

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019



**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018 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 audit 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 Subsidiary as of December 31, 2019 and 2018, 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 17 through 19 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
August 26, 2020

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 842,640	\$ 535,256
Grants receivable	1,011,249	1,241,004
Contributions receivable	227,500	224,500
Accounts receivable	5,211	3,614
Prepaid expenses	176,204	121,167
Total current assets	2,262,804	2,125,541
INVESTMENTS	162,920,335	143,309,625
PROPERTY AND EQUIPMENT, NET	580,382	724,739
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	22,000	30,000
SECURITY DEPOSIT	36,385	36,385
Total assets	\$ 165,821,906	\$ 146,226,290
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,381,254	\$ 933,585
Debt payable	11,549	-
Deferred revenue	18,662	31,349
Deferred lease incentives	92,927	80,165
Total current liabilities	1,504,392	1,045,099
LONG-TERM LIABILITIES		
Long-term debt	164,757	178,845
Deferred lease incentives, net of current portion	769,718	862,645
Total long-term liabilities	934,475	1,041,490
Total liabilities	2,438,867	2,086,589
NET ASSETS		
Without donor restrictions	162,706,810	143,748,848
With donor restrictions	676,229	390,853
Total net assets	163,383,039	144,139,701
Total liabilities and net assets	\$ 165,821,906	\$ 146,226,290

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and sponsorships	\$ 882,429	\$ 2,182,317	\$ 3,064,746	\$ 872,274	\$ 1,338,410	\$ 2,210,684
Federal and other grants and contracts	-	2,300,185	2,300,185	-	1,975,446	1,975,446
Investment income (loss), net	29,526,748	-	29,526,748	(11,272,094)	-	(11,272,094)
Meetings and other revenue	316,365	-	316,365	214,727	-	214,727
Net assets released from restrictions	4,197,126	(4,197,126)	-	3,342,170	(3,342,170)	-
Total support and revenue	<u>34,922,668</u>	<u>285,376</u>	<u>35,208,044</u>	<u>(6,842,923)</u>	<u>(28,314)</u>	<u>(6,871,237)</u>
EXPENSES						
Program services	13,596,422	-	13,596,422	10,768,843	-	10,768,843
Management and general	1,114,884	-	1,114,884	1,049,167	-	1,049,167
Fundraising	1,234,044	-	1,234,044	985,298	-	985,298
Total expenses	<u>15,945,350</u>	<u>-</u>	<u>15,945,350</u>	<u>12,803,308</u>	<u>-</u>	<u>12,803,308</u>
CHANGE IN NET ASSETS BEFORE INCOME TAXES AND OTHER LOSSES						
	18,977,318	285,376	19,262,694	(19,646,231)	(28,314)	(19,674,545)
PROVISION FOR INCOME TAXES						
	(19,356)	-	(19,356)	(5,897)	-	(5,897)
IMPAIRMENT OF GOODWILL						
	-	-	-	(906,989)	-	(906,989)
LOSS ON DEBT CONVERSION						
	-	-	-	(224,060)	-	(224,060)
CHANGE IN NET ASSET/NET INCOME						
	18,957,962	285,376	19,243,338	(20,783,177)	(28,314)	(20,811,491)
NET ASSETS/RETAINED EARNINGS						
Beginning of year	<u>143,748,848</u>	<u>390,853</u>	<u>144,139,701</u>	<u>164,532,025</u>	<u>419,167</u>	<u>164,951,192</u>
End of year	<u>\$ 162,706,810</u>	<u>\$ 676,229</u>	<u>\$ 163,383,039</u>	<u>\$ 143,748,848</u>	<u>\$ 390,853</u>	<u>\$ 144,139,701</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

