



# American Forests

## Financial Statements

Years Ended September 30, 2014 and 2013

# American Forests

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## Financial Statements

Years Ended September 30, 2014 and 2013

# American Forests

## Contents

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Independent Auditor's Report	3-4
<b>Financial Statements</b>	
Statements of Financial Position	6
Statements of Activities	7-8
Statements of Functional Expenses	9-10
Statements of Cash Flows	11
Notes to Financial Statements	12-20



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## Independent Auditor's Report

The Board of Directors  
American Forests  
Washington, DC

We have audited the accompanying financial statements of American Forests, which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of American Forests as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

June 12, 2015

## Financial Statements

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**American Forests**  
**Statements of Financial Position**

<i>September 30,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,313,774	\$ 1,223,893
Grants receivable	104,258	94,767
Contributions receivable, net	635,372	611,749
Other current assets	60,847	87,797
<b>Total Current Assets</b>	<b>2,114,251</b>	<b>2,018,206</b>
Investments, at market value	4,498,229	4,655,915
Deposits	58,248	70,751
Property and equipment, net	268,130	230,631
Leasehold improvements, net	440,945	390,629
<b>Total Assets</b>	<b>\$ 7,379,803</b>	<b>\$ 7,366,132</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 186,772	\$ 175,706
Grants payable	676,849	442,185
Accrued expenses	66,267	212,166
Deferred membership dues	21,500	5,300
Deferred rent	573,724	398,969
Other liabilities	2,812	-
<b>Total Current Liabilities</b>	<b>1,527,924</b>	<b>1,234,326</b>
<b>Net Assets:</b>		
Unrestricted	3,862,666	4,325,833
Temporarily restricted	1,958,546	1,775,306
Permanently restricted	30,667	30,667
<b>Total Net Assets</b>	<b>5,851,879</b>	<b>6,131,806</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,379,803</b>	<b>\$ 7,366,132</b>

*See accompanying notes to financial statements.*

# American Forests

## Statements of Activities

<i>Year Ended September 30, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Membership dues	\$ 9,400	\$ -	\$ -	\$ 9,400
Contributions	926,311	2,175,960	-	3,102,271
Grants and contracts	279,752	476,030	-	755,782
Net realized and unrealized gain (loss) on investments	215,918	(40,285)	-	175,633
Investment income	85,925	46,225	-	132,150
Sales	56,802	-	-	56,802
Miscellaneous income	56,642	-	-	56,642
Net assets released from restrictions	2,474,690	(2,474,690)	-	-
<b>Total Revenue</b>	<b>4,105,440</b>	<b>183,240</b>	<b>-</b>	<b>4,288,680</b>
<b>Expenses</b>				
Programs	2,313,267	-	-	2,313,267
Communications	496,064	-	-	496,064
Development	963,784	-	-	963,784
Finance and administration	795,492	-	-	795,492
<b>Total Expenses</b>	<b>4,568,607</b>	<b>-</b>	<b>-</b>	<b>4,568,607</b>
<b>Change in Net Assets</b>	<b>(463,167)</b>	<b>183,240</b>	<b>-</b>	<b>(279,927)</b>
<b>Net Assets, beginning of year</b>	<b>4,325,833</b>	<b>1,775,306</b>	<b>30,667</b>	<b>6,131,806</b>
<b>Net Assets, end of year</b>	<b>\$ 3,862,666</b>	<b>\$ 1,958,546</b>	<b>\$ 30,667</b>	<b>\$ 5,851,879</b>

