



**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021





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CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 19 through 21 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.

CaliberCPAGroup, PLLC

Bethesda, MD
July 12, 2022

AMERICAN FOREST FOUNDATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 313,289	\$ 1,612,290
Grants receivable	2,585,262	1,357,726
Contributions receivable	6,000	25,000
Accrued interest	95,804	-
Accounts receivable	19,713	12,663
Advances to grant partners	113,123	271,641
Prepaid expenses	114,291	86,206
Total current assets	3,247,482	3,365,526
Investments	181,823,456	167,193,294
Property and equipment, net	339,208	419,221
Contributions receivable, net of current portion	6,000	19,500
Security deposit	36,385	36,385
Total assets	\$ 185,452,531	\$ 171,033,926
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,722,254	\$ 1,209,926
Refundable advance	158,666	118,177
Debt payable	16,622	16,479
Deferred revenue	6,333	11,996
Deferred lease incentives	119,415	106,006
Total current liabilities	2,023,290	1,462,584
Long-term liabilities		
Long-term debt	123,973	159,686
Deferred lease incentives, net of current portion	544,296	663,712
Total long-term liabilities	668,269	823,398
Total liabilities	2,691,559	2,285,982
Net assets		
Without donor restrictions	181,382,908	167,751,503
With donor restrictions	1,378,064	996,441
Total net assets	182,760,972	168,747,944
Total liabilities and net assets	\$ 185,452,531	\$ 171,033,926

See accompanying notes to consolidated financial statements.

AMERICAN FOREST FOUNDATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions and non-federal grants	\$ 1,266,850	\$ 7,572,000	\$ 8,838,850	\$ 400,032	\$ 4,667,341	\$ 5,067,373
Federal grants and contracts	-	3,460,097	3,460,097	-	3,557,114	3,557,114
Investment income, net	23,730,930	-	23,730,930	14,189,392	-	14,189,392
Meetings and other revenue	267,414	-	267,414	231,171	-	231,171
Net assets released from restrictions	10,650,474	(10,650,474)	-	7,904,243	(7,904,243)	-
Total support and revenue	<u>35,915,668</u>	<u>381,623</u>	<u>36,297,291</u>	<u>22,724,838</u>	<u>320,212</u>	<u>23,045,050</u>
Expenses						
Program services	19,017,660	-	19,017,660	15,495,533	-	15,495,533
Management and general	2,387,021	-	2,387,021	1,142,653	-	1,142,653
Fundraising	853,610	-	853,610	1,020,941	-	1,020,941
Total expenses	<u>22,258,291</u>	<u>-</u>	<u>22,258,291</u>	<u>17,659,127</u>	<u>-</u>	<u>17,659,127</u>
Change in net assets before						
income taxes and other losses	13,657,377	381,623	14,039,000	5,065,711	320,212	5,385,923
Provision for income taxes						
	<u>(25,972)</u>	<u>-</u>	<u>(25,972)</u>	<u>(21,018)</u>	<u>-</u>	<u>(21,018)</u>
Change in net asset/net income						
	13,631,405	381,623	14,013,028	5,044,693	320,212	5,364,905
Net assets/retained earnings						
Beginning 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>
End of year	<u>\$ 181,382,908</u>	<u>\$ 1,378,064</u>	<u>\$ 182,760,972</u>	<u>\$ 167,751,503</u>	<u>\$ 996,441</u>	<u>\$ 168,747,944</u>

See accompanying notes to consolidated financial statements.

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u> <u>Woodlands</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 5,492,942	\$ 1,137,663	\$ 408,190	\$ 7,038,795
Employee benefits and payroll taxes	1,236,472	287,172	100,530	1,624,174
Accounting	9,197	56,172	-	65,369
Legal	4,085	91,554	-	95,639
Postage and shipping	8,120	5,327	6,029	19,476
Rent	16,788	488,810	-	505,598
Printing and publications	7,474	-	9,493	16,967
Travel	117,116	57,634	12,427	187,177
Meetings	57,596	15,544	2,307	75,447
Office expense	27,878	107,200	2,975	138,053
Depreciation and amortization	-	83,728	-	83,728
Design/production	42,186	-	49,693	91,879
Research/evaluation	662	-	133	795
Consultants	3,641,990	731,593	172,864	4,546,447
Promotion	360,582	337	4,169	365,088
Grants	6,377,509	-	-	6,377,509
Materials	109,370	-	-	109,370
Insurance	10,392	122,553	-	132,945
Information technology	55,229	455,870	357	511,456
Miscellaneous	199,801	72,464	114	272,379
Allocation of indirect costs	<u>1,242,271</u>	<u>(1,326,600)</u>	<u>84,329</u>	<u>-</u>
Total expenses	<u>\$ 19,017,660</u>	<u>\$ 2,387,021</u>	<u>\$ 853,610</u>	<u>\$ 22,258,291</u>



