



American Forests

Financial Statements

Year Ended September 30, 2013 and Nine-
Month Period Ended September 30, 2012

American Forests

Financial Statements

Year Ended September 30, 2013 and Nine-Month Period Ended September 30, 2012

American Forests

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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, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2013 and the nine-month period then ended September 30, 2012, respectively, 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, 2013 and 2012, and the results of its operations and its cash flows for the year ended September 30, 2013 and the nine-month period then ended September 30, 2012, respectively, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

January 29, 2014

Financial Statements

American Forests
Statements of Financial Position

<i>September 30,</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 1,223,893	\$ 3,359,363
Investments	4,655,915	4,111,341
Grants receivable	94,767	237,199
Contributions receivable, net	611,749	499,516
Other accounts receivable	249	498
Prepaid expenses	87,548	71,013
Deposits	70,751	13,376
Property and equipment, net	621,260	155,365
Total Assets	\$ 7,366,132	\$ 8,447,671
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 175,706	\$ 175,142
Accrued expenses	212,166	161,234
Grants payable	442,185	1,074,074
Deferred revenue	5,300	-
Deferred rent	398,969	71,175
Total Liabilities	1,234,326	1,481,625
Net Assets		
Unrestricted	4,325,833	4,216,199
Temporarily restricted	1,775,306	2,719,180
Permanently restricted	30,667	30,667
Total Net Assets	6,131,806	6,966,046
Total Liabilities and Net Assets	\$ 7,366,132	\$ 8,447,671

See accompanying notes to financial statements.

American Forests

Statements of Activities

<i>Year Ended September 30, 2013</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
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)	-	-
Total Revenue	4,970,640	(943,874)	-	4,026,766
Expenses				
Programs	2,652,907	-	-	2,652,907
Communications	740,425	-	-	740,425
Development	805,110	-	-	805,110
Finance and administration	662,564	-	-	662,564
Total Expenses	4,861,006	-	-	4,861,006
Change in Net Assets	109,634	(943,874)	-	(834,240)
Net Assets, beginning of year	4,216,199	2,719,180	30,667	6,966,046
Net Assets, end of year	\$ 4,325,833	\$ 1,775,306	\$ 30,667	\$ 6,131,806

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				
Programs	2,109,649	-	-	2,109,649
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 Functional Expenses

<i>Year Ended September 30, 2013</i>	Programs	Communi- cations	Total Program Services	Development	Finance and Administration	Total Support Services	Total Expenses
Salaries	\$ 676,018	\$ 364,968	\$ 1,040,986	\$ 459,578	\$ 433,598	\$ 893,176	\$ 1,934,162
Personnel costs	71,597	45,200	116,797	37,808	33,982	71,790	188,587
Travel	37,522	7,244	44,766	28,039	9,941	37,980	82,746
Consultants	232,543	200,320	432,863	90,477	79,911	170,388	603,251
Memberships and Subscriptions	3,047	22,403	25,450	909	776	1,685	27,135
Postage	25,046	5,955	31,001	37,420	1,143	38,563	69,564
Grants	1,420,496	-	1,420,496	-	-	-	1,420,496
Supplies	48,412	2,232	50,644	6,830	4,076	10,906	61,550
Printing	35,342	27,603	62,945	46,609	251	46,860	109,805
List Rental	5,165	-	5,165	5,280	-	5,280	10,445
Telephone	9,838	5,836	15,674	6,220	6,132	12,352	28,026
Equipment rental	1,707	1,174	2,881	1,665	3,919	5,584	8,465
Taxes and insurance	5,196	3,575	8,771	15,867	4,562	20,429	29,200
Rent	62,862	41,813	104,675	42,876	46,500	89,376	194,051
Depreciation and amortization	18,116	12,102	30,218	12,409	11,436	23,845	54,063
Other	-	-	-	13,123	26,337	39,460	39,460
Total	\$ 2,652,907	\$ 740,425	\$ 3,393,332	\$ 805,110	\$ 662,564	\$ 1,467,674	\$ 4,861,006

See accompanying notes to financial statements.

American Forests
Statements of Functional Expenses

<i>Nine-Month Period Ended September 30, 2012</i>	Programs	Communi- cations	Total Program Services	Development	Finance and Administration	Total Support Services	Total Expenses
Salaries	\$ 655,008	\$ 197,805	\$ 852,813	\$ 310,188	\$ 424,728	\$ 734,916	\$ 1,587,729
Personnel costs	72,835	19,558	92,393	26,748	34,170	60,918	153,311
Travel	40,118	5,252	45,370	4,542	22,741	27,283	72,653
Consultants	127,204	111,275	238,479	84,846	48,916	133,762	372,241
Memberships and Subscriptions	6,695	18,698	25,393	-	1,285	1,285	26,678
Postage	1,504	8,226	9,730	5,722	828	6,550	16,280
Grants	1,046,896	-	1,046,896	-	-	-	1,046,896
Supplies	48,763	1,857	50,620	2,338	5,243	7,581	58,201
Printing	1,813	39,413	41,226	12,688	361	13,049	54,275
Telephone	8,978	2,901	11,879	2,710	5,319	8,029	19,908
Equipment rental	5,652	2,433	8,085	2,001	5,629	7,630	15,715
Taxes and insurance	6,863	2,112	8,975	10,268	5,236	15,504	24,479
Rent	71,499	17,162	88,661	22,961	39,282	62,243	150,904
Depreciation and amortization	15,821	4,239	20,060	5,672	8,485	14,157	34,217
Other	-	-	-	11,427	6,424	17,851	17,851
Total	\$ 2,109,649	\$ 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 Cash Flows