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
AND ITS SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services			Management and General	Fundraising	Total
	Woodlands	Education	Total			
Salaries	\$ 3,241,709	\$ -	\$ 3,241,709	\$ 650,652	\$ 428,805	\$ 4,321,166
Retirement	250,787	-	250,787	53,545	49,900	354,232
Other employee benefits	251,745	-	251,745	50,718	80,581	383,044
Payroll taxes	185,403	-	185,403	44,873	34,032	264,308
Accounting	945	-	945	33,850	-	34,795
Legal	296,661	-	296,661	5,859	818	303,338
Postage and shipping	24,744	-	24,744	2,122	39,278	66,144
Rent	8,288	-	8,288	466,217	-	474,505
Printing and publications	52,045	-	52,045	594	50,475	103,114
Travel	362,691	-	362,691	107,766	97,065	567,522
Meetings	174,869	-	174,869	30,742	7,979	213,590
Office expense	81,150	-	81,150	48,268	6,265	135,683
Depreciation and amortization	771	-	771	139,132	-	139,903
Design/production	17,953	-	17,953	-	4,508	22,461
Research/evaluation	12,522	-	12,522	-	620	13,142
Consultants	1,965,956	-	1,965,956	264,502	85,681	2,316,139
Promotion	229,299	-	229,299	-	465	229,764
Grants	2,185,878	25,149	2,211,027	-	-	2,211,027
Materials	71,202	-	71,202	-	179	71,381
Insurance	2,928	-	2,928	112,452	-	115,380
Information technology	54,596	-	54,596	396,989	-	451,585
Interest	11,031	-	11,031	-	-	11,031
Miscellaneous	(1,076)	-	(1,076)	885	245	54
Allocation of indirect costs	<u>1,261,597</u>	<u>-</u>	<u>1,261,597</u>	<u>(1,359,999)</u>	<u>98,402</u>	<u>-</u>
Total expenses	<u>\$ 10,743,694</u>	<u>\$ 25,149</u>	<u>\$ 10,768,843</u>	<u>\$ 1,049,167</u>	<u>\$ 985,298</u>	<u>\$ 12,803,308</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 19,243,338	\$ (20,811,491)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	148,412	139,903
Realized and unrealized (gains) losses	(25,070,931)	16,619,565
Currency exchange	4,354	(38,861)
Loss on debt conversion	-	224,060
Changes in assets and liabilities		
Grants receivable	229,755	457,438
Contribution receivable	5,000	(164,500)
Accounts receivable	(1,597)	(6,532)
Prepaid expenses	(55,037)	(18,051)
Accounts payable and accrued expenses	447,669	257,198
Deferred revenue	(12,687)	(8,876)
Deferred lease incentives	(80,165)	(53,933)
Net cash used for operating activities	(5,141,889)	(3,404,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(10,828,467)	(28,039,213)
Purchase of equipment	(8,409)	(49,625)
Proceeds from sales of investments	16,288,688	31,856,255
Net cash provided by investing activities	5,451,812	3,767,417
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of debt	(2,539)	(592,332)
NET CHANGE IN CASH AND CASH EQUIVALENTS	307,384	(228,995)
CASH AND CASH EQUIVALENTS		
Beginning of year	535,256	764,251
End of year	\$ 842,640	\$ 535,256

See accompanying notes to consolidated financial statements.

AMERICAN FOREST FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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. 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, 2019 and 2018, 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, 2019, the statute of limitations for tax years 2016 through 2018 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 Accounting Standards Codification, *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, 2019 and 2018, there was no balance in the allowance for uncollectible accounts as management determined that all amounts are fully collectible. All accounts receivable 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.

New Accounting Pronouncements Adopted - During the year ended December 31, 2019, AFF adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (the Update). The Update provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The Update had no significant impact on AFF's financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table represents AFF's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Total assets at end of year	\$ 165,821,906	\$ 146,226,290
Less nonfinancial assets		
Prepaid expenses and deposits	(212,589)	(157,552)
Net property and equipment	<u>(580,382)</u>	<u>(724,739)</u>
Total financial assets at end of year	165,028,935	145,343,999
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	<u>(676,229)</u>	<u>(390,853)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 164,352,706</u>	 <u>\$ 144,953,146</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, 2019 and 2018 are due as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 1,238,749	1,465,504
Due in one to five years	<u>22,000</u>	<u>30,000</u>
	<u>\$ 1,260,749</u>	<u>\$ 1,495,504</u>

