AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
American Forest Foundation

Opinion

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, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AFF as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of AFF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 AFF’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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AFF’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 Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 20 through 22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Calibre CPA Group, PLLC

Bethesda, MD
May 21, 2024

AMERICAN FOREST FOUNDATION
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 1,008,980	$ 8,035,699
Grants receivable	5,001,894	4,241,368
Contributions receivable	23,250	179,545
Accrued interest	281,111	275,062
Accounts receivable	150,353	34,795
Advances to grant partners	-	8,351
Prepaid expenses	498,801	871,410
Total current assets	6,964,389	13,646,230
Investments	159,762,419	154,287,162
Property and equipment, net	240,717	269,328
Right-of-use asset	1,083,854	1,489,654
Contributions receivable, net of current portion	36,771	51,579
Other assets	201,385	201,385
Total assets	$ 168,289,535	$ 169,945,338
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 3,412,020	$ 3,724,276
Refundable advance	120,000	338,362
Debt payable	33,134	15,513
Lease liability	577,540	563,454
Total current liabilities	4,142,694	4,641,605
Long-term liabilities		
Deferred revenue	7,100,945	7,100,961
Long-term debt, net of current portion	44,080	84,789
Lease liability, net of current portion	917,453	1,470,496
Green bond liability	10,000,000	10,000,000
Less: unamortized discount and bond origination	(364,590)	(407,483)
Green bond liability, net	9,635,410	9,592,517
Total long-term liabilities	17,697,888	18,248,763
Total liabilities	21,840,582	22,890,368
Net assets		
Without donor restrictions	143,219,867	142,068,281
With donor restrictions	3,229,086	4,986,689
Total net assets	146,448,953	147,054,970
Total liabilities and net assets	$ 168,289,535	$ 169,945,338

See accompanying notes to consolidated financial statements.

AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions and non-federal grants	$ 137,203	$ 5,345,427	$ 5,482,630	$ 617,958	$ 11,365,658	$ 11,983,616
Contributions of nonfinancial assets	-	-	-	165,000	-	165,000
Federal grants and contracts	-	3,274,036	3,274,036	-	4,026,075	4,026,075
Investment income, net	18,538,625	-	18,538,625	(25,531,232)	-	(25,531,232)
Certification and other revenues	238,378	-	238,378	461,198	-	461,198
Net assets released from restrictions	10,377,066	(10,377,066)	-	11,783,108	(11,783,108)	-
Total support and revenue	29,291,272	(1,757,603)	27,533,669	(12,503,968)	3,608,625	(8,895,343)
Expenses						
Program services	23,420,774	-	23,420,774	22,930,402	-	22,930,402
Management and general	3,395,533	-	3,395,533	3,094,826	-	3,094,826
Fundraising	1,323,379	-	1,323,379	785,431	-	785,431
Total expenses	28,139,686	-	28,139,686	26,810,659	-	26,810,659
Change in net assets/net income	1,151,586	(1,757,603)	(606,017)	(39,314,627)	3,608,625	(35,706,002)
Net assets/retained earnings						
Beginning of year	142,068,281	4,986,689	147,054,970	181,382,908	1,378,064	182,760,972
End of year	$ 143,219,867	$ 3,229,086	$ 146,448,953	$ 142,068,281	$ 4,986,689	$ 147,054,970

See accompanying notes to consolidated financial statements.