*See accompanying notes to financial statements.*



# American Forests

## Statements of Activities

<i>Year Ended September 30, 2013</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Membership dues	\$ 1,596	\$ -	\$ -	\$ 1,596
Contributions	1,452,606	1,754,323	-	3,206,929
Grants and contracts	25,444	460,478	-	485,922
Net realized and unrealized gain (loss)				
on investments	180,141	(41,773)	-	138,368
Investment income	92,544	54,150	-	146,694
Sales	7,688	-	-	7,688
Miscellaneous income	39,569	-	-	39,569
Net assets released from restrictions	3,171,052	(3,171,052)	-	-
<b>Total Revenue</b>	<b>4,970,640</b>	<b>(943,874)</b>	<b>-</b>	<b>4,026,766</b>
<b>Expenses</b>				
Programs	2,652,907	-	-	2,652,907
Communications	740,425	-	-	740,425
Development	805,110	-	-	805,110
Finance and administration	662,564	-	-	662,564
<b>Total Expenses</b>	<b>4,861,006</b>	<b>-</b>	<b>-</b>	<b>4,861,006</b>
<b>Change in Net Assets</b>	<b>109,634</b>	<b>(943,874)</b>	<b>-</b>	<b>(834,240)</b>
<b>Net Assets, beginning of year</b>	<b>4,216,199</b>	<b>2,719,180</b>	<b>30,667</b>	<b>6,966,046</b>
<b>Net Assets, end of year</b>	<b>\$ 4,325,833</b>	<b>\$ 1,775,306</b>	<b>\$ 30,667</b>	<b>\$ 6,131,806</b>

*See accompanying notes to financial statements.*

**American Forests**  
**Statements of Functional Expenses**

<i>Year Ended September 30, 2014</i>	Programs	Communi- cations	Total Program Services	Development	Finance and Administration	Total Support Services	Total Expenses
Salaries and benefits	\$ 508,242	\$ 235,858	\$ 744,100	\$ 548,616	\$ 418,902	\$ 967,518	\$ 1,711,618
Grants	1,145,232	-	1,145,232	-	-	-	1,145,232
Consultants	359,235	19,633	378,868	113,757	283,495	397,252	776,120
Advertising	9,346	73,035	82,381	545	-	545	82,926
Travel, meals, and catering	62,612	2,842	65,454	56,600	15,003	71,603	137,057
Meeting registrations	3,675	1,024	4,699	-	688	688	5,387
Memberships and subscriptions	3,995	24,570	28,565	591	3,461	4,052	32,617
Postage	8,006	1,942	9,948	41,274	4,458	45,732	55,680
Printing and copying	18,558	29,383	47,941	53,992	12	54,004	101,945
List rental	-	-	-	8,936	-	8,936	8,936
Supplies	24,894	275	25,169	2,197	32,252	34,449	59,618
Depreciation and amortization	-	-	-	-	113,220	113,220	113,220
Insurance	1,290	-	1,290	1,513	10,922	12,435	13,725
Telephone and internet	2,531	1,106	3,637	1,355	19,910	21,265	24,902
Rent	-	-	-	-	245,821	245,821	245,821
Other	8,437	391	8,828	25,709	19,266	44,975	53,803
<b>Total Direct Expenses</b>	<b>2,156,053</b>	<b>390,059</b>	<b>2,546,112</b>	<b>855,085</b>	<b>1,167,410</b>	<b>2,022,495</b>	<b>4,568,607</b>
<b>Indirect Cost Allocation</b>	<b>157,214</b>	<b>106,005</b>	<b>263,219</b>	<b>108,699</b>	<b>(371,918)</b>	<b>(263,219)</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 2,313,267</b>	<b>\$ 496,064</b>	<b>\$ 2,809,331</b>	<b>\$ 963,784</b>	<b>\$ 795,492</b>	<b>\$ 1,759,276</b>	<b>\$ 4,568,607</b>

