

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020



**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
American Forest Foundation

We have audited the accompanying consolidated financial statements of the American Forest Foundation and Subsidiaries (AFF), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American Forest Foundation and its Subsidiaries as of December 31, 2020 and 2019, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information presented on page 18 through 20 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of AFF's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying statements themselves, and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

CaliberCPAGroup, PLLC

Bethesda, MD
July 12, 2021

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,612,290	\$ 842,640
Grants receivable	1,357,726	1,011,249
Contributions receivable	25,000	227,500
Accounts receivable	12,663	5,211
Advances to grant partners	271,641	-
Prepaid expenses	86,206	176,204
Total current assets	3,365,526	2,262,804
INVESTMENTS	167,193,294	162,920,335
PROPERTY AND EQUIPMENT, NET	419,221	580,382
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	19,500	22,000
SECURITY DEPOSIT	36,385	36,385
Total assets	\$ 171,033,926	\$ 165,821,906
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,209,926	\$ 1,381,254
Refundable advance	118,177	-
Debt payable	16,479	11,549
Deferred revenue	11,996	18,662
Deferred lease incentives	106,006	92,927
Total current liabilities	1,462,584	1,504,392
LONG-TERM LIABILITIES		
Long-term debt	159,686	164,757
Deferred lease incentives, net of current portion	663,712	769,718
Total long-term liabilities	823,398	934,475
Total liabilities	2,285,982	2,438,867
NET ASSETS		
Without donor restrictions	167,751,503	162,706,810
With donor restrictions	996,441	676,229
Total net assets	168,747,944	163,383,039
Total liabilities and net assets	\$ 171,033,926	\$ 165,821,906