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2019 and 2018, investments consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 49,372	\$ 49,372	\$ 60,872	\$ 60,872
Mutual funds				
Fixed Income	33,445,413	33,490,336	32,709,224	31,481,330
Equity - Domestic	71,170,512	95,570,375	68,696,673	83,489,993
Equity - International	31,567,433	33,810,252	38,204,675	28,277,430
Total	<u>\$ 136,232,730</u>	<u>\$ 162,920,335</u>	<u>\$ 139,671,444</u>	<u>\$ 143,309,625</u>

Investment income for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest and dividends	\$ 4,541,691	\$ 5,434,578
Realized gains	2,021,509	2,400,697
Unrealized gains (losses)	23,049,422	(19,020,262)
Investment fees	(85,874)	(87,107)
	<u>\$ 29,526,748</u>	<u>\$ (11,272,094)</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, 2019 and 2018.

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, 2019 and 2018 are limited to investments. The following tables 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	<u>33,810,252</u>	<u>33,810,252</u>	<u>-</u>	<u>-</u>
	<u>\$ 162,920,335</u>	<u>\$ 162,920,335</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2018			
	Total Investments	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 60,872	\$ 60,872	\$ -	\$ -
Mutual funds				
Fixed Income	31,481,330	31,481,330	-	-
Equity - Domestic	83,489,993	83,489,993	-	-
Equity - International	<u>28,277,430</u>	<u>28,277,430</u>	<u>-</u>	<u>-</u>
	<u>\$ 143,309,625</u>	<u>\$ 143,309,625</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6. PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Furniture, equipment and software	\$ 675,749	\$ 667,340
Leasehold improvements	<u>925,237</u>	<u>925,237</u>
	1,600,986	1,592,577
Accumulated depreciation and amortization	<u>(1,020,604)</u>	<u>(867,838)</u>
Net property and equipment	<u>\$ 580,382</u>	<u>\$ 724,739</u>

NOTE 7. 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 \$408,592 and \$344,150 in 2019 and 2018, respectively.

WoodsCamp contributes to Canada's public retirement system. The contribution rate for 2019 and 2018 was 4.95% and total contribution were \$19,096 and \$10,082, respectively.

NOTE 8. 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.

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

Year ending December 31,	2020	\$	523,223
	2021		536,303
	2022		549,711
	2023		563,454
	2024		577,540
	Thereafter		945,197
		\$	<u>3,695,428</u>

Total rent expense was \$495,660 and \$474,505 for the years ended December 31, 2019 and 2018, 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 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. The payments were made in 2020.

NOTE 9. 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, 2019, amounts on deposit exceeded FDIC insurance limit. Management believes this credit risk to be minimal at this time.

NOTE 10. PURCHASE OF COMPANY

During 2018 AFF entered into a stock purchase agreement with the shareholders of WoodsCamp Technologies Inc., a Nova Scotia company. AFF purchased all of the shares and convertible debt of the company on June 15, 2018. Prior to the sale, WoodsCamp was providing consulting services to AFF and was recognized as revenue in 2018 in the amount of \$239,170, which was eliminated in the consolidated statement of activities. The purchase of the convertible debt of Woodscamp created a loss on debt conversion of \$224,060 which is recognized in the statement of activities below the operating results for AFF. The purchase also created Goodwill of \$906,989, but upon testing for impairment, the goodwill was deemed fully impaired and the impairment is recognized in the consolidated statement of activities below the operating results for AFF. After the purchase, key staff of AFF were placed as directors and on the Board of WoodsCamp and AFF fully funded all operations during 2018. The intent is to use the technology WoodsCamp had created to offer additional tools to the AFF members and other foresters in the sector.