*See accompanying notes to financial statements.*

**American Forests**  
**Statements of Functional Expenses**

<i>Year Ended September 30, 2013</i>	Programs	Communi- ications	Total Program Services	Development	Finance and Administration	Total Support Services	Total Expenses
Salaries and benefits	\$ 747,612	\$ 410,167	\$ 1,157,779	\$ 497,388	\$ 467,580	\$ 964,968	\$ 2,122,747
Grants	1,420,496	-	1,420,496	-	-	-	1,420,496
Consultants	201,946	84,463	286,409	67,647	159,099	226,746	513,155
Advertising	-	94,805	94,805	1,243	1,196	2,439	97,244
Travel, meals, and catering	32,744	3,448	36,192	23,392	12,505	35,897	72,089
Meeting registrations	2,918	2,517	5,435	3,335	1,888	5,223	10,658
Memberships and subscriptions	3,047	22,403	25,450	909	776	1,685	27,135
Postage	24,542	5,607	30,149	37,062	2,353	39,415	69,564
Printing and copying	35,245	27,536	62,781	46,540	482	47,022	109,803
List rental	5,165	-	5,165	5,280	-	5,280	10,445
Supplies	45,351	126	45,477	5,132	19,408	24,540	70,017
Depreciation and amortization	-	-	-	-	54,063	54,063	54,063
Insurance	-	-	-	224	14,002	14,226	14,226
Telephone and internet	2,897	1,061	3,958	1,323	22,745	24,068	28,026
Rent	-	-	-	-	194,051	194,051	194,051
Other	-	-	-	25,100	22,187	47,287	47,287
<b>Total Direct Expenses</b>	<b>2,521,963</b>	<b>652,133</b>	<b>3,174,096</b>	<b>714,575</b>	<b>972,335</b>	<b>1,686,910</b>	<b>4,861,006</b>
<b>Indirect Cost Allocation</b>	<b>130,944</b>	<b>88,292</b>	<b>219,236</b>	<b>90,535</b>	<b>(309,771)</b>	<b>(219,236)</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 2,652,907</b>	<b>\$ 740,425</b>	<b>\$ 3,393,332</b>	<b>\$ 805,110</b>	<b>\$ 662,564</b>	<b>\$ 1,467,674</b>	<b>\$ 4,861,006</b>

*See accompanying notes to financial statements.*

**American Forests**  
**Statements of Cash Flows**

<i>Year Ended September 30,</i>	2014	2013
<b>Operating Activities</b>		
Change in net assets	\$ (279,927)	\$ (834,240)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	113,220	54,063
Net loss on disposal of property and equipment	15,632	122
Net realized and unrealized gain from investments	(175,633)	(138,368)
Changes in assets and liabilities:		
Grants receivable	(9,491)	142,432
Contributions receivable	(23,623)	(112,233)
Other current assets	26,950	(16,286)
Deposits	12,503	(57,375)
Accounts payable	11,066	564
Grants payable	234,664	(631,889)
Accrued expenses	(145,899)	50,932
Deferred revenue	16,200	5,300
Deferred rent	174,755	(59,671)
Other liabilities	2,812	-
<b>Net Cash Used in Operating Activities</b>	<b>(26,771)</b>	<b>(1,596,649)</b>
<b>Investing Activities</b>		
Acquisition of property, equipment, and leasehold improvements	(216,667)	(132,615)
Purchases of investments	(904,625)	(5,001,321)
Proceeds from the sales of investments	1,237,944	4,595,115
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>116,652</b>	<b>(538,821)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>89,881</b>	<b>(2,135,470)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,223,893</b>	<b>3,359,363</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,313,774</b>	<b>\$ 1,223,893</b>
<b>Supplemental Disclosure of Non-cash Activities</b>		
Non-cash leasehold improvements	\$ -	\$ 387,465

*See accompanying notes to financial statements.*

# American Forests

## Notes to Financial Statements

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### 1. Organization and Nature of Operations

American Forests ("AF") restores and protects urban and rural forests. Founded in 1875, the oldest national nonprofit conservation organization in the country has served as a catalyst for many of the important milestones in the conservation movement, including the founding of the U.S. Forest Service, the national forest and national park systems as well as leading thousands of forest ecosystem restoration projects and public education efforts.

Since 1990, AF has planted more than 47 million trees in forests throughout the U.S. and in 45 countries, resulting in cleaner air and drinking water, restored habitat for wildlife and fish, and the removal of millions of tons of carbon dioxide from the atmosphere.

#### *Basis of Accounting*

The financial statements of AF are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. As a result, revenue is recognized when earned and expenses are recognized when an obligation is incurred.

#### *Basis of Presentation*

AF's net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net asset changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations and are fully available at the discretion of management and the Board of Directors.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of AF and/or the passage of time. At such time, these assets will be reclassified as unrestricted net assets. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by AF. Generally, the donors of these assets permit AF to use all, or part of, the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

# American Forests

## Notes to Financial Statements

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Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate as to reflect the fair value at the date of the gift. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions and nature of fund-raising activity.

Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The major programs of AF, which are reported in these financial statements, include the following:

- *Programs* - Restoring forest ecosystems, supporting urban forest research and work advocating for sound national forest policies and funding, promoting science and research, and working with local and community partners are the lynchpins of American Forests Programs and Public Policy work. In the last 20 years, our Global ReLeaf program has helped restore forests in all 50 states and 45 countries around the world, planting more than 47 million trees. Some other major initiatives bridge research and engagement, such as a campaign focused on America's endangered western forests, in which American Forests is partnering with leading scientists studying these forests while also creating events for individuals to help aid the efforts to save these forests. For almost two decades, American Forests has worked with cities and researchers around the country to analyze forest cover in urban environments and to help promote the benefits that trees in cities can provide. For more than a century, American Forests has been at the forefront of forest policy, meeting with key policymakers and advocating appropriate plans and levels of funding to support needed work in our nation's forests. Throughout the course of its history, American Forests has grounded its work in the best science of the time, and with the 2011 creation of its Science Advisory Board, American Forests has aligned itself with some of the nation's premiere scientists to continue developing its work in and around the latest science. For decades, American Forests has worked with local partners to help restore and protect forests and has served on many local and regional coalitions and community groups to promote strong local forestry practices and partnerships.
- *Communications* - Beyond supporting the work occurring in Programs, American Forests' Communications program focuses on educating its community about the issues, challenges and developments in the forestry world. This goal is accomplished through the daily blog, Loose Leaf; the monthly e-newsletter, Forest Files; and quarterly magazine, American Forests. In addition, American Forests' National Big Tree Program is a prime education effort, promoting more than 750 of America's biggest trees across hundreds of species. Every year, the program receives hundreds of nominations for big trees and uses the publication of its National Register of Big Trees to communicate the important role big trees play in ecosystems across America.

# American Forests

## Notes to Financial Statements

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### 2. Significant Accounting Policies

#### *Cash and Cash Equivalents*

For financial statement purposes, AF considers cash and cash equivalents to include cash in banks and liquid investments with an original maturity of three months or less. AF maintains deposits in federally insured financial institutions in excess of federally insured limits. Management believes that AF is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

#### *Investments*

Investments in marketable securities are carried at fair value determined by quoted market prices. Donated investments received by gift are recorded by estimated fair value at the date of acquisition. Net realized and unrealized gains on investments are reflected on the accompanying statements of activities.

#### *Grants Receivable*

Grants receivable are recorded at the amounts due and do not bear interest. AF estimates an allowance for doubtful accounts based upon management's best estimate of the amount of probable credit losses existing in grants receivable. Based on the payment history of the grantors, management has estimated AF's allowance for doubtful accounts to be \$0 at both September 30, 2014 and 2013.

#### *Contributions Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not recorded as contributions receivable until such time as the conditions are substantially met. AF estimates an allowance for doubtful accounts based upon management's best estimate of the amount of probable credit losses existing in contributions receivable. AF's allowance for doubtful accounts was \$11,256 and \$48,540 at September 30, 2014 and 2013, respectively.

#### *Property and Equipment*

AF capitalizes all property and equipment purchases greater than \$1,000. Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation on property and equipment is calculated on the straight-line method over estimated useful lives of 5 years for furniture and fixtures, 3 years for equipment, and 3 years for software. Leasehold improvements and other assets are amortized over the lesser of the useful life or minimum lease term. Maintenance and repairs are expensed as incurred.

# American Forests

## Notes to Financial Statements

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### *Deferred Revenue*

Deferred revenue consists of cash received by AF for grants that have not been earned as of September 30, 2014 and 2013.

### *Deferred Rent*

Deferred rent consists of (i) the excess of the allocable straight-line rent expense to date as compared to the total amount of rent due and payable through such period, and (ii) funds received from landlords to reimburse AF for the cost, or a portion of the cost, of leasehold improvements. Deferred rent is amortized as a reduction to rent expense over the term of the lease.

### *Revenue*

AF's revenue consist primarily of contributions, grants and contracts with various government entities, membership dues and the sale of merchandise related to AF's exempt activities.

