



American Forests

Financial Statements

Nine-Month Period Ended September 30,
2012 and Year Ended December 31, 2011

American Forests

Financial Statements

Nine-Month Period Ended September 30, 2012 and Year Ended December 31, 2011

American Forests

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Independent Auditors' Report

The Board of Directors
American Forests
Washington, DC

We have audited the accompanying statements of financial position of American Forests as of September 30, 2012 and December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the nine-month period ended September 30, 2012 and the year ended December 31, 2011. These financial statements are the responsibility of American Forests' management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Forests' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Forests at September 30, 2012 and December 31, 2011, and the changes in its net assets and its cash flows for the nine-month period ended September 30, 2012 and the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

March 22, 2013

Financial Statements

American Forests
Statements of Financial Position

	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 3,359,363	\$ 3,262,380
Investments	4,111,341	4,496,714
Grants receivable	237,199	163,963
Contributions receivable, net	499,516	1,099,402
Other accounts receivable	498	8,528
Prepaid expenses	71,013	69,758
Deposits	13,376	13,376
Property and equipment, net	155,365	81,804
Total Assets	\$ 8,447,671	\$ 9,195,925
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 175,142	\$ 59,419
Accrued expenses	161,234	73,830
Grants payable	1,074,074	926,439
Deferred revenue	-	4,212
Deferred rent	71,175	109,183
Total Liabilities	1,481,625	1,173,083
Net Assets		
Unrestricted	4,216,199	4,989,678
Temporarily restricted	2,719,180	3,002,497
Permanently restricted	30,667	30,667
Total Net Assets	6,966,046	8,022,842
Total Liabilities and Net Assets	\$ 8,447,671	\$ 9,195,925

See accompanying notes to financial statements.

American Forests

Statements of Activities

<i>Nine-Month Period Ended September 30, 2012</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Membership dues	\$ 7,206	\$ 1,155	\$ -	\$ 8,361
Contributions	505,963	1,475,036	-	1,980,999
Grants and contracts	32,750	250,000	-	282,750
Net realized and unrealized gain on investments	153,541	14,241	-	167,782
Investment income	50,537	47,653	-	98,190
Sales	10,024	-	-	10,024
Miscellaneous income	46,436	-	-	46,436
Net assets released from restrictions	2,071,402	(2,071,402)	-	-
Total Revenue	2,877,859	(283,317)	-	2,594,542
Expenses				
Conservation and policy	1,789,869	-	-	1,789,869
Strategic initiatives	319,780	-	-	319,780
Communications	430,931	-	-	430,931
Development	502,111	-	-	502,111
Finance and administration	608,647	-	-	608,647
Total Expenses	3,651,338	-	-	3,651,338
Change in Net Assets	(773,479)	(283,317)	-	(1,056,796)
Net Assets, beginning of period	4,989,678	3,002,497	30,667	8,022,842
Net Assets, end of period	\$ 4,216,199	\$ 2,719,180	\$ 30,667	\$ 6,966,046

See accompanying notes to financial statements.

American Forests

Statements of Activities

<i>Year Ended December 31, 2011</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Membership dues	\$ 27,284	\$ 20,347	\$ -	\$ 47,631
Contributions	604,742	2,896,813	-	3,501,555
Grants and contracts	32,325	457,573	-	489,898
Net realized and unrealized loss on investments	(5,776)	-	(58)	(5,834)
Investment income	166,904	-	725	167,629
Sales	85,568	-	-	85,568
Miscellaneous income	82,813	-	-	82,813
Net assets released from restrictions	3,989,169	(3,989,169)	-	-
Total Revenue	4,983,029	(614,436)	667	4,369,260
Expenses				
Conservation and policy	2,742,743	-	-	2,742,743
Strategic initiatives	374,416	-	-	374,416
Communications	438,887	-	-	438,887
Development	575,614	-	-	575,614
Finance and administration	925,812	-	-	925,812
Total Expenses	5,057,472	-	-	5,057,472
Change in Net Assets	(74,443)	(614,436)	667	(688,212)
Net Assets, beginning of year	5,064,121	3,616,933	30,000	8,711,054
Net Assets, end of year	\$ 4,989,678	\$ 3,002,497	\$ 30,667	\$ 8,022,842

See accompanying notes to financial statements.