NOTE 11. SUBSEQUENT EVENTS

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on AFF's financial condition and activities cannot be determined at this time. All subsequent events have been evaluated through August 26, 2020, which is the date the consolidated financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	AFF	WoodsCamp	Eliminations	2019 Total	2018 Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 750,349	\$ 92,291	\$ -	\$ 842,640	\$ 535,256
Grants receivable	1,011,249	-	-	1,011,249	1,241,004
Contributions receivable	227,500	-	-	227,500	224,500
Accounts receivable	5,211	-	-	5,211	3,614
Prepaid expenses	<u>176,204</u>	<u>-</u>	<u>-</u>	<u>176,204</u>	<u>121,167</u>
Total current assets	2,170,513	92,291	-	2,262,804	2,125,541
INVESTMENTS	163,762,336	-	(842,001)	162,920,335	143,309,625
PROPERTY AND EQUIPMENT, NET	557,264	23,118	-	580,382	724,739
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	22,000	-	-	22,000	30,000
SECURITY DEPOSIT	<u>36,385</u>	<u>-</u>	<u>-</u>	<u>36,385</u>	<u>36,385</u>
Total assets	<u>\$ 166,548,498</u>	<u>\$ 115,409</u>	<u>\$ (842,001)</u>	<u>\$ 165,821,906</u>	<u>\$ 146,226,290</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 1,208,727	\$ 172,527	\$ -	\$ 1,381,254	\$ 933,585
Debt payable	-	11,549	-	11,549	-
Deferred revenue	18,662	-	-	18,662	31,349
Deferred lease incentives	92,927	-	-	92,927	80,165
Total current liabilities	<u>1,320,316</u>	<u>184,076</u>	<u>-</u>	<u>1,504,392</u>	<u>1,045,099</u>
LONG-TERM LIABILITIES					
Long-term debt	-	164,757	-	164,757	178,845
Deferred lease incentives, net of current portion	<u>769,718</u>	<u>-</u>	<u>-</u>	<u>769,718</u>	<u>862,645</u>
Total long-term liabilities	<u>769,718</u>	<u>164,757</u>	<u>-</u>	<u>934,475</u>	<u>1,041,490</u>
Total liabilities	<u>2,090,034</u>	<u>348,833</u>	<u>-</u>	<u>2,438,867</u>	<u>2,086,589</u>
NET ASSETS					
Without donor restrictions	163,782,235	-	(1,075,425)	162,706,810	143,748,848
With donor restrictions	<u>676,229</u>	<u>-</u>	<u>-</u>	<u>676,229</u>	<u>390,853</u>
Total net assets	<u>164,458,464</u>	<u>-</u>	<u>(1,075,425)</u>	<u>163,383,039</u>	<u>144,139,701</u>
STOCKHOLDERS' EQUITY					
Common stock, \$1 par value					
1,000,000 shares authorized and outstanding	-	733	(733)	-	-
Additional paid-in-capital	-	1,011,567	(1,011,567)	-	-
Retained earnings	<u>-</u>	<u>(1,245,724)</u>	<u>1,245,724</u>	<u>-</u>	<u>-</u>
Total stockholders' equity	<u>-</u>	<u>(233,424)</u>	<u>233,424</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 166,548,498</u>	<u>\$ 115,409</u>	<u>\$ (842,001)</u>	<u>\$ 165,821,906</u>	<u>\$ 146,226,290</u>