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
Employee benefits and payroll taxes	932,649	176,250	147,917	1,256,816
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	<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>

**AMERICAN FOREST FOUNDATION
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 14,013,028	\$ 5,364,905
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	83,728	128,733
Realized and unrealized gains	(21,171,634)	(8,865,878)
Currency exchange	-	12,775
Loss on disposal of assets	-	19,653
Changes in assets and liabilities		
Grants receivable	(1,227,536)	(346,477)
Contribution receivable	32,500	205,000
Accrued interest	(95,804)	-
Accounts receivable	(7,050)	(7,452)
Advances to grant partners	158,518	(271,641)
Prepaid expenses	(28,085)	89,998
Accounts payable and accrued expenses	512,328	(171,328)
Refundable advance	40,489	118,177
Deferred revenue	(5,663)	(6,666)
Deferred lease incentives	(106,007)	(92,927)
Net cash used for operating activities	(7,801,188)	(3,823,128)
Cash flows from investing activities		
Purchases of investments	(267,621,592)	(31,723,138)
Purchase of equipment	(3,715)	-
Proceeds from sales of investments	274,163,064	36,316,057
Net cash provided by investing activities	6,537,757	4,592,919
Cash flows from financing activities		
Payment of debt	(35,570)	(141)
Net change in cash and cash equivalents	(1,299,001)	769,650
Cash and cash equivalents		
Beginning of year	1,612,290	842,640
End of year	\$ 313,289	\$ 1,612,290

See accompanying notes to consolidated financial statements.



AMERICAN FOREST FOUNDATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

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, 2021 and 2020, 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, 2021, the statute of limitations for tax years 2018 through 2020 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, 2021 and 2020, 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 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. Net appreciation includes AFF's gains and losses on investments bought and sold, as well as held during the year. 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 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.

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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total assets at end of year	\$ 185,452,531	\$ 171,033,926
Less nonfinancial assets		
Prepaid expenses and deposits	(150,676)	(122,591)
Advances to grant partners	(113,123)	(271,641)
Net property and equipment	<u>(339,208)</u>	<u>(419,221)</u>
Total financial assets at end of year	184,849,524	170,220,473
Less amounts unavailable for general expenditures within one year		
Non-current contribution receivable	(6,000)	(19,500)
Restricted by donor with time or purpose restrictions	<u>(1,378,064)</u>	<u>(996,441)</u>
Total financial assets available for general expenditures within one year	<u>\$ 183,465,460</u>	<u>\$ 169,204,532</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, 2021 and 2020 are due as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 2,591,262	\$ 1,382,726
Due in one to five years	6,000	19,500
	<u>\$ 2,597,262</u>	<u>\$ 1,402,226</u>

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2021 and 2020, investments consist of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 25,061,796	\$ 11,161,150
Mutual funds		
Fixed Income	25,259,010	30,409,200
Equity - Domestic	93,696,589	90,718,455
Equity - International	37,511,089	34,904,489
Private equities	<u>294,972</u>	<u>-</u>
Total	<u>\$ 181,823,456</u>	<u>\$ 167,193,294</u>

Investment income for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 2,678,544	\$ 5,408,288
Realized gains (losses)	54,758,418	(2,079,931)
Unrealized gains (losses)	(33,586,784)	10,945,809
Investment fees	<u>(119,248)</u>	<u>(84,774)</u>
	<u>\$ 23,730,930</u>	<u>\$ 14,189,392</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.

NOTE 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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

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, 2021 and 2020.

Cash, 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 7 private equity funds during the year ended December 31, 2021. As of December 31, 2021, the total committed capital was \$1,035,000, of which \$741,156 is still outstanding. These investments are typically illiquid and not available for immediate redemption. The AFF has no intention of exiting these private equity investments.