American Forests
Statements of Functional Expenses

<i>Nine-Month Period Ended September 30, 2012</i>	Conservation and Policy	Strategic Initiatives	Communi- cations	Total Program Services	Development	Finance and Administration	Total Support Services	Total Expenses
Salaries	\$ 489,675	\$ 165,333	\$ 197,805	\$ 852,813	\$ 310,188	\$ 424,728	\$ 734,916	\$ 1,587,729
Personnel costs	53,053	19,782	19,558	92,393	26,748	34,170	60,918	153,311
Travel	22,232	17,886	5,252	45,370	4,542	22,741	27,283	72,653
Consultants	87,753	39,451	111,275	238,479	84,846	48,916	133,762	372,241
Memberships and Subscriptions	6,025	670	18,698	25,393	-	1,285	1,285	26,678
Postage	402	1,102	8,226	9,730	5,722	828	6,550	16,280
Grants	1,046,896	-	-	1,046,896	-	-	-	1,046,896
Supplies	4,048	44,715	1,857	50,620	2,338	5,243	7,581	58,201
Printing	935	878	39,413	41,226	12,688	361	13,049	54,275
Telephone	5,287	3,691	2,901	11,879	2,710	5,319	8,029	19,908
Equipment rental	4,235	1,417	2,433	8,085	2,001	5,629	7,630	15,715
Taxes and insurance	4,692	2,171	2,112	8,975	10,268	5,236	15,504	24,479
Rent	53,308	18,191	17,162	88,661	22,961	39,282	62,243	150,904
Depreciation and amortization	11,328	4,493	4,239	20,060	5,672	8,485	14,157	34,217
Other	-	-	-	-	11,427	6,424	17,851	17,851
Total	\$ 1,789,869	\$ 319,780	\$ 430,931	\$ 2,540,580	\$ 502,111	\$ 608,647	\$ 1,110,758	\$ 3,651,338

See accompanying notes to financial statements.

American Forests
Statements of Functional Expenses

<i>Year Ended December 31, 2011</i>	Conservation and Policy	Strategic Initiatives	Commun- ications	Total Program Services	Development	Finance and Administration	Total Support Services	Total Expenses
Salaries	\$ 542,623	\$ 193,903	\$ 223,242	\$ 959,768	\$ 319,611	\$ 595,752	\$ 915,362	\$ 1,875,130
Personnel costs	44,862	16,857	12,096	73,815	15,821	25,771	41,592	115,407
Travel	36,048	732	597	37,377	3,099	40,660	43,759	81,136
Consultants	91,798	119,236	68,653	279,687	123,703	121,411	245,114	524,801
Memberships & Subscriptions	6,958	48	11,880	18,886	-	314	314	19,200
Postage	1,342	11,498	4,784	17,624	7,523	1,495	9,018	26,642
Grants	1,921,496	-	-	1,921,496	-	-	-	1,921,496
Supplies	8,710	7,125	2,320	18,155	24,655	14,747	39,402	57,557
Printing	5,385	1,865	55,518	62,768	19,580	2,628	22,208	84,976
Telephone	6,809	1,720	4,442	12,971	4,034	7,060	11,094	24,065
Equipment rental	3,488	1,072	2,770	7,330	2,499	3,211	5,711	13,040
Taxes and insurance	5,169	1,589	4,104	10,862	4,454	5,483	9,937	20,799
Rent	55,006	15,014	38,777	108,797	34,995	44,960	79,955	188,752
Depreciation and amortization	13,049	3,757	9,704	26,510	8,757	11,251	20,008	46,518
Other	-	-	-	-	6,883	51,069	57,952	57,952
Total	\$ 2,742,743	\$ 374,416	\$ 438,887	\$ 3,556,046	\$ 575,614	\$ 925,812	\$ 1,501,426	\$ 5,057,472

See accompanying notes to financial statements.

