	59,939
White Mountain National Forest	59,698	305	(2,459)	57,544
Bald Mountain	58,843	185,255	(180,813)	63,285
Colorado Front Range Trail Stewardship Strike Team	56,948	145,000	(164,139)	37,809
Ocala National Forest	56,896	75,000	(51,992)	79,904
Highline Trail	44,500	-	-	44,500
Trail Improvements	44,500	-	(26,267)	18,233

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	Balance			Balance
	September 30,	Additions	Released	September 30,
	2021			2022
California Wildfire Restoration	\$ 43,180	\$ 550	\$ (8,142)	\$ 35,588
CSKT Youth Corps	41,911	-	(40,338)	1,573
Sabino Canyon Invasive Species Project	41,435	-	(25,473)	15,962
Idaho Panhandle National Forest	39,037	7,500	(9,491)	37,046
Comanche Creek—Carson National Forest	35,244	-	(35,244)	-
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	29,285	25,898	(14,236)	40,947
Alaska Forest Fund	28,011	386	(25,474)	2,923
Grizzly Creek Fire Restoration Fund	27,000	-	(25,000)	2,000
Southern Arizona Forest Fund	26,071	8,318	(21,900)	12,489
Mount Hood National Forest	25,987	100	(10,140)	15,947
Coronado NF Adjacent Community	23,000	-	(21,743)	1,257
GMUG National Forest	21,644	238,844	(143,482)	117,006
Timber Security Deposit	21,548	-	(21,548)	-
5BRC	21,404	-	(2,852)	18,552
Bighorn Fire Restoration	21,180	-	(21,180)	-
Taylor Creek Visitor Center	21,057	-	(10,942)	10,115
Iron Mountain Project	20,000	-	-	20,000
Mount Baker-Snoqualmie Trail Ambassador Program	20,000	10,000	(16,987)	13,013
Lookout Tower Funds	18,211	5,820	(21,756)	2,275
Hendricks	17,371	-	-	17,371
SoCal Forest Fund	16,872	14,394	(10,964)	20,302
Dolly Copp Campground	16,202	-	(14,312)	1,890
Rivers to Peaks Treasured Landscapes Site	15,562	50,000	(27,421)	38,141
Angoon Youth Conservation Corps	15,000	27,500	(10,622)	31,878
Arizona Sonora Desert Museum	15,000	15,000	(15,000)	15,000
Junior Field Rangers—Southern California	15,000	-	(15,000)	-
Stillaguamish Youth Engagement	14,460	-	(14,459)	1
Beacon Checkers—Vail Pass	13,942	-	(8,000)	5,942
Sam Houston National Forest	13,265	25,000	(4,345)	33,920
Wildfire Assistance Fund	12,617	-	(13,533)	(916)
Grand Mesa Uncompahgre & Gunnison National Forest	11,355	-	-	11,355
Rim Fire Recovery Fund	11,102	-	-	11,102
Restoration in Northern Arizona, Tree Planting on Mt. Elden and Engaging Tribal Communities and youth	10,625	-	(10,625)	-
Coconino National Forest	10,274	28,000	(37,240)	1,034
Arundo Removal	10,000	10,000	(9,500)	10,500
Backwoods Fellowship	10,000	-	(350)	9,650
Ladybug Project	10,000	-	(1,500)	8,500
Lynx Habitat Mitigation Fund	10,000	-	(5,905)	4,095
Projects on the National Forest System	10,000	9,500	(16,575)	2,925
Chippewa Soo Line Bridge	9,715	-	-	9,715
El Yunque Projects	9,603	5,053	(739)	13,917
Midwin Outdoor Education Programs	9,564	-	-	9,564
Find Your Fourteeners	9,077	-	(6,955)	2,122
Lower Salt River Riparian Restoration	9,054	-	(7,750)	1,304