A substantial portion of AF's total revenue is derived from voluntary arrangements with donors whose contributions and grants are designated to specific programs.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

### *Income Taxes*

AF is a not-for-profit organization incorporated in the District of Columbia and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been determined that AF is not a private foundation as defined in Section 509(9a).

AF is subject to unrelated business income tax on any net advertising and sales revenue related to its publications. AF did not have any material unrelated business income for the years ended September 30, 2014 and 2013.

### *Reclassifications*

In certain instances, amounts previously reported in the 2013 financial statements have been reclassified to conform to the 2014 financial statement presentation. Such reclassifications had no effect on net assets.



# American Forests

## Notes to Financial Statements

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### *Recent Accounting Pronouncements*

In October 2012 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2012-05, Statement of Cash Flows (Topic 230)—Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (“ASU 2012-05”). The ASU 2012-05 requires, with certain exceptions, a not-for-profit entity to classify in the statement of cash flows cash received from donated financial assets as an operating activity if those donated financial assets were directed without any not-for-profit-imposed limitations for sale and were converted nearly immediately into cash. The ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. AF adopted ASU 2012-05 as of October 1, 2013 and its adoption did not have a significant impact to the 2014 financial statements.

### 3. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* - inputs utilize quoted prices in active markets for identical assets or liabilities.

*Level 2* - inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability;
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

*Level 3* - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	September 30, 2014		September 30, 2013	
	Level 1	Level 2	Level 1	Level 2
Marketable securities	\$ 4,498,229	\$ -	\$ 4,655,915	\$ -

# American Forests

## Notes to Financial Statements

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The above marketable securities include equity investments in large and medium cap entities with sufficient trading volume to adequately access fair value. At September 30, 2014 and 2013, AF had no investments which were considered to be Level 3.

At September 30, 2014 and 2013, AF did not have any assets or liabilities measured at fair value on a nonrecurring basis.

AF has not elected to report financial instruments at fair value, as provided by the fair value option in ASC 825, *Financial Instruments*. The guidance requires disclosure of fair value of all financial instruments if the fair value option is not elected. AF's financial instruments consist of cash and cash equivalents, grants and contributions receivable, accounts payable, grants payable, and accrued expenses.

The carrying amounts of cash and cash equivalents, grants receivable, accounts payable, grants payable, and accrued expenses approximate fair value due to the short term maturity of these financial instruments. The carrying amounts of contributions receivable approximate fair value since these instruments are recorded at net present value.

#### 4. Concentration of Credit Risk

Financial instruments, which subject AF to a concentration of credit risk, consist of cash and cash equivalents placed with financial institutions, in addition to grant and contributions receivable. AF maintains cash balances with various financial institutions, which at times may exceed the Federal Deposit Insurance Corporation limits. At September 30, 2014 and 2013, AF had cash balances that exceeded the federally insured limits by approximately \$1,059,000 and \$973,000, respectively.

At September 30, 2014, AF had grants receivable due from one third party representing 93% of total grants receivable, respectively, and contributions receivable due from two other third-parties representing 16% and 15% of the total contributions receivable. Additionally AF received funds from one third party representing 12% of total revenue.

At September 30, 2013, AF had grants receivable due from two third-parties representing 65% and 26% of total grants receivable, respectively, and contributions receivable due from one other third-party representing 22% of the total contributions receivable. Additionally AF received funds from one third party representing 9% of total revenue.

#### 5. Investments

Investments are stated at market value, and their net unrealized gains (losses) are included in revenue as a component of unrestricted net assets in the statements of activities.