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and non-federal grants	\$ 400,032	\$ 4,667,341	\$ 5,067,373	\$ 882,429	\$ 2,182,317	\$ 3,064,746
Federal grants and contracts	-	3,557,114	3,557,114	-	2,300,185	2,300,185
Investment income, net	14,189,392	-	14,189,392	29,526,748	-	29,526,748
Meetings and other revenue	231,171	-	231,171	316,365	-	316,365
Net assets released from restrictions	7,904,243	(7,904,243)	-	4,197,126	(4,197,126)	-
Total support and revenue	<u>22,724,838</u>	<u>320,212</u>	<u>23,045,050</u>	<u>34,922,668</u>	<u>285,376</u>	<u>35,208,044</u>
EXPENSES						
Program services	15,495,533	-	15,495,533	13,596,422	-	13,596,422
Management and general	1,142,653	-	1,142,653	1,114,884	-	1,114,884
Fundraising	1,020,941	-	1,020,941	1,234,044	-	1,234,044
Total expenses	<u>17,659,127</u>	<u>-</u>	<u>17,659,127</u>	<u>15,945,350</u>	<u>-</u>	<u>15,945,350</u>
CHANGE IN NET ASSETS BEFORE INCOME TAXES AND OTHER LOSSES						
	5,065,711	320,212	5,385,923	18,977,318	285,376	19,262,694
PROVISION FOR INCOME TAXES						
	(21,018)	-	(21,018)	(19,356)	-	(19,356)
CHANGE IN NET ASSET/NET INCOME						
	5,044,693	320,212	5,364,905	18,957,962	285,376	19,243,338
NET ASSETS/RETAINED EARNINGS						
Beginning of year	162,706,810	676,229	163,383,039	143,748,848	390,853	144,139,701
End of year	<u>\$ 167,751,503</u>	<u>\$ 996,441</u>	<u>\$ 168,747,944</u>	<u>\$ 162,706,810</u>	<u>\$ 676,229</u>	<u>\$ 163,383,039</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u> <u>Woodlands</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,934,563	\$ 762,445	\$ 589,280	\$ 5,286,288
Retirement	344,144	53,080	51,893	449,117
Other employee benefits	339,720	63,940	64,959	468,619
Payroll taxes	248,785	59,230	31,065	339,080
Accounting	6,849	41,300	-	48,149
Legal	38,991	72,167	791	111,949
Postage and shipping	10,410	55	17,085	27,550
Rent	15,690	496,079	-	511,769
Printing and publications	41,671	1,901	45,664	89,236
Travel	202,376	24,083	37,477	263,936
Meetings	95,119	5,330	5,665	106,114
Office expense	56,778	37,666	6,215	100,659
Depreciation and amortization	(9,310)	138,043	-	128,733
Design/production	36,816	-	16	36,832
Research/evaluation	31,019	-	-	31,019
Consultants	3,428,896	146,403	79,588	3,654,887
Promotion	411,506	-	275	411,781
Grants	4,529,287	-	-	4,529,287
Materials	101,050	238	48	101,336
Insurance	2,612	126,026	-	128,638
Information technology	90,135	386,135	2,549	478,819
Miscellaneous	266,033	89,191	105	355,329
Allocation of indirect costs	1,272,393	(1,360,659)	88,266	-
	<u>1,272,393</u>	<u>(1,360,659)</u>	<u>88,266</u>	<u>-</u>
Total expenses	<u>\$ 15,495,533</u>	<u>\$ 1,142,653</u>	<u>\$ 1,020,941</u>	<u>\$ 17,659,127</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u> <u>Woodlands</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,818,836	\$ 691,987	\$ 572,946	\$ 5,083,769
Retirement	311,047	62,811	58,726	432,584
Other employee benefits	336,758	58,332	78,017	473,107
Payroll taxes	229,414	50,840	42,557	322,811
Accounting	4,753	46,250	-	51,003
Legal	50,210	28,654	273	79,137
Postage and shipping	18,733	2,190	26,548	47,471
Rent	15,826	479,834	-	495,660
Printing and publications	19,297	917	47,144	67,358
Travel	655,406	124,054	160,950	940,410
Meetings	195,816	10,357	16,888	223,061
Office expense	68,262	49,146	8,192	125,600
Depreciation and amortization	-	148,412	-	148,412
Design/production	54,404	-	3,419	57,823
Research/evaluation	53,620	-	425	54,045
Consultants	2,566,160	420,755	95,696	3,082,611
Promotion	341,585	350	5,844	347,779
Grants	3,084,285	-	-	3,084,285
Materials	81,741	46	296	82,083
Insurance	2,638	115,160	-	117,798
Information technology	75,931	348,248	-	424,179
Miscellaneous	204,230	24	110	204,364
Allocation of indirect costs	<u>1,407,470</u>	<u>(1,523,483)</u>	<u>116,013</u>	<u>-</u>
Total expenses	<u>\$ 13,596,422</u>	<u>\$ 1,114,884</u>	<u>\$ 1,234,044</u>	<u>\$ 15,945,350</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,364,905	\$ 19,243,338
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	128,733	148,412
Realized and unrealized gains	(8,865,878)	(25,070,931)
Currency exchange	12,775	4,354
Loss on disposal of assets	19,653	-
Changes in assets and liabilities		
Grants receivable	(346,477)	229,755
Contribution receivable	205,000	5,000
Accounts receivable	(7,452)	(1,597)
Advances to grant partners	(271,641)	-
Prepaid expenses	89,998	(55,037)
Accounts payable and accrued expenses	(171,328)	447,669
Refundable advance	118,177	-
Deferred revenue	(6,666)	(12,687)
Deferred lease incentives	(92,927)	(80,165)
Net cash used for operating activities	(3,823,128)	(5,141,889)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(31,723,138)	(10,828,467)
Purchase of equipment	-	(8,409)
Proceeds from sales of investments	36,316,057	16,288,688
Net cash provided by investing activities	4,592,919	5,451,812
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of debt	(141)	(2,539)
NET CHANGE IN CASH AND CASH EQUIVALENTS	769,650	307,384
CASH AND CASH EQUIVALENTS		
Beginning of year	842,640	535,256
End of year	\$ 1,612,290	\$ 842,640

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1. ORGANIZATION AND TAX STATUS

The American Forest Foundation (AFF) is a publicly supported not-for-profit organization established to conduct charitable, educational, research and scientific programs aimed at the responsible use and conservation of renewable resources. AFF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except on net income, if any, generated by unrelated business activities. AFF is similarly exempt from District of Columbia franchise taxes and qualifies as a publicly-supported organization.