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2021	Additions	Released	Balance September 30, 2022
Western Headlands Waterways	\$ 8,500	\$ -	\$ (86)	\$ 8,414
Railroad Bridge Habitat Improvement, Pike-San Isabel National Forest	8,500	-	(8,500)	-
Southern California Forest Fund	7,608	-	-	7,608
Price of Wales Sustainable Recreation Project	7,562	-	(7,561)	1
Open the National Forests	7,350	-	-	7,350
SoCal Post-Fire Restoration	7,283	-	(7,283)	-
Tahoe National Forest	7,162	926,000	(255,990)	677,172
Conjejos Peak District, Rio Grande National Forest	6,828	-	-	6,828
Tahoe Headwaters	6,285	-	-	6,285
Northern Rockies Position	6,080	-	(6,080)	-
Green Drone Project	5,000	-	(2,119)	2,881
Med-Bow Routt NF	5,000	30,000	(34,250)	750
Cathedral Ledge Access	4,638	-	-	4,638
Oak Creek Canyon Trail Restoration	4,000	-	(4,098)	(98)
Chippewa Soo Line Trail	3,973	-	-	3,973
Youth Engagement	3,801	147,300	(44,250)	106,851
Coconino & Kaibab National Forests	3,576	-	-	3,576
River Intern Stewardship Program	3,559	-	-	3,559
Tongass National Forest	3,106	100,000	(93,105)	10,001
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	2,152	1,949	(232)	3,869
Gunnison Stewardship Fund	1,994	-	(1,994)	-
Lolo National Forest	1,809	1,495	(224)	3,080
Chugach NF Turnagain Pass	1,427	-	-	1,427
Sangre de Cristo Stewardship Crew—South Colony Lakes E	1,325	9,900	(3,548)	7,677
Lake Tahoe West	1,239	-	-	1,239
Washington Okanogan-Wenatchee National Forest	1,232	-	-	1,232
Wisconsin Projects	1,190	-	(1,190)	-
White River National Forest Reforestation	1,147	-	-	1,147
Mountain Pine Beetle Response Project	1,019	-	(169)	850
Nantahala Pisgah	1,018	-	-	1,018
Halliburton Volunteer Event	714	-	(38)	676
Restoring Florida' Longleaf Pine Forest	696	-	-	696
Iditarod Trailwork	594	10,000	(10,000)	594
Mission Mountains Youth Crew	550	31,000	(24,376)	7,174
Environmental Program Support	500	-	-	500
Wildfire Relief	284	23	-	307
Elizabeth Lake	265	-	-	265
OW Methow National Forest Projects	200	-	-	200
Bald Mountain Stewardship Project	195	30,000	(1,462)	28,733
Daniel Boone National Forest	125	-	-	125
Southern Idaho Forest Fund	110	10,000	(10,000)	110
El Yunque Restoration	100	-	-	100
Tonto National Forest	85	127,930	(1,856)	126,159
Wood for Life—Tribal Fuelwood Initiative	50	-	-	50

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	Balance			Balance
	September 30,	Additions	Released	September 30,
	2021			2022
Youth Programs	\$ 40	\$ 45,000	\$ (29,065)	\$ 15,975
Post-Fire Restoration Cleveland National Forest	25	-	-	25
Boot Spur Trail Bridge	7	-	-	7
Conservation/Restoration	1	-	-	1
Bill Williams Mountain	-	2,000,000	(556,870)	1,443,130
CO River Watershed	-	950,000	(73,921)	876,079
Angeles and Cleveland NFs	-	350,000	(55,770)	294,230
Kisatchie NF	-	300,000	(45,000)	255,000
Stanislaus NF	-	275,000	(41,250)	233,750
Sierra Nevada Forest Fund	-	151,470	(968)	150,502
White River Stewardship Coordinator	-	140,000	(4,519)	135,481
Pike San Isabel NF	-	130,000	(24,326)	105,674
Cononino NF	-	156,000	(51,857)	104,143
Colorado, White River NF	-	149,199	(47,189)	102,010
Coronado NF	-	80,000	-	80,000
Lightning Point and Messenger Flats	-	85,000	(15,792)	69,208
Chugah Public Cabins	-	106,250	(39,941)	66,309
Chugach NF, Seward District	-	75,000	(11,250)	63,750
Inyo National Forest	-	120,000	(64,091)	55,909
Trailhead Improvement	-	85,000	(34,000)	51,000
Southern Idaho NFs	-	125,000	(74,394)	50,606
Columbia River Gorge Nat'l Scenic Area	-	67,500	(22,034)	45,466
Taylor River Watershed	-	50,000	(9,251)	40,749
Umpqua NF	-	47,671	(7,419)	40,252
Chaffee Co LTPBR	-	42,000	(4,614)	37,386
San Gabriel Mountains Community Collaborative	-	37,000	-	37,000
Humboldt-Toiyable NF	-	50,000	(22,274)	27,726
Arapaho-Roosevelt NF	-	35,650	(9,526)	26,124
New Mexico Wood for Life	-	30,000	(4,500)	25,500
Sawtooth NF	-	43,000	(20,122)	22,878
Flathead National Forest	-	25,000	(3,544)	21,456
Tribal Fuelwood Initiative	-	50,000	(29,255)	20,745
CO SW Trails and Youth	-	25,000	(4,263)	20,737
Northern AZ, Kaibab NF	-	100,000	(80,000)	20,000
Restoration projects	-	25,000	(7,551)	17,449
Riverside Upland Restoration and N Cottonwood Creek, CO	-	20,000	(3,000)	17,000
Rumney Rocks	-	50,000	(33,576)	16,424
Trillium Lake	-	15,195	(2,279)	12,916
Chugach NF	-	150,000	(137,246)	12,754
San Isabel NF	-	15,000	(2,250)	12,750
Pitkin, Garfield and/or Rio Blanco	-	20,000	(8,460)	11,540
CO San Juan NF	-	10,000	-	10,000
Volunteer Events 2021 and 2022	-	10,000	-	10,000
Androscoggin District	-	11,000	(1,650)	9,350
Gunnison NF	-	10,000	(1,500)	8,500
UKB—Cherokee YCC	-	10,000	(1,500)	8,500
White River Ski Conservation Fund	-	10,000	(1,500)	8,500
Colorado, Rocky Mountain Region	-	15,000	(6,612)	8,388
Flathead Youth Corp	-	20,000	(12,258)	7,742