Authoritative guidance on fair value measurements permits the Plan 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, 2021 are limited to investments. The following table sets forth AFF's assets at fair value as of December 31, 2021.

	2021			
	Total Investments	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 25,061,796	\$ 25,061,796	\$ -	\$ -
Mutual funds				
Fixed Income	25,259,010	25,259,010	-	-
Equity - Domestic	93,696,589	93,696,589	-	-
Equity - International	37,511,089	37,511,089	-	-
	181,528,484	\$ 181,528,484	\$ -	\$ -
Investments measured at net asset value*	294,972			
Total	<u>\$ 181,823,456</u>			

*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, 2020 are limited to investments. The following table sets forth AFF's assets at fair value as of December 31, 2020.

	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>

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, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Furniture, equipment and software	\$ 651,699	\$ 646,746
Leasehold improvements	925,237	925,237
	<u>1,576,936</u>	<u>1,571,983</u>
Accumulated depreciation and amortization	<u>(1,237,728)</u>	<u>(1,152,762)</u>
Net property and equipment	<u>\$ 339,208</u>	<u>\$ 419,221</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

NOTE 7. PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

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. AFF initially recorded the note payable as a refundable advance and 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, 2021 and 2020 were subject to restrictions as follows:

	<u>2021</u>	<u>2020</u>
White Oak Initiative	\$ 351,540	\$ 115,127
Sustainable Forestry		
African American Land		
Retention	153,832	550,000
Landscape Management	38,296	38,296
Fire Risk Reduction	-	47,195
Family First Carbon Program	323,767	89,895
Carbon	245,610	-
Other Programs	265,019	155,928
	<u>\$ 1,378,064</u>	<u>\$ 996,441</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 \$495,123 and \$416,079 in 2021 and 2020, respectively.

WoodsCamp contributes to Canada's public retirement system. The contribution rate for 2021 and 2020 was 4.95% and total contribution were \$25,665 and \$22,321, 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 was 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 consolidated 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,	2022	\$	549,711
	2023		563,454
	2024		577,540
	2025		591,979
	2026		353,218
			<u>\$ 2,635,902</u>

Total rent expense was \$505,598 and \$511,769 for the years ended December 31, 2021 and 2020, 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, 2020 and 2021, the conditions related to the contingent payments were met and \$166,666 is included in accounts payable and miscellaneous expenses as of December 31, 2020 and 2021. The payments were made in 2021 and 2022.

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, 2021, amounts on deposit exceeded FDIC insurance limit. Management believes this credit risk to be minimal at this time.



NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 12, 2022, which is the date the consolidated financial statements were available to be issued.

Loan Agreement

On April 21, 2022, Family Forest Impact Foundation (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 the Family Forest Carbon Program 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 this date, FFIF has not exercised its option to borrow funds under this agreement.

Green Bonds

On July 14, 2022, FFIF issued \$10 million in Green Bonds. The Series 2022A Bonds are structured with interest-only payments and a bullet principal payment at maturity in 2032.

The Series 2022A Bonds are unsecured general obligations of the 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 to enroll private forest owners within the Central Appalachians in the Family Forest Carbon Program, measure / monetize the amount of carbon sequestered and / or stored above a business-as-usual baseline, and then sell high-quality carbon credits in the voluntary carbon market to corporate and governmental entities looking to address their residual carbon emissions. Incentive payments will be made to participating landowners under 20-year agreements that will covenant the landowner or any future owner of that land during the life of the contract to continue with the carbon sequestration program.

Master Trust Indenture

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.