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	2019				2018		
	Without Donor Restrictions			With Donor Restrictions		Total	
	AFF	WoodsCamp	Eliminations	Total	AFF		
SUPPORT AND REVENUE							
Contributions and sponsorships	\$ 882,429	\$ -	\$ -	\$ 882,429	\$ 2,182,317	\$ 3,064,746	\$ 2,210,684
Federal and other grants and contracts	-	-	-	-	2,300,185	2,300,185	1,975,446
Investment income (loss), net	29,526,748	-	-	29,526,748	-	29,526,748	(11,272,094)
Meetings and other revenue	240,911	1,285,454	(1,210,000)	316,365	-	316,365	214,727
Equity in net income of WoodsCamp	61,621	-	(61,621)	-	-	-	-
Net assets released from restriction	4,197,126	-	-	4,197,126	(4,197,126)	-	-
Total support and revenue	<u>34,908,835</u>	<u>1,285,454</u>	<u>(1,271,621)</u>	<u>34,922,668</u>	<u>285,376</u>	<u>35,208,044</u>	<u>(6,871,237)</u>
EXPENSES							
Program services	13,435,279	1,371,143	(1,210,000)	13,596,422	-	13,596,422	10,768,843
Management and general	1,114,884	-	-	1,114,884	-	1,114,884	1,049,167
Fundraising	1,234,044	-	-	1,234,044	-	1,234,044	985,298
Total expenses	<u>15,784,207</u>	<u>1,371,143</u>	<u>(1,210,000)</u>	<u>15,945,350</u>	<u>-</u>	<u>15,945,350</u>	<u>12,803,308</u>
CHANGE IN NET ASSETS BEFORE							
INCOME TAXES AND OTHER LOSSES	<u>19,124,628</u>	<u>(85,689)</u>	<u>(61,621)</u>	<u>18,977,318</u>	<u>285,376</u>	<u>19,262,694</u>	<u>(19,674,545)</u>
PROVISION FOR INCOME TAXES							
IMPAIRMENT OF GOODWILL	-	(19,356)	-	(19,356)	-	(19,356)	(5,897)
LOSS ON DEBT CONVERSION	-	-	-	-	-	-	(906,989)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,060)</u>
CHANGE IN NET ASSET/NET INCOME	19,124,628	(105,045)	(61,621)	18,957,962	285,376	19,243,338	(20,811,491)
NET ASSETS/RETAINED EARNINGS							
Beginning of year	<u>144,657,607</u>	<u>(1,139,946)</u>	<u>231,187</u>	<u>143,748,848</u>	<u>390,853</u>	<u>144,139,701</u>	<u>164,951,192</u>
End of year	<u>\$ 163,782,235</u>	<u>\$ (1,244,991)</u>	<u>\$ 169,566</u>	<u>\$ 162,706,810</u>	<u>\$ 676,229</u>	<u>\$ 163,383,039</u>	<u>\$ 144,139,701</u>

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARY**

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

	Program Services				Management and General	Fundraising	Eliminations	2019	2018
	Woodlands	WoodsCamp	Eliminations	Total				Total	Total
Salaries	\$ 3,159,929	\$ 658,907	\$ -	\$ 3,818,836	\$ 691,987	\$ 572,946	\$ -	\$ 5,083,769	\$ 4,321,166
Retirement	287,055	23,992	-	311,047	62,811	58,726	-	432,584	354,232
Other employee benefits	316,343	20,415	-	336,758	58,332	78,017	-	473,107	383,044
Payroll taxes	229,414	-	-	229,414	50,840	42,557	-	322,811	264,308
Accounting	-	4,753	-	4,753	46,250	-	-	51,003	34,795
Legal	45,655	4,555	-	50,210	28,654	273	-	79,137	303,338
Postage and shipping	18,733	-	-	18,733	2,190	26,548	-	47,471	66,144
Rent	-	15,826	-	15,826	479,834	-	-	495,660	474,505
Printing and publications	19,297	-	-	19,297	917	47,144	-	67,358	103,114
Travel	576,233	79,173	-	655,406	124,054	160,950	-	940,410	567,522
Meetings	189,818	5,998	-	195,816	10,357	16,888	-	223,061	213,590
Office expense	53,389	14,873	-	68,262	49,146	8,192	-	125,600	135,683
Depreciation and amortization	-	-	-	-	148,412	-	-	148,412	139,903
Design/production	54,404	-	-	54,404	-	3,419	-	57,823	22,461
Research/evaluation	53,620	-	-	53,620	-	425	-	54,045	13,142
Consultants	3,688,620	87,540	(1,210,000)	2,566,160	420,755	95,696	-	3,082,611	2,316,139
Promotion	156,948	184,637	-	341,585	350	5,844	-	347,779	229,764
Grants	3,084,285	-	-	3,084,285	-	-	-	3,084,285	2,211,027
Materials	81,741	-	-	81,741	46	296	-	82,083	71,381
Insurance	-	2,638	-	2,638	115,160	-	-	117,798	115,380
Information technology	-	75,931	-	75,931	348,248	-	-	424,179	451,585
Interest	-	-	-	-	-	-	-	-	11,031
Miscellaneous	12,325	191,905	-	204,230	24	110	-	204,364	54
Allocation of indirect costs	1,407,470	-	-	1,407,470	(1,523,483)	116,013	-	-	-
Total expenses	\$ 13,435,279	\$ 1,371,143	\$ (1,210,000)	\$ 13,596,422	\$ 1,114,884	\$ 1,234,044	\$ -	\$ 15,945,350	\$ 12,803,308