WoodsCamp Technologies Inc., (WoodsCamp; collectively AFF) a wholly-owned for-profit subsidiary of AFF, creates a free personalized report highlighting opportunities matched to the goals and conditions of the forest owned by private woodland owners.

Family Forest Impact Foundation, LLC., (FFIF; collectively AFF) a single member limited liability company was formed by AFF in November 2019. FFIF is considered a disregarded entity to AFF for federal tax purposes. The FFIF supports AFF in its efforts to further environmental conservation and protection by helping to advance and promote the marketability of positive and quantifiable environmental impacts created through forest management actions by family woodland owners in the United States. The FFIF did not have any activity in 2019.

AFF accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. AFF performed an evaluation of uncertain tax positions for the years ended December 31, 2020 and 2019, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2020, the statute of limitations for tax years 2017 through 2019 remains open with the U.S. federal jurisdiction and the District of Columbia. It is AFF's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation - The consolidated financial statements of AFF have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board ASC, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, AFF 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.

Use of Estimates - The preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash consists of amounts on deposit in bank checking accounts. Cash equivalents include amounts on deposit in bank money market accounts and securities with initial maturities of three months or less, unless held as part of AFF's long-term investment portfolio.

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable - Accounts receivable are carried at their net realizable value. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2020 and 2019, there was no balance in the allowance for uncollectible accounts as management determined that all amounts are fully collectible. All accounts receivables are due within one year from the consolidated statements of financial position date.

Investments - Investments consist entirely of amounts held in publicly-traded mutual funds and are carried at fair value as determined by published market prices. Investment income includes interest and dividends, realized gains or losses on investments sold during the year, and unrealized gains or losses on investments held at year-end, net of related investment expenses.

Property and Equipment - Office furniture, equipment and leasehold improvements are reported at cost less accumulated depreciation and amortization. Individual items with an acquisition cost exceeding \$2,500 and having an estimated useful life of more than one year are capitalized, while maintenance, repairs, and purchases below the capitalization threshold are expensed in the year incurred. Office furniture and equipment are depreciated over seven years; computer equipment and software are depreciated over three years; and leasehold improvements are amortized over the lesser of the lease terms or their estimated useful lives.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets - Net assets are reported in two distinct classes as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of AFF. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of AFF, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by AFF is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

Contributions - Contributions received are reported as increases in net assets not subject to donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted revenue is reported as an increase in net assets with donor restrictions. When a 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 consolidated statements of activities as net assets released from restrictions.

Grants - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability and recognized as contribution revenue only when the conditions are met.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based on employee time and effort studies. Common costs such as occupancy, depreciation and the like are allocated pro-rata based on total costs incurred.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following table represents AFF's financial assets available to meet cash needs for general expenditures within one year of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 171,033,926	\$ 165,821,906
Less nonfinancial assets		
Prepaid expenses and deposits	(122,591)	(212,589)
Advances to grant partners	(271,641)	-
Net property and equipment	<u>(419,221)</u>	<u>(580,382)</u>
Total financial assets at end of year	170,220,473	165,028,935
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	<u>(996,441)</u>	<u>(676,229)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 169,224,032</u>	 <u>\$ 164,352,706</u>

As part of AFF's liquidity management, it has an investment policy with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of AFF. The fund shall make use of a total return based spending policy; distributions will be funded from net investment income, net realized capital gains, and proceeds from the sale of assets. The annual spending target is 5.0% of the rolling 36-month average market value based upon the June 30th valuation.

NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31, 2020 and 2019 are due as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 1,382,726	1,238,749
Due in one to five years	<u>19,500</u>	<u>22,000</u>
	<u>\$ 1,402,226</u>	<u>\$ 1,260,749</u>

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2020 and 2019, investments consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 11,161,150	\$ 11,161,150	\$ 49,372	\$ 49,372
Mutual funds				
Fixed Income	29,141,364	30,409,200	33,445,413	33,490,336
Equity - Domestic	59,288,224	90,718,455	71,170,512	95,570,375
Equity - International	29,969,143	34,904,489	31,567,433	33,810,252
Total	<u>\$ 129,559,881</u>	<u>\$ 167,193,294</u>	<u>\$ 136,232,730</u>	<u>\$ 162,920,335</u>

Investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Interest and dividends	\$ 5,408,288	\$ 4,541,691
Realized gains (losses)	(2,079,931)	2,021,509
Unrealized gains	10,945,809	23,049,422
Investment fees	(84,774)	(85,874)
	<u>\$ 14,189,392</u>	<u>\$ 29,526,748</u>

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AFF has the ability to access.
- Level 2 Inputs to the valuation methodology include other significant observable inputs including:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used for the years ending December 31, 2020 and 2019.

Level 1

All of AFF's investments are in cash and publicly-traded mutual funds and, accordingly, their fair values are based on quoted market prices.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2020 are limited to investments. The following table sets forth AFF's assets at fair value as of December 31,:

	2020			
	Total Investments	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 11,161,150	\$ 11,161,150	\$ -	\$ -
Mutual funds				
Fixed Income	30,409,200	30,409,200	-	-
Equity - Domestic	90,718,455	90,718,455	-	-
Equity - International	34,904,489	34,904,489	-	-
	<u>\$ 167,193,294</u>	<u>\$ 167,193,294</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2019 are limited to investments. The following table sets forth AFF's assets at fair value as of December 31,:

	2019			
	Total Investments	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 49,372	\$ 49,372	\$ -	\$ -
Mutual funds				
Fixed Income	33,490,336	33,490,336	-	-
Equity - Domestic	95,570,375	95,570,375	-	-
Equity - International	33,810,252	33,810,252	-	-
	<u>\$ 162,920,335</u>	<u>\$ 162,920,335</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6. PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Furniture, equipment and software	\$ 646,746	\$ 675,749
Leasehold improvements	925,237	925,237
	1,571,983	1,600,986
Accumulated depreciation and amortization	(1,152,762)	(1,020,604)
Net property and equipment	<u>\$ 419,221</u>	<u>\$ 580,382</u>

NOTE 7. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, AFF received a loan in the amount of \$763,715 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans and accrued interest are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, primarily payroll, benefits, rent and utilities. Any unforgiven portion of a PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Management of AFF believes it has used the loan proceeds for purposes consistent with the PPP requirements and has applied for forgiveness within 10 months of the end of the covered period.

NOTE 7. PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

AFF initially recorded the note payable as a refundable advance and subsequently recognized contribution income related to the debt forgiveness in accordance with the guidance for recognizing conditional contributions. The amount of contribution income recognized during the year ended December 31, 2020 was \$763,715. AFF received notification of loan forgiveness for the full amount in May 2021.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with temporary donor restrictions as of December 31, 2020 and 2019 were subject to restrictions as follows:

	<u>2020</u>	<u>2019</u>
White Oak Initiative	\$ 115,127	\$ 169,485
Sustainable Forestry		
African American Land Retention	550,000	-
Landscape Management	38,296	102,630
Fire Risk Reduction	47,195	-
Family First Carbon Program	89,895	237,303
Other Programs	155,928	166,811
	<u>\$ 996,441</u>	<u>\$ 676,229</u>

NOTE 9. RETIREMENT PLAN

AFF maintains a defined contribution retirement plan under IRC Section 401(k) that covers substantially all employees. Contributions are generally made at 7% of eligible compensation and covered employees are 50% vested in AFF contributions until completing three years of eligible service, after which vesting increases to 100%. Contributions to the plan were \$416,079 and \$408,592 in 2020 and 2019, respectively.