This review and evaluation revealed no other 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, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	AFF	WoodsCamp	FFIF	Eliminations	2021 Total	2020 Total
Assets						
Current assets						
Cash and cash equivalents	\$ (148,476)	\$ 240,377	\$ 221,388	\$ -	\$ 313,289	\$ 1,612,290
Grants receivable	2,585,262	-	-	-	2,585,262	1,357,726
Contributions receivable	6,000	-	-	-	6,000	25,000
Accrued interest	95,804	-	-	-	95,804	-
Accounts receivable	-	19,713	-	-	19,713	12,663
Advances to grant partners	113,123	-	-	-	113,123	271,641
Due from (to) related parties	130,427	-	(130,427)	-	-	-
Prepaid expenses	114,291	-	-	-	114,291	86,206
Total current assets	<u>2,896,431</u>	<u>260,090</u>	<u>90,961</u>	<u>-</u>	<u>3,247,482</u>	<u>3,365,526</u>
Investments	182,685,196	-	-	(861,740)	181,823,456	167,193,294
Property and equipment, net	335,493	3,715	-	-	339,208	419,221
Contributions receivable, net of current portion	6,000	-	-	-	6,000	19,500
Security deposit	36,385	-	-	-	36,385	36,385
Total assets	<u>\$ 185,959,505</u>	<u>\$ 263,805</u>	<u>\$ 90,961</u>	<u>\$ (861,740)</u>	<u>\$ 185,452,531</u>	<u>\$ 171,033,926</u>
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	\$ 1,461,064	\$ 173,967	\$ 87,223	\$ -	\$ 1,722,254	\$ 1,209,926
Refundable advance	158,666	-	-	-	158,666	118,177
Debt payable	-	16,622	-	-	16,622	16,479
Deferred revenue	6,333	-	-	-	6,333	11,996
Deferred lease incentives	119,415	-	-	-	119,415	106,006
Total current liabilities	<u>1,745,478</u>	<u>190,589</u>	<u>87,223</u>	<u>-</u>	<u>2,023,290</u>	<u>1,462,584</u>
Long-term liabilities						
Long-term debt	-	123,973	-	-	123,973	159,686
Deferred lease incentives, net of current portion	544,296	-	-	-	544,296	663,712
Total long-term liabilities	<u>544,296</u>	<u>123,973</u>	<u>-</u>	<u>-</u>	<u>668,269</u>	<u>823,398</u>
Total liabilities	<u>2,289,774</u>	<u>314,562</u>	<u>87,223</u>	<u>-</u>	<u>2,691,559</u>	<u>2,285,982</u>
Net assets						
Without donor restrictions	182,291,667	-	-	(908,759)	181,382,908	167,751,503
With donor restrictions	1,378,064	-	-	-	1,378,064	996,441
Total net assets	<u>183,669,731</u>	<u>-</u>	<u>-</u>	<u>(908,759)</u>	<u>182,760,972</u>	<u>168,747,944</u>
Stockholders' equity						
Common stock, \$1 par value	-	733	-	(733)	-	-
1,000,000 shares authorized and outstanding	-	1,011,567	950,000	(1,961,567)	-	-
Additional paid-in-capital	-	(1,063,057)	(946,262)	2,009,319	-	-
Retained earnings	-	-	3,738	47,019	-	-
Total stockholders' equity	<u>-</u>	<u>(50,757)</u>	<u>3,738</u>	<u>47,019</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 185,959,505</u>	<u>\$ 263,805</u>	<u>\$ 90,961</u>	<u>\$ (861,740)</u>	<u>\$ 185,452,531</u>	<u>\$ 171,033,926</u>

AMERICAN FOREST FOUNDATION AND ITS SUBSIDIARIES

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2020)