AMERICAN FOREST FOUNDATION
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023				2022			
	Program Services Woodlands & Carbon	Management and General	Fundraising	Total	Program Services Woodlands & Carbon	Management and General	Fundraising	Total
Salaries	$ 7,835,301	$ 1,650,089	$ 887,545	$ 10,372,935	$ 7,596,729	$ 1,450,592	$ 478,818	$ 9,526,139
Employee benefits and payroll taxes	1,759,889	458,232	205,207	2,423,328	1,751,618	439,587	112,626	2,303,831
Accounting	12,271	52,766	-	65,037	5,962	38,000	-	43,962
Consultants	6,300,308	228,890	20,511	6,549,709	3,425,613	692,951	28,588	4,147,152
Depreciation and amortization	55,591	54,941	-	110,532	64,034	7,512	2,065	73,611
Design/production	112,870	-	5,925	118,795	85,298	-	36,279	121,577
Grants	1,908,976	-	12,163	1,921,139	5,456,896	-	-	5,456,896
Information technology	226,963	580,271	53,763	860,997	654,772	210,304	52,495	917,571
Insurance	-	81,130	-	81,130	88,346	10,363	2,849	101,558
Interest	552,662	24	-	552,686	257,296	-	-	257,296
Landowner payments	2,215,709	-	-	2,215,709	1,511,133	-	-	1,511,133
Lease expense	349,143	70,146	22,541	441,830	448,077	50,662	13,926	512,665
Legal	163,688	76,697	74	240,459	70,050	62,460	14,011	146,521
Marketing and promotions	836,431	8,994	55	845,480	734,945	-	600	735,545
Meetings	205,758	4,347	16,947	227,052	78,601	6,288	369	85,258
Office expense	109,685	2,158	6,548	118,391	148,867	11,025	14,065	173,957
Other	43,826	71,642	22,179	137,647	69,779	48,558	351	118,688
Travel	731,703	55,206	69,921	856,830	482,386	66,524	28,389	577,299
Total expenses	$ 23,420,774	$ 3,395,533	$ 1,323,379	$ 28,139,686	$ 22,930,402	$ 3,094,826	$ 785,431	$ 26,810,659

See accompanying notes to consolidated financial statements.

AMERICAN FOREST FOUNDATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (606,017)	$ (35,706,002)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Amortization expense on green bond	42,893	21,074
Depreciation and amortization	77,968	73,611
Right-of-use asset amortization	405,800	398,571
Realized and unrealized gains	(14,396,454)	28,967,669
Changes in assets and liabilities		
Grants receivable	(760,526)	(1,656,106)
Contribution receivable	171,103	(219,124)
Accrued interest	(6,049)	(179,258)
Accounts receivable	(115,558)	(15,082)
Advances to grant partners	8,351	104,772
Prepaid expenses	372,609	(757,119)
Other assets	-	(165,000)
Accounts payable and accrued expenses	(312,256)	2,002,022
Refundable advance	(218,362)	179,696
Deferred revenue	(16)	7,094,628
Lease liability	(538,957)	(517,986)
Net cash used for operating activities	(15,875,471)	(373,634)
Cash flows from investing activities		
Purchases of investments	(70,879,715)	(206,346,493)
Proceeds from sales of investments	79,800,912	204,915,118
Purchases of equipment	(49,357)	(3,731)
Net cash provided by (used for) investing activities	8,871,840	(1,435,106)
Cash flows from financing activities		
Proceeds from green bond issuance	-	9,571,443
Payment of debt	(23,088)	(40,293)
Net cash provided by (used for) financing activities	(23,088)	9,531,150
Net change in cash and cash equivalents	(7,026,719)	7,722,410
Cash and cash equivalents		
Beginning of year	8,035,699	313,289
End of year	$ 1,008,980	$ 8,035,699
Noncash investing activities		
Right-of-use asset	$ -	$ 1,888,225
Lease liability	-	(2,551,936)
Deferred rent and lease incentives	-	663,711
	$ -	$ -

See accompanying notes to consolidated financial statements.

AMERICAN FOREST FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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, provides software development and associated tools, information, and services to support forest land management and landowner interactions.

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.

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, 2023 and 2022, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have an effect on its tax-exempt status. As of December 31, 2023, the statute of limitations for tax years 2020 through 2022 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 United States Generally Accepted Accounting Principles (US GAAP). Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of US GAAP 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 US GAAP 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 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 from exchange transactions are carried at their net realizable value. At each consolidated statements of financial position date, AFF recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. As of December 31, 2023 and 2022, there was no allowance for credit losses 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.

Investment Valuation and Income Recognition - Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of investments are recognized on a trade-date basis. Interest income is recognized on the accrual basis. Dividend income is recognized on the ex-dividend date. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Office furniture, equipment, software and leasehold improvements are reported at cost less accumulated depreciation and amortization. Individual items with an acquisition cost exceeding $5,000 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.

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 and/or purpose restrictions that are either temporary or perpetual.