WoodsCamp contributes to Canada's public retirement system. The contribution rate for 2020 and 2019 was 4.95% and total contribution were \$22,321 and \$19,096, respectively.

NOTE 10. COMMITMENTS

AFF entered into a lease agreement for office space that commenced on December 1, 2013 and expires July 31, 2026. The lease requires a security deposit of \$36,385 and provides for fixed, scheduled increases in the base rent of 2.5% per year, except for the sixth year of the agreement, for which the increase will be \$2.25 per square foot instead. Rent is also abated for the first eight months of the lease term. The total rent payable over the lease term is recognized on a straight-line basis in the financial statements. In connection with AFF's occupancy of the new space, the landlord provided a tenant improvement allowance of \$801,832, of which AFF was able to apply up to \$200,458 toward the cost of wiring, cabling, furnishings, and move-related expenses.

NOTE 10. COMMITMENTS (CONTINUED)

Total amounts due under the lease agreement are payable as follows:

Year Ending December 31, 2021	\$ 536,303
2022	549,711
2023	563,454
2024	577,540
2025	591,979
Thereafter	<u>353,218</u>
	<u>\$ 3,172,205</u>

Total rent expense was \$511,769 and \$495,660 for the years ended December 31, 2020 and 2019, respectively.

The stock purchase agreement for the purchase of WoodsCamp included contingent payment commitments to the original Stakeholders. AFF will pay the Stakeholders \$166,666 for each year the technology is rolled out to a new state in the United States in 2019, 2020, and 2021. Any payment not earned in a given year will be forfeited. Payments may be accelerated if a key persons' employment is terminated by AFF, AFF ceases to conduct business in its normal course, a change in control occurs, or AFF decides not to pursue further development and roll out of the technology. During 2019 and 2020, the conditions related to the contingent payments were met and \$166,666 is included in Accounts Payable and miscellaneous expenses as of December 31, 2019 and 2020. The payments were made in 2020 and 2021.

NOTE 11. CONCENTRATIONS

AFF maintains its cash in one financial institution in Washington D.C. Account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year ended December 31, 2020, amounts on deposit exceeded FDIC insurance limit. Management believes this credit risk to be minimal at this time.

NOTE 12. SIGNIFICANT UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. Certain sectors of U.S. and global markets have experienced significant declines from uncertainty caused by the pandemic. AFF is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of the pandemic on AFF's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on AFF's donors, customers, employees and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact AFF's financial position, changes in net assets, and cash flows is uncertain, and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