American Forests
Statements of Cash Flows

	Nine-Month Period Ended September 30, 2012	Year Ended December 31, 2011
Operating Activities		
Change in net assets	\$ (1,056,796)	\$ (688,212)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,217	46,517
Net loss on disposal of property and equipment	-	2,036
Net realized and unrealized (gain) loss from investments	(167,782)	5,834
Changes in assets and liabilities:		
Grants receivable	(73,236)	301,122
Contributions receivable	599,886	498,048
Other accounts receivable	8,030	(8,528)
Prepaid expenses	(1,255)	(38,008)
Accounts payable	115,723	5,795
Accrued expenses	87,404	(52,871)
Grants payable	147,635	(396,916)
Deferred revenue	(4,212)	(39,100)
Deferred rent	(38,008)	(44,191)
Net Cash Used in Operating Activities	(348,394)	(408,474)
Investing Activities		
Purchases of property and equipment	(107,778)	(27,448)
Purchases of investments	(3,048,763)	(791,951)
Proceeds from the sales of investments	3,601,918	722,817
Net Cash Provided by (Used in) Investing Activities	445,377	(96,582)
Net Increase (Decrease) in Cash and Cash Equivalents	96,983	(505,056)
Cash and Cash Equivalents, beginning of year	3,262,380	3,767,436
Cash and Cash Equivalents, end of period/year	\$ 3,359,363	\$ 3,262,380

See accompanying notes to financial statements.

American Forests

Notes to Financial Statements

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 43 million trees in forests throughout the U.S. and in 38 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.

On August, 27, 2012, AF's Board of Directors voted to change AF's fiscal year end from December 31st to September 30th.

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

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:

- *Conservation and Policy 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 Conservation and Public Policy work. In the last 20 years, our Global ReLeaf program has helped restore forests in all 50 states and 38 countries around the world, planting more than 43 million trees. 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.
- *Strategic Initiatives and Public Outreach* - Forests and trees impact the lives of every individual on the planet. By engaging a strong, active community of research and engagement through its Strategic Initiatives and Public Outreach program, American Forests is able to better accomplish its mission of protecting and restoring forests. To engage people in its work, American Forests partners on public events, like its 2011-2012 project with Japanese embassies across America for cherry tree plantings in their respective cities, and is developing volunteering activities around key campaigns. 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.

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Notes to Financial Statements

- *Communications* - Beyond supporting the work occurring in the Conservation and Public Policy and Strategic Initiatives and Public Outreach 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.

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.

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 (losses) on investments are reflected in 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 September 30, 2012 and December 31, 2011.

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 \$34,404 at September 30, 2012 and \$36,305 at December 31, 2011.

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Notes to Financial Statements

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 are amortized over the lesser of the useful life or minimum lease term. Maintenance and repairs are expensed as incurred.

Deferred Revenue

Deferred revenue consists of cash received by AF for grants that have not been earned as of September 30, 2012 and December 31, 2011.

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.

Membership dues are solicited and received throughout the fiscal period.

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).

American Forests

Notes to Financial Statements

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 nine-month period ended September 30, 2012 or for the year ended December 31, 2011.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (“ASU”) 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. ASU 2011-04 amended ASC 820 to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement and disclosure requirements, while other amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The provisions of ASU 2011-04 were effective for AF during the nine-month period ended September 30, 2012. The adoption of ASU 2011-04 did not have a material impact on AF’s process for measuring fair values or on its financial statements, other than the inclusion of additional disclosures within the notes to the 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:

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Notes to Financial Statements

	September 30, 2012		December 31, 2011	
	Level 1	Level 2	Level 1	Level 2
Certificates of deposit	\$ -	\$ 1,007,283	\$ -	\$ 690,627
Marketable securities	\$ 3,104,058	-	\$ 3,806,087	-

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, 2012 and December 31, 2011, AF had no investments which were considered to be Level 3.