(Continued)

National Forest Foundation

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

	Balance September 30,			Balance September 30,
	2021	Additions	Released	2022
Nantahala NF	\$ -	\$ 9,000	\$ (1,350)	\$ 7,650
Tonto and Coronado NFs	-	45,000	(40,000)	5,000
Panhandle	-	10,558	(5,841)	4,717
Youth Programs LSR Tonto NF	-	75,000	(70,539)	4,461
Montana Forest Fund	-	3,124	(469)	2,655
Bronco Wild Fund	-	2,062	-	2,062
Smokey Bear Stewardship Fund; Lincoln NF	-	1,539	(198)	1,341
CO Wood For Life	-	2,000	(850)	1,150
Beaverhead Deerlodge Working Group	-	858	(158)	700
St Marys GW-Jefferson NF	-	135,980	(135,305)	675
Idaho Forest Restoration Partnership Facilitation	-	4,000	(3,563)	437
Conservation Connect Fellow Program	-	25,000	(25,000)	-
Gunnison Taylor River Project	-	25,000	(25,000)	-
Santa Fe National Forest	-	101,000	(101,000)	-
Northern Arizona	-	10,000	(10,000)	-
Net assets with donor restrictions before endowr	23,978,803	24,145,861	(15,223,553)	32,909,611
Endowment	5,080,697	(146,772)	-	4,933,925
	<u>\$ 29,068,000</u>	<u>\$ 23,999,089</u>	<u>\$ (15,223,553)</u>	<u>\$ 37,843,536</u>

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 6. 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, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,059,970	\$ -	\$ 1,059,970
Donor-restricted endowment funds	-	4,933,925	4,933,925
	<u>\$ 1,059,970</u>	<u>\$ 4,933,925</u>	<u>\$ 5,993,895</u>

For the year ended September 30, 2022, the Foundation had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,138,082	\$ 5,080,697	\$ 6,218,779
Additions	110,000	1,000,000	1,110,000
Net investment loss	(188,112)	(1,146,772)	(1,334,884)
Endowment net assets, end of year	<u>\$ 1,059,970</u>	<u>\$ 4,933,925</u>	<u>\$ 5,993,895</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, 2022, there were no such deficiencies.

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

Note 7. Donated Professional Services

The Foundation received donated professional services as follows during the year ended September 30, 2022:

	Conservation	Grants and Awards	General and Administrative	Development and Communications	Total
Professional services	\$ 12,531	\$ -	\$ 19,433	\$ 16,953	\$ 48,917
	<u>\$ 12,531</u>	<u>\$ -</u>	<u>\$ 19,433</u>	<u>\$ 16,953</u>	<u>\$ 48,917</u>

National Forest Foundation

Notes to Financial Statements

Note 8. 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 \$143,062 for the year ended September 30, 2022.

Note 9. Lines of Credit

The Foundation has a \$1,500,000 line of credit that will expire on December 14, 2023. 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 \$0 at September 30, 2022.

The Foundation has an agreement with a private funder that allows for the Foundation to borrow a maximum of \$2,598,000, with minimum borrowings of \$100,000, to fund specific forest restoration activities in connection with the project located in the North Yuba River Watershed of the Tahoe National Forest in California. The agreement matures on November 1, 2023. The outstanding principal balance was \$1,101,400 at September 30, 2022, and bears no interest.

Note 10. Contingencies

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