NOTE 13. SUBSEQUENT EVENTS

All subsequent events have been evaluated through July 12, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	AFF	WoodsCamp	FFIF	Eliminations	2020 Total	2019 Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,359,097	\$ 142,134	\$ 111,059	\$ -	\$ 1,612,290	\$ 842,640
Grants receivable	1,357,726	-	-	-	1,357,726	1,011,249
Contributions receivable	25,000	-	-	-	25,000	227,500
Accounts receivable	-	12,663	-	-	12,663	5,211
Advances to grant partners	271,641	-	-	-	271,641	-
Prepaid expenses	86,206	-	-	-	86,206	176,204
Total current assets	<u>3,099,670</u>	<u>154,797</u>	<u>111,059</u>	<u>-</u>	<u>3,365,526</u>	<u>2,262,804</u>
INVESTMENTS	167,943,168	-	-	(749,874)	167,193,294	162,920,335
PROPERTY AND EQUIPMENT, NET	419,221	-	-	-	419,221	580,382
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	19,500	-	-	-	19,500	22,000
SECURITY DEPOSIT	36,385	-	-	-	36,385	36,385
Total assets	<u>\$ 171,517,944</u>	<u>\$ 154,797</u>	<u>\$ 111,059</u>	<u>\$ (749,874)</u>	<u>\$ 171,033,926</u>	<u>\$ 165,821,906</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 961,350	\$ 174,964	\$ 73,612	\$ -	\$ 1,209,926	\$ 1,381,254
Refundable advance	118,177	-	-	-	118,177	-
Debt payable	-	16,479	-	-	16,479	11,549
Deferred revenue	11,996	-	-	-	11,996	18,662
Deferred lease incentives	106,006	-	-	-	106,006	92,927
Total current liabilities	<u>1,197,529</u>	<u>191,443</u>	<u>73,612</u>	<u>-</u>	<u>1,462,584</u>	<u>1,504,392</u>
LONG-TERM LIABILITIES						
Long-term debt	-	159,686	-	-	159,686	164,757.00
Deferred lease incentives, net of current portion	663,712	-	-	-	663,712	769,718
Total long-term liabilities	<u>663,712</u>	<u>159,686</u>	<u>-</u>	<u>-</u>	<u>823,398</u>	<u>934,475</u>
Total liabilities	<u>1,861,241</u>	<u>351,129</u>	<u>73,612</u>	<u>-</u>	<u>2,285,982</u>	<u>2,438,867</u>
NET ASSETS						
Without donor restrictions	168,660,262	-	-	(908,759)	167,751,503	162,706,810
With donor restrictions	996,441	-	-	-	996,441	676,229
Total net assets	<u>169,656,703</u>	<u>-</u>	<u>-</u>	<u>(908,759)</u>	<u>168,747,944</u>	<u>163,383,039</u>
STOCKHOLDERS' EQUITY						
Common stock, \$1 par value						
1,000,000 shares authorized and outstanding	-	733	-	(733)	-	-
Additional paid-in-capital	-	1,011,567	500,000	(1,511,567)	-	-
Retained earnings	-	(1,208,632)	(462,553)	1,671,185	-	-
Total stockholders' equity	<u>-</u>	<u>(196,332)</u>	<u>37,447</u>	<u>158,885</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 171,517,944</u>	<u>\$ 154,797</u>	<u>\$ 111,059</u>	<u>\$ (749,874)</u>	<u>\$ 171,033,926</u>	<u>\$ 165,821,906</u>

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)

	2020					2019		
	Without Donor Restrictions					With Donor Restrictions		
	AFF	WoodsCamp	FFIF	Eliminations	Total	AFF	Total	
SUPPORT AND REVENUE								
Contributions and non-federal grants	\$ 400,032	\$ -	\$ -	\$ -	\$ 400,032	\$ 4,667,341	\$ 5,067,373	\$ 3,064,746
Federal grants and contracts	-	-	-	-	-	3,557,114	3,557,114	2,300,185
Investment income, net	14,189,392	-	-	-	14,189,392	-	14,189,392	29,526,748
Meetings and other revenue	231,171	1,549,765	-	(1,549,765)	231,171	-	231,171	316,365
Equity in net loss of WoodsCamp	(129,574)	-	-	129,574	-	-	-	-
Equity in net loss of FFIF	(462,553)	-	-	462,553	-	-	-	-
Net assets released from restrictions	7,904,243	-	-	-	7,904,243	(7,904,243)	-	-
Total support and revenue	<u>22,132,711</u>	<u>1,549,765</u>	<u>-</u>	<u>(957,638)</u>	<u>22,724,838</u>	<u>320,212</u>	<u>23,045,050</u>	<u>35,208,044</u>
EXPENSES								
Program services	15,095,083	1,491,655	458,560	(1,549,765)	15,495,533	-	15,495,533	13,596,422
Management and general	1,138,660	-	3,993	-	1,142,653	-	1,142,653	1,114,884
Fundraising	1,020,941	-	-	-	1,020,941	-	1,020,941	1,234,044
Total expenses	<u>17,254,684</u>	<u>1,491,655</u>	<u>462,553</u>	<u>(1,549,765)</u>	<u>17,659,127</u>	<u>-</u>	<u>17,659,127</u>	<u>15,945,350</u>
CHANGE IN NET ASSETS BEFORE INCOME TAXES AND OTHER LOSSES								
	<u>4,878,027</u>	<u>58,110</u>	<u>(462,553)</u>	<u>592,127</u>	<u>5,065,711</u>	<u>320,212</u>	<u>5,385,923</u>	<u>19,262,694</u>
PROVISION FOR INCOME TAXES								
	<u>-</u>	<u>(21,018)</u>	<u>-</u>	<u>-</u>	<u>(21,018)</u>	<u>-</u>	<u>(21,018)</u>	<u>(19,356)</u>
CHANGE IN NET ASSET/NET INCOME								
	4,878,027	37,092	(462,553)	592,127	5,044,693	320,212	5,364,905	19,243,338
NET ASSETS/RETAINED EARNINGS								
Beginning of year	<u>163,782,235</u>	<u>(1,244,991)</u>	<u>-</u>	<u>169,566</u>	<u>162,706,810</u>	<u>676,229</u>	<u>163,383,039</u>	<u>144,139,701</u>
End of year	<u>\$ 168,660,262</u>	<u>\$ (1,207,899)</u>	<u>\$ (462,553)</u>	<u>\$ 761,693</u>	<u>\$ 167,751,503</u>	<u>\$ 996,441</u>	<u>\$ 168,747,944</u>	<u>\$ 163,383,039</u>