# American Forests

## Notes to Financial Statements

Investments consisted of the following:

	September 30, 2014		September 30, 2013	
	Market Value	Cost	Market Value	Cost
Fixed income	\$ 2,526,309	\$ 2,645,549	\$ 2,777,712	\$ 2,894,516
Equity securities	1,971,920	1,656,987	1,878,203	1,724,850
<b>Total investments</b>	<b>\$ 4,498,229</b>	<b>\$ 4,302,536</b>	<b>\$ 4,655,915</b>	<b>\$ 4,619,366</b>

### 6. Contributions Receivable, Net

Contributions receivable, net is summarized as follows:

<i>September 30,</i>	2014	2013
Unconditional promises expected to be collected in:		
Less than one year	\$ 560,724	\$ 195,765
One year to five years	86,128	461,714
Over five years	-	3,408
Gross contributions receivable	646,852	660,887
Less unamortized discount (discount rate of 0.13% and 0.17%)	(224)	(598)
Less allowance for uncollectible pledges	(11,256)	(48,540)
<b>Contributions receivable, net</b>	<b>\$ 635,372</b>	<b>\$ 611,749</b>

### 7. Net Realized and Unrealized Gain on Investments

Net realized and unrealized gain on investments included the following:

<i>September 30,</i>	2014	2013
Net realized gain on sale of investments	\$ 16,489	\$ 157,558
Net unrealized gain (loss) on investments	159,144	(19,190)
<b>Net realized and unrealized gain on investments</b>	<b>\$ 175,633</b>	<b>\$ 138,368</b>

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### 8. Property, Equipment, and Leasehold Improvements, Net

Property, equipment, and leasehold improvements, net consisted of the following:

<i>September 30,</i>	2014	2013
Furniture and fixtures	\$ 137,193	\$ 190,833
Equipment and other	296,460	238,785
Software	6,711	10,518
Total property and equipment	440,364	440,136
Less: accumulated depreciation and amortization	(172,234)	(209,505)
Property and equipment, net	\$ 268,130	\$ 230,631

  

<i>September 30,</i>	2014	2013
Leasehold improvements	\$ 481,364	\$ 571,025
Less: accumulated depreciation and amortization	(40,419)	(180,396)
Leasehold improvements, net	\$ 440,945	\$ 390,629

Depreciation and amortization expense for the years ended September 30, 2014 and 2013 was \$113,220 and \$54,063, respectively.

### 9. Retirement Plan

AF has a defined contribution retirement plan, which covers all eligible employees. Under the terms of the plan, AF will match elective deferral contributions up to a maximum of 6% of a participant's annual compensation. AF may also make discretionary contributions. Vesting occurs at the rate of 50% per year. Total contributions for the years ended September 30, 2014 and 2013 was \$85,831 and \$95,217, respectively.

### 10. Commitments and Contingencies

#### *Operating Leases*

During 2014, AF entered into a lease agreement for a new office space for the period November 2013 through September 2014. In connection with leasing this office space, AF was granted a tenant improvement allowance, which was recorded as part of leasehold improvements. In addition, AF was granted a period of free rent which was recorded as a part of deferred rent when the space was built out and AF moved into the space in November 2013. The unamortized balance of the free rent and tenant improvement allowance at September 30, 2014 was \$573,724 and is reflected as deferred rent in the accompanying statements of financial position. At September 30, 2013 AF had a deferred rent balance of \$398,969 in connection with an old lease agreement

# American Forests

## Notes to Financial Statements

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which expired in November 2013. Office rent expense for the year ended September 30, 2014 and 2013 was \$243,357 and \$184,974, respectively.

The future minimum lease payments under the new lease at September 30, 2014 are as follows:

<i>For the Year Ending September 30,</i>	<i>Amount</i>
2015	\$ 215,142
2016	240,139
2017	246,140
2018	252,309
2019	258,608
Thereafter	1,393,304
<b>Total</b>	<b>\$ 2,605,642</b>

### *Letter of Credit*

AF provides funding to the USDA Forest Service ("USDA") to be used under its Global Releaf program. As a result, AF was required to establish an irrevocable letter of credit to secure the payment terms of the grant agreement. A \$410,700 letter of credit which expired on December 31, 2013, was submitted to the USDA in July 2010 and is collateralized by a certificate of deposit. The required letter of credit was \$215,900 and \$214,178 as of September 30, 2014 and 2013, respectively, and is included in the cash and cash equivalents balance in the accompanying statements of financial position.

### **11. Subsequent Events**

AF's management has evaluated subsequent events from September 30, 2014 (the date of the statement of financial position) through June 12, 2015 (the date of the audit report). During this period, no material recognizable subsequent events were identified.