Revenue Recognition - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to AFF's customers, in an amount that reflects the consideration AFF expects to be entitled to in exchange for those goods or services. All services are transferred at a point in time. Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized.

Contract Balances - The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that AFF will collect substantially all of the consideration to which AFF is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when AFF receives advance payments from its customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended December 31, 2023 and 2022 are as follows:

	2023	2022	2021
Accounts receivable	$ 150,353	$ 34,795	$ 19,713
Deferred revenue			
Deferred carbon credit revenue	$ 7,090,321	$ 7,090,321	$ -
Other	10,624	10,640	6,333
	$ 7,100,945	$ 7,100,961	$ 6,333

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Lease Policy - In its consolidated statements of financial position, AFF records a right-of-use asset and lease liability, initially measured at the present value of total lease payments using a risk-free rate that approximates the remaining term of the lease. AFF considers the likelihood of exercising renewal or termination clauses (if any) in measuring its right-of-use assets and lease liabilities. A single lease cost is calculated so that the cost of the lease is allocated over the lease term on straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. AFF does not separate non-lease components (if any) from lease components in determining the lease payments for leases of office equipment.

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.

New Accounting Pronouncements Adopted - During the year ended December 31, 2023, AFF adopted the provisions of Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326). This ASU replaced the incurred loss methodology with an expected loss methodology that is referred as the current expected credit loss (CECL) methodology. The ASU requires nonprofit entities to immediately recognize the estimated expected credit losses over the life of a financial instrument, including accounts receivables. The estimate of expected credit losses considers not only historical information, but also current and future economic conditions and events. AFF adopted the ASU effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in additional disclosures.

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, 2023 and 2022.

	2023	2022
Total assets at end of year	$ 168,289,535	$ 169,945,338
Less: nonfinancial assets		
Prepaid expenses and deposits	(498,801)	(871,410)
Advances to grant partners	-	(8,351)
Right-of-use asset	(1,083,854)	(1,489,654)
Other assets	(201,385)	(201,385)
Net property and equipment	(240,717)	(269,328)
Total financial assets at end of year	166,264,778	167,105,210
Less: amounts unavailable for general expenditures within one year		
Non-current contribution receivable	(36,771)	(51,579)
Restricted by donor with time or purpose restrictions	(3,229,086)	(4,986,689)
Total financial assets available for general expenditures within one year	$ 162,998,921	$ 162,066,942

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.

AFF has an $8 million line of credit available as of December 31, 2023.

NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31, 2023 and 2022 are due as follows:

	2023	2022
Due in less than one year	$ 5,025,144	$ 4,420,913
Due in one to five years	40,000	60,000
	5,065,144	4,480,913
Less: discount to net present value	(3,229)	(8,421)
	$ 5,061,915	$ 4,472,492

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2023 and 2022, investments consisted of the following:

	2023	2022
Cash	$ 13,155,353	$ 19,471,643
Mutual funds		
Fixed income	32,171,500	30,419,853
Equity - Domestic	75,006,575	69,950,730
Equity - International	21,388,666	19,084,508
Hedge funds	17,030,608	14,620,856
Private equities	1,009,717	739,572
Total	$ 159,762,419	$ 154,287,162

Investment income for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Interest and dividends	$ 4,501,279	$ 3,832,273
Realized gains (losses)	(2,206,640)	(8,762,146)
Unrealized gains (losses)	16,603,094	(20,205,523)
Investment fees	(359,108)	(395,836)
	$ 18,538,625	$ (25,531,232)

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)

An 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 ended December 31, 2023 and 2022.

Cash and mutual funds: Valued at cost which approximates fair value.

Private equities: Valued at the fair values reported in the entities' audited financial statements and are based on their net asset value as of the last day of the year. AFF has invested in several private equity funds since December 31, 2021. As of December 31, 2023 and 2022, the total committed capital was approximately $1,347,000 for both years. Total committed capital still outstanding was approximately $488,000 and $681,000, respectively. These investments are typically illiquid and not available for immediate redemption. AFF has no intention of exiting these private equity investments.