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2019)**

	Program Services					Management and General			Eliminations	2020	2019
	Woodlands	WoodsCamp	FFIF	Eliminations	Total	AFF	FFIF	Fundraising		Total	Total
Salaries	\$ 3,070,918	\$ 863,645	\$ -	\$ -	\$ 3,934,563	\$ 762,445	\$ -	\$ 589,280	\$ -	\$ 5,286,288	\$ 5,083,769
Retirement	311,109	33,035	-	-	344,144	53,080	-	51,893	-	449,117	432,584
Other employee benefits	311,667	28,053	-	-	339,720	63,940	-	64,959	-	468,619	473,107
Payroll taxes	248,785	-	-	-	248,785	59,230	-	31,065	-	339,080	322,811
Accounting	-	6,849	-	-	6,849	41,300	-	-	-	48,149	51,003
Legal	34,436	4,555	-	-	38,991	68,790	3,377	791	-	111,949	79,137
Postage and shipping	10,389	-	21	-	10,410	-	55	17,085	-	27,550	47,471
Rent	-	15,690	-	-	15,690	496,079	-	-	-	511,769	495,660
Printing and publications	41,671	-	-	-	41,671	1,901	-	45,664	-	89,236	67,358
Travel	182,506	19,103	767	-	202,376	24,083	-	37,477	-	263,936	940,410
Meetings	94,244	875	-	-	95,119	5,330	-	5,665	-	106,114	223,061
Office expense	48,462	8,316	-	-	56,778	37,407	259	6,215	-	100,659	125,600
Depreciation and amortization	-	(9,310)	-	-	(9,310)	138,043	-	-	-	128,733	148,412
Design/production	36,052	-	764	-	36,816	-	-	16	-	36,832	57,823
Research/evaluation	30,988	-	31	-	31,019	-	-	-	-	31,019	54,045
Consultants	4,474,066	56,138	448,457	(1,549,765)	3,428,896	146,101	302	79,588	-	3,654,887	3,082,611
Promotion	226,020	176,966	8,520	-	411,506	-	-	275	-	411,781	347,779
Grants	4,529,287	-	-	-	4,529,287	-	-	-	-	4,529,287	3,084,285
Materials	101,050	-	-	-	101,050	238	-	48	-	101,336	82,083
Insurance	-	2,612	-	-	2,612	126,026	-	-	-	128,638	117,798
Information technology	9,000	81,135	-	-	90,135	386,135	-	2,549	-	478,819	424,179
Miscellaneous	62,040	203,993	-	-	266,033	89,191	-	105	-	355,329	204,364
Allocation of indirect costs	1,272,393	-	-	-	1,272,393	(1,360,659)	-	88,266	-	-	-
Total expenses	\$ 15,095,083	\$ 1,491,655	\$ 458,560	\$ (1,549,765)	\$ 15,495,533	\$ 1,138,660	\$ 3,993	\$ 1,020,941	\$ -	\$ 17,659,127	\$ 15,945,350