	2021					2020		
	Without Donor Restrictions					With Donor Restrictions		
	AFF	WoodsCamp	FFIF	Eliminations	Total	AFF	Total	Total
Support and revenue								
Contributions and non-federal grants	\$ 1,246,360	\$ -	\$ 20,490	\$ -	\$ 1,266,850	\$ 7,572,000	\$ 8,838,850	\$ 5,067,373
Federal grants and contracts	-	-	-	-	-	3,460,097	3,460,097	3,557,114
Investment income, net	23,730,930	-	-	-	23,730,930	-	23,730,930	14,189,392
Meetings and other revenue	267,414	1,460,354	-	(1,460,354)	267,414	-	267,414	231,171
Equity in net loss of WoodsCamp	145,575	-	-	(145,575)	-	-	-	-
Equity in net loss of FFIF	(483,709)	-	-	483,709	-	-	-	-
Net assets released from restrictions	10,650,474	-	-	-	10,650,474	(10,650,474)	-	-
Total support and revenue	<u>35,557,044</u>	<u>1,460,354</u>	<u>20,490</u>	<u>(1,122,220)</u>	<u>35,915,668</u>	<u>381,623</u>	<u>36,297,291</u>	<u>23,045,050</u>
Expenses								
Program services	18,685,768	1,288,807	503,439	(1,460,354)	19,017,660	-	19,017,660	15,495,533
Management and general	2,386,261	-	760	-	2,387,021	-	2,387,021	1,142,653
Fundraising	853,610	-	-	-	853,610	-	853,610	1,020,941
Total expenses	<u>21,925,639</u>	<u>1,288,807</u>	<u>504,199</u>	<u>(1,460,354)</u>	<u>22,258,291</u>	<u>-</u>	<u>22,258,291</u>	<u>17,659,127</u>
Change in net assets before income taxes and other losses	<u>13,631,405</u>	<u>171,547</u>	<u>(483,709)</u>	<u>338,134</u>	<u>13,657,377</u>	<u>381,623</u>	<u>14,039,000</u>	<u>5,385,923</u>
Provision for income taxes	<u>-</u>	<u>(25,972)</u>	<u>-</u>	<u>-</u>	<u>(25,972)</u>	<u>-</u>	<u>(25,972)</u>	<u>(21,018)</u>
Change in net asset/net income	13,631,405	145,575	(483,709)	338,134	13,631,405	381,623	14,013,028	5,364,905
Net assets/retained earnings								
Beginning 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>
End of year	<u>\$ 182,291,667</u>	<u>\$ (1,062,324)</u>	<u>\$ (946,262)</u>	<u>\$ 1,099,827</u>	<u>\$ 181,382,908</u>	<u>\$ 1,378,064</u>	<u>\$ 182,760,972</u>	<u>\$ 168,747,944</u>

AMERICAN FOREST FOUNDATION AND ITS SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2020)

	Program Services					Management and General			Eliminations	2021	2020
	Woodlands	WoodsCamp	FFIF	Eliminations	Total	AFF	FFIF	Fundraising		Total	Total
Salaries	\$ 4,588,018	\$ 904,924	\$ -	\$ -	\$ 5,492,942	\$ 1,137,663	\$ -	\$ 408,190	\$ -	\$ 7,038,795	\$ 5,286,288
Employee benefits and payroll taxes	1,160,185	76,287	-	-	1,236,472	287,172	-	100,530	-	1,624,174	1,256,816
Accounting	-	9,197	-	-	9,197	56,172	-	-	-	65,369	48,149
Legal	1,313	-	2,772	-	4,085	91,554	-	-	-	95,639	111,949
Postage and shipping	7,895	-	225	-	8,120	5,327	-	6,029	-	19,476	27,550
Rent	-	16,788	-	-	16,788	488,810	-	-	-	505,598	511,769
Printing and publications	7,238	-	236	-	7,474	-	-	9,493	-	16,967	89,236
Travel	92,452	4,489	20,175	-	117,116	57,634	-	12,427	-	187,177	263,936
Meetings	57,414	182	-	-	57,596	15,544	-	2,307	-	75,447	106,114
Office expense	19,793	6,778	1,307	-	27,878	107,200	-	2,975	-	138,053	100,659
Depreciation and amortization	-	-	-	-	-	83,728	-	-	-	83,728	128,733
Design/production	42,186	-	-	-	42,186	-	-	49,693	-	91,879	36,832
Research/evaluation	-	-	662	-	662	-	-	133	-	795	31,019
Consultants	4,608,661	16,064	477,619	(1,460,354)	3,641,990	730,982	611	172,864	-	4,546,447	3,654,887
Promotion	316,107	44,066	409	-	360,582	337	-	4,169	-	365,088	411,781
Grants	6,377,509	-	-	-	6,377,509	-	-	-	-	6,377,509	4,529,287
Materials	109,370	-	-	-	109,370	-	-	-	-	109,370	101,336
Insurance	1,880	8,512	-	-	10,392	122,553	-	-	-	132,945	128,638
Information technology	4,014	51,183	32	-	55,229	455,870	-	357	-	511,456	478,819
Miscellaneous	49,462	150,337	2	-	199,801	72,315	149	114	-	272,379	355,329
Allocation of indirect costs	1,242,271	-	-	-	1,242,271	(1,326,600)	-	84,329	-	-	-
Total expenses	\$ 18,685,768	\$ 1,288,807	\$ 503,439	\$ (1,460,354)	\$ 19,017,660	\$ 2,386,261	\$ 760	\$ 853,610	\$ -	\$ 22,258,291	\$ 17,659,127