At September 30, 2012 and December 31, 2011, AF did not have an 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 relative terms and short 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. AF's non-interest bearing cash balances were fully insured at September 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and AF's non-interest bearing cash balances may again exceed federally insured limits.

At September 30, 2012, AF had grants receivable due from two third-parties representing 57% and 42% of total grants receivable, respectively, and contributions receivable due from one other third-party representing 37% of the total contributions receivable. Additionally AF received funds from one third party representing 15% of total revenue.

At December 31, 2011, AF had grants receivable due from two third-parties representing 82% and 15% of total grants receivable, respectively, and contributions receivable due from two other third-parties representing 22% and 44% of total contributions receivable, respectively. Additionally AF received funds from one third party representing 12% of total revenue.

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Notes to Financial Statements

5. Investments

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

Investments consisted of the following:

	September 30, 2012		December 31, 2011	
	Market Value	Cost	Market Value	Cost
Certificates of deposit	\$ 1,007,283	\$ 972,000	\$ 690,627	\$ 672,000
Fixed income	1,148,089	1,166,441	2,365,385	2,435,819
Equity securities	1,955,969	1,897,755	1,440,702	1,293,728
Total investments	\$ 4,111,341	\$ 4,036,196	\$ 4,496,714	\$ 4,401,547

6. Contributions Receivable, Net

Contributions receivable, net is summarized as follows:

	September 30, 2012	December 31, 2011
Unconditional promises expected to be collected in:		
Less than one year	\$ 349,467	\$ 892,915
One year to five years	182,039	237,040
Over five years	3,408	6,816
Gross contributions receivable	534,914	1,136,771
Less unamortized discount (discount rate of 0.12% to 0.17%)	(994)	(1,064)
Less allowance for uncollectible pledges	(34,404)	(36,305)
Contributions receivable, net	\$ 499,516	\$ 1,099,402

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Notes to Financial Statements

7. Net Realized and Unrealized Gain (Loss) on Investments

Net realized and unrealized gain (loss) on investments included the following:

	September 30, 2012	December 31, 2011
Net realized gain on sale of investments	\$ 187,804	\$ 78,122
Net unrealized loss on investments	(20,022)	(83,956)
Net realized and unrealized gain (loss) on investments	\$ 167,782	\$ (5,834)

8. Property and Equipment, Net

Property and equipment, net consisted of the following:

	September 30, 2012	December 31, 2011
Furniture and fixtures	\$ 66,140	\$ 71,052
Equipment	134,082	159,294
Software	399,528	301,986
Leasehold improvements	183,560	181,710
Total property and equipment	783,310	714,042
Less: accumulated depreciation and amortization	(627,945)	(632,238)
Property and equipment, net	\$ 155,365	\$ 81,804

Depreciation and amortization expense for the nine-month period ended September 30, 2012 and year ended December 31, 2011 was \$34,217 and \$46,517, 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 nine-month period ended September 30, 2012 and the year ended December 31, 2011 was \$66,830 and \$35,183, respectively.

10. Commitment and Contingencies

During 2003, AF entered into a lease for office space which covers the period October 2003 through November 2013. In connection with leasing this office space, AF was granted a period of free rent which was recorded as a part of deferred rent. The unamortized balance of the free rent

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Notes to Financial Statements

at September 30, 2012 and December 31, 2011 was \$50,323 and \$74,926, respectively and is reflected as part of deferred rent in the accompanying statements of financial position.

Office rent expense for the nine-month period ended September 30, 2012 was and the year ended December 31, 2011 was \$149,342 and \$188,752, respectively.

The future minimum lease payments under this lease at September 30, 2012 are as follows:

For the Year Ending September 30,

2013	\$ 192,044
2014	32,007
<hr/>	
Total	\$ 224,051

11. Subsequent Events

AF's management has evaluated subsequent events from September 30, 2012 (the date of the statement of financial position) through March 22, 2013 (the date of the audit report). During this period, no material recognizable subsequent events were identified.