Authoritative guidance on fair value measurements permits AFF to measure the fair value of investments in an investment entity that does not have a readily determinable fair value based upon the net asset value (NAV) per share or its equivalent of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2023 are limited to investments. The following table sets forth AFF's assets at fair value as of December 31, 2023.

	2023			
	Total Investments	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 13,155,353	$ 13,155,353	$ -	$ -
Mutual funds				
Fixed Income	32,171,500	32,171,500	-	-
Equity - Domestic	75,006,575	75,006,575	-	-
Equity - International	21,388,666	21,388,666	-	-
Hedge funds	17,030,608	17,030,608	-	-
	158,752,702	$ 158,752,702	$ -	$ -
Investments measured at net asset value*	1,009,717			
Total	$ 159,762,419			

*In accordance with ASC, investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair hierarchy.

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2022 are limited to investments. The following table sets forth AFF's assets at fair value as of December 31, 2022.

	2022			
	Total Investments	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 19,471,643	$ 19,471,643	$ -	$ -
Mutual funds				
Fixed Income	30,419,853	30,419,853	-	-
Equity - Domestic	69,950,730	69,950,730	-	-
Equity - International	19,084,508	19,084,508	-	-
Hedge funds	14,620,856	14,620,856	-	-
	153,547,590	$ 153,547,590	$ -	$ -
Investments measured at net asset value*	739,572			
	$ 154,287,162			

*In accordance with ASC, investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair hierarchy.

AFF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

NOTE 6. PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Furniture, equipment and software	$ 709,455	$ 657,080
Leasehold improvements	925,237	925,237
	1,634,692	1,582,317
Accumulated depreciation and amortization	(1,393,975)	(1,312,989)
Net property and equipment	$ 240,717	$ 269,328

NOTE 7. GREEN BOND

On July 14, 2022, FFIF issued $10 million in Series 2022A Bonds (Green Bond) that are structured with interest-only payments and a bullet principal payment at maturity in 2032. The bonds are unsecured general obligations of FFIF guaranteed by AFF. The guaranty is an absolute and unconditional commitment to pay scheduled principal and interest on the bonds when due. The guaranteed payments are not subject to any setoff, counterclaim or defense and the agreement cannot be terminated while the bonds are outstanding.

Bond proceeds will be used towards the Family Forest Carbon Program (FFCP) to enroll family forest landowners, measure the amount of carbon sequestered and/or stored above a dynamic baseline, sell high-quality carbon credits in the voluntary carbon market to corporate and governmental entities looking to address their residual carbon emissions, and other programmatic activities.

Interest is accruing at 5.5% per annum and interest expense for the years ended December 31, 2023 and 2022 was $550,000 and $255,139, respectively. As of issuance, a bond discount was created for $102,912, which is netted against the Green Bond liability. This discount is being amortized over the life of the bond. Total unamortized bond discount as of December 31, 2023 and 2022 was $87,792 and $98,121, respectively. The bond origination fees of $325,645 were capitalized, which is netted against the Green Bond liability. Total unamortized bond origination costs as of December 31, 2023 and 2022 were $276,798 and $309,362, respectively. Total amortization of the bond discount and bond origination fees were $42,893 and $21,074 for the years ended December 31, 2023 and 2022, respectively.

On July 14, 2022, the FFIF entered into a Master Trust Indenture Agreement (MTI) with Wilmington Trust, National Association as the master trustee. The intent of the MTI is to keep the Series 2022A Bonds and other FFIF debt obligations on equal footing. As of December 31, 2023 and 2022, Wilmington Trust is holding $7,632,439 and $9,692,610, respectively, in bond proceeds on behalf of FFIF.

NOTE 8. CONTRIBUTED NONFINANCIAL ASSETS

AFF received land during the year ended December 31, 2022, a contributed nonfinancial asset. The land was recorded at the appraised value on the consolidated statements of financial position at date of contribution. There were no donor restrictions related to this nonfinancial asset.

NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with purpose donor restrictions as of December 31, 2023 and 2022 were subject to restrictions as follows:

	2023	2022
Woodlands	$ 1,310,226	$ 1,558,982
Carbon	1,918,860	3,427,707
	$ 3,229,086	$ 4,986,689

NOTE 10. 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%. AFF provides an employer match of 100% of the first 3% of employee deferrals and 50% of the next 2% of employee deferrals. Contributions to the plan were $832,351 and $588,599 in 2023 and 2022, respectively.

WoodsCamp contributes to Canada's public retirement system. The contribution rate for 2023 and 2022 was 4.95% and total contributions were $29,254 and $29,303, respectively.

NOTE 11. COMMITMENTS

Loan Agreement

On April 21, 2022, the FFIF entered into a loan agreement with The Nature Conservancy (TNC) and the David and Lucile Packard Foundation (Foundation). The agreement establishes terms and for FFIF to borrow funds of up to $3.9 million for the purpose of enrolling landowners in FFCP in the Central Appalachians, up to $2.2 million from the Foundation and up to $1.7 million from TNC. AFF provided the Foundation with an absolute and unconditional commitment to pay scheduled principal and interest on its share of the loan in the event that FFIF is unable to meet its debt obligations. TNC's portion of the loan is unsecured. As of December 31, 2023, FFIF had not exercised its option to borrow funds under this agreement.

NOTE 11. COMMITMENTS (CONTINUED)

Office Space

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 was also abated for the first eight months of the lease term. 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.

Operating lease expense totaled $469,174 and $512,665 for the years ended December 31, 2023 and 2022, respectively. AFF does not have any financing leases.

Supplemental qualitative information related to the operating lease are as follows:

Right-of-use asset obtained in exchange for lease obligation	$1,888,225
Weighted-average remaining lease term (in years)	2.5 years
Weighted-average discount rate	1.37%

The maturity of the lease liability under AFF's operating lease as of December 31, 2023 is as follows:

Year ending December 31,	2024	$ 577,540
	2025	591,979
	2026	353,218
Undiscounted future cash flows		1,522,737
Less: effects of discounting		(27,744)
Lease liability recognized		$ 1,494,993

Stock Purchase Agreement

The stock purchase agreement for the purchase of WoodsCamp included contingent payment commitments to the original Stakeholders. AFF paid the Stakeholders $166,666 for each year the technology was 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, 2020, and 2021, the conditions related to the contingent payments were met and $166,666 was included in accounts payable and miscellaneous expenses as of December 31, 2021. The 2021 payment was made in 2022.

NOTE 11. COMMITMENTS (CONTINUED)

Line of Credit

AFF entered into a line of credit arrangement with Bank of America on April 6, 2023 in the amount of $8,000,000. The interest rate for amounts borrowed is the BSBY Daily Floating Rate plus .65%. As of December 31, 2023, AFF had not made any borrowings under this line of credit arrangement.

NOTE 12. CONCENTRATIONS

AFF maintains its cash in three financial institution in Washington, DC as of December 31, 2023. Account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times during the year ended December 31, 2023, amounts on deposit exceeded FDIC insurance limit. Management believes this credit risk to be minimal at this time.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 21, 2024, which is the date the consolidated financial statements were available to be issued. This review and evaluation revealed no material events or transactions which would require an adjustment to or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2022)

	AFF	WoodsCamp	FFIF	Eliminations	2023 Total	2022 Total
Assets						
Current assets						
Cash and cash equivalents	$ 916,422	$ 38,475	$ 54,083	$ -	$ 1,008,980	$ 8,035,699
Grants receivable	5,001,894	-	-	-	5,001,894	4,241,368
Contributions receivable	23,250	-	-	-	23,250	179,545
Accrued interest	249,122	-	31,989	-	281,111	275,062
Accounts receivable	126,532	23,821	-	-	150,353	34,795
Advances to grant partners	-	-	-	-	-	8,351
Due from (to) related parties	(64,060)	82,164	(18,104)	-	-	-
Prepaid expenses	367,279	-	131,522	-	498,801	871,410
Total current assets	6,620,439	144,460	199,490	-	6,964,389	13,646,230
Investments	143,254,963	-	7,600,450	8,907,006	159,762,419	154,287,162
Property and equipment, net	238,085	2,632	-	-	240,717	269,328
Right-of-use asset	1,083,854	-	-	-	1,083,854	1,489,654
Contributions receivable, net of current portion	36,771	-	-	-	36,771	51,579
Other assets	201,385	-	-	-	201,385	201,385
Total assets	$ 151,435,497	$ 147,092	$ 7,799,940	$ 8,907,006	$ 168,289,535	$ 169,945,338
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 2,778,980	$ 133,749	$ 499,291	$ -	$ 3,412,020	$ 3,724,276
Refundable advance	20,000	-	100,000	-	120,000	338,362
Debt payable	-	33,134	-	-	33,134	15,513
Lease liability	577,540	-	-	-	577,540	563,454
Total current liabilities	3,376,520	166,883	599,291	-	4,142,694	4,641,605
Long-term liabilities						
Deferred revenue	10,624	-	7,090,321	-	7,100,945	7,100,961
Long-term debt, net of current portion	-	44,080	-	-	44,080	84,789
Lease liability, net of current portion	917,453	-	-	-	917,453	1,470,496
Green bond liability	-	-	10,000,000	-	10,000,000	10,000,000
Less: unamortized discount and bond origination	-	-	(364,590)	-	(364,590)	(407,483)
Green bond liability, net	-	-	9,635,410	-	9,635,410	9,592,517
Total long-term liabilities	928,077	44,080	16,725,731	-	17,697,888	18,248,763
Total liabilities	4,304,597	210,963	17,325,022	-	21,840,582	22,890,368
Net assets						
Without donor restrictions	144,128,626	-	-	(908,759)	143,219,867	142,068,281
With donor restrictions	3,002,274	-	226,812	-	3,229,086	4,986,689
Total net assets	147,130,900	-	226,812	(908,759)	146,448,953	147,054,970
Stockholders' equity						
Common stock, $1 par value 1,000,000 shares authorized and outstanding	-	733	-	(733)	-	-
Additional paid-in capital	-	1,011,567	950,000	(1,961,567)	-	-
Retained earnings	-	(1,076,171)	(10,701,894)	11,778,065	-	-
Total stockholders' equity	-	(63,871)	(9,751,894)	9,815,765	-	-
Total liabilities and net assets	$ 151,435,497	$ 147,092	$ 7,799,940	$ 8,907,006	$ 168,289,535	$ 169,945,338

AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2022)

	2023									2022
	Without Donor Restrictions					With Donor Restrictions				
	AFF	WoodsCamp	FFIF	Eliminations	Total	AFF	FFIF	Total	Total	Total
Support and revenue										
Contributions and non-federal grants	$ 137,203	$ -	$ 2,062,959	$ (2,062,959)	$ 137,203	$ 5,229,312	$ 116,115	$ 5,345,427	$ 5,482,630	$ 11,983,616
Contributions of nonfinancial assets	-	-	-	-	-	-	-	-	-	165,000
Federal grants and contracts	-	-	88,845	(88,845)	-	3,274,036	-	3,274,036	3,274,036	4,026,075
Investment income, net	18,112,504	-	426,121	-	18,538,625	-	-	-	18,538,625	(25,531,232)
Certification and other revenues	7,110,509	1,089,377	-	(7,961,508)	238,378	-	-	-	238,378	461,198
Equity in net loss of WoodsCamp	(13,114)	-	-	13,114	-	-	-	-	-	-
Equity in net loss of FFIF	(8,161,626)	-	-	8,161,626	-	-	-	-	-	-
Net assets released from restrictions	10,187,763	-	189,303	-	10,377,066	(10,187,763)	(189,303)	(10,377,066)	-	-
Total support and revenue	27,373,239	1,089,377	2,767,228	(1,938,572)	29,291,272	(1,684,415)	(73,188)	(1,757,603)	27,533,669	(8,895,343)
Expenses										
Program services	21,563,918	1,057,217	10,842,048	(10,042,409)	23,420,774	-	-	-	23,420,774	22,930,402
Management and general	3,352,879	45,274	(2,620)	-	3,395,533	-	-	-	3,395,533	3,094,826
Fundraising	1,304,856	-	89,426	(70,903)	1,323,379	-	-	-	1,323,379	785,431
Total expenses	26,221,653	1,102,491	10,928,854	(10,113,312)	28,139,686	-	-	-	28,139,686	26,810,659
Change in net assets before income taxes and other losses	1,151,586	(13,114)	(8,161,626)	8,174,740	1,151,586	(1,684,415)	(73,188)	(1,757,603)	(606,017)	(35,706,002)
Provision for income taxes	-	-	-	-	-	-	-	-	-	-
Change in net assets/net income	1,151,586	(13,114)	(8,161,626)	8,174,740	1,151,586	(1,684,415)	(73,188)	(1,757,603)	(606,017)	(35,706,002)
Net assets/retained earnings										
Beginning of year	142,977,040	(1,062,324)	(2,540,268)	2,693,833	142,068,281	4,686,689	300,000	4,986,689	147,054,970	182,760,972
End of year	$ 144,128,626	$ (1,075,438)	$ (10,701,894)	$ 10,868,573	$ 143,219,867	$ 3,002,274	$ 226,812	$ 3,229,086	$ 146,448,953	$ 147,054,970

AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2022)

	Program Services							Management and General						
	AFF - Woodlands	Woodscamp - Woodlands	AFF - Carbon	WoodsCamp - Carbon	FFIF - Carbon	Eliminations	Total	AFF	WoodsCamp	FFIF	Fundraising	Eliminations	2023 Total	2022 Total
Salaries	$ 2,198,355	$ 256,089	$ 5,338,542	$ 670,067	$ -	$ (627,752)	$ 7,835,301	$ 1,610,403	$ 39,686	$ -	$ 887,545	$ -	$ 10,372,935	$ 9,526,139
Employee benefits and payroll taxes	524,723	25,370	1,320,106	66,381	400	(177,091)	1,759,889	454,300	3,932	-	205,207	-	2,423,328	2,303,831
Accounting	-	3,393	20,363	8,878	-	(20,363)	12,271	52,240	526	-	-	-	65,037	43,962
Consultants	3,598,393	-	1,811,000	-	7,563,754	(6,672,839)	6,300,308	228,890	-	-	91,414	(70,903)	6,549,709	4,147,152
Depreciation and amortization	(5,192)	1,913	21,301	5,004	32,565	-	55,591	54,645	296	-	-	-	110,532	73,611
Design/production	51,419	-	24,597	-	36,854	-	112,870	-	-	-	5,925	-	118,795	121,577
Grants	1,676,570	-	2,384,209	-	-	(2,151,803)	1,908,976	-	-	-	12,163	-	1,921,139	5,456,896
Information technology	116,058	3,581	243,413	9,370	81,901	(227,360)	226,963	583,257	555	(3,541)	53,763	-	860,997	917,571
Insurance	-	-	31,625	-	-	(31,625)	-	81,130	-	-	-	-	81,130	101,558
Interest	2,094	157	-	411	550,000	-	552,662	-	24	-	-	-	552,686	257,296
Landowner payments	670,141	-	-	-	1,545,568	-	2,215,709	-	-	-	-	-	2,215,709	1,511,133
Lease expense	174,289	-	202,198	-	-	(27,344)	349,143	70,146	-	-	22,541	-	441,830	512,665
Legal	6,527	-	35,061	-	151,998	(29,898)	163,688	76,697	-	-	74	-	240,459	146,521
Marketing and promotions	214,848	-	52,979	-	572,110	(3,506)	836,431	8,994	-	-	55	-	845,480	735,545
Meetings	161,731	29	27,756	76	17,858	(1,692)	205,758	4,342	5	-	16,947	-	227,052	85,258
Office expense	43,669	16	36,951	42	12,238	(49,090)	43,826	71,291	2	349	22,179	-	137,647	173,957
Other	76,849	490	25,501	1,282	6,167	(604)	109,685	1,538	48	572	6,548	-	118,391	118,688
Travel	285,986	1,291	191,856	3,377	270,635	(21,442)	731,703	55,006	200	-	69,921	-	856,830	577,299
Total expenses	$ 9,796,460	$ 292,329	$ 11,767,458	$ 764,888	$ 10,842,048	$(10,042,409)	$ 23,420,774	$ 3,352,879	$ 45,274	$ (2,620)	$ 1,394,282	$ (70,903)	$ 28,139,686	$ 26,810,659