	Year Ended September 30, 2013	Nine-Month Period Ended September 30, 2012
Operating Activities		
Change in net assets	\$ (834,240)	\$ (1,056,796)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,063	34,217
Net loss on disposal of property and equipment	122	-
Net realized and unrealized gain from investments	(138,368)	(167,782)
Changes in assets and liabilities:		
Grants receivable	142,432	(73,236)
Contributions receivable	(112,233)	599,886
Other accounts receivable	249	8,030
Prepaid expenses	(16,535)	(1,255)
Deposits	(57,375)	-
Accounts payable	564	115,723
Accrued expenses	50,932	87,404
Grants payable	(631,889)	147,635
Deferred revenue	5,300	(4,212)
Deferred rent	(59,671)	(38,008)
Net Cash Used in Operating Activities	(1,596,649)	(348,394)
Investing Activities		
Acquisition of property and equipment	(132,615)	(107,778)
Purchases of investments	(5,001,321)	(3,048,763)
Proceeds from the sales of investments	4,595,115	3,601,918
Net Cash (Used in) Provided by Investing Activities	(538,821)	445,377
Net (Decrease) Increase in Cash and Cash Equivalents	(2,135,470)	96,983
Cash and Cash Equivalents, beginning of year/period	3,359,363	3,262,380
Cash and Cash Equivalents, end of year/period	\$ 1,223,893	\$ 3,359,363
Supplemental Disclosure		
Non-cash leasehold improvements	\$ 387,465	\$ -

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 45 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.

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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:

- *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 38 countries around the world, planting more than 45 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

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 September 30, 2013 and 2012.

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 \$48,540 at September 30, 2013 and \$34,404 at September 30, 2012.

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.

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Notes to Financial Statements

Deferred Revenue

Deferred revenue consists of cash received by AF for grants that have not been earned as of September 30, 2013 and September 30, 2012.

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 year ended September 30, 2013 or for the nine-month period ended September 30, 2012.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11, *Disclosures about Offsetting Assets and Liabilities*, which requires additional disclosures about balance sheet offsetting. ASU 2011-11 will require enhanced quantitative disclosures that will enable users to evaluate the effect of netting arrangements on an entity's statement of financial condition, including the effect of rights of setoff associated with certain financial and derivative instruments. This pronouncement is effective for annual periods beginning after January 1, 2013. The adoption of this guidance is not expected to have a material impact on AF's 2014 financial statements.

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Notes to Financial Statements

In October 2012 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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"). 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. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The adoption of this guidance is not expected to have a material impact on AF's 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, 2013		September 30, 2012	
	Level 1	Level 2	Level 1	Level 2
Certificates of deposit	\$ -	\$ -	\$ -	\$ 1,007,283
Marketable securities	\$ 4,655,915	\$ -	\$ 3,104,058	\$ -

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, 2013 and September 30, 2012, AF had no investments which were considered to be Level 3.

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Notes to Financial Statements

At September 30, 2013 and September 30, 2012, 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 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, 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.

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.

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.

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Notes to Financial Statements

Investments consisted of the following:

	September 30, 2013		September 30, 2012	
	Market Value	Cost	Market Value	Cost
Certificates of deposit	\$ -	\$ -	\$ 1,007,283	\$ 972,000
Fixed income	2,777,712	2,894,516	1,148,089	1,166,441
Equity securities	1,878,203	1,724,850	1,955,969	1,897,755
Total investments	\$ 4,655,915	\$ 4,619,366	\$ 4,111,341	\$ 4,036,196

6. Contributions Receivable, Net

Contributions receivable, net is summarized as follows:

<i>September 30,</i>	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	\$ 195,765	\$ 349,467
One year to five years	461,714	182,039
Over five years	3,408	3,408
Gross contributions receivable	660,887	534,914
Less unamortized discount (discount rate of 0.17%)	(598)	(994)
Less allowance for uncollectible pledges	(48,540)	(34,404)
Contributions receivable, net	\$ 611,749	\$ 499,516

7. Net Realized and Unrealized Gain on Investments

Net realized and unrealized gain on investments included the following:

<i>September 30,</i>	2013	2012
Net realized gain on sale of investments	\$ 157,558	\$ 187,804
Net unrealized loss on investments	(19,190)	(20,022)
Net realized and unrealized gain on investments	\$ 138,368	\$ 167,782

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Notes to Financial Statements

8. Property and Equipment, Net

Property and equipment, net consisted of the following:

<i>September 30,</i>	2013	2012
Furniture and fixtures	\$ 190,833	\$ 66,140
Equipment	141,242	134,082
Software	10,518	399,528
Leasehold improvements and other	668,567	183,560
Total property and equipment	1,011,160	783,310
Less: accumulated depreciation and amortization	(389,900)	(627,945)
Property and equipment, net	\$ 621,260	\$ 155,365

Depreciation and amortization expense for the year ended September 30, 2013 and nine-month period ended September 30, 2012 was \$54,063 and \$34,217, 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 year September 30, 2013 and the nine-month period ended September 30, 2012 was \$95,217 and \$66,830, respectively.

10. Commitments and Contingencies

Operating Leases

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 at September 30, 2013 and September 30, 2012 was \$8,525 and \$50,323, respectively and is reflected as part of deferred rent in the accompanying statements of financial position. Office rent expense for the year ended September 30, 2013 and the nine-month period ended September 30, 2012 was \$184,974 and \$149,342, respectively. The future minimum lease payments under this lease at September 30, 2013 are as follows:

<i>For the Year Ending September 30,</i>	Amount
2014	\$ 32,007
Total	\$ 32,007

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Notes to Financial Statements

During 2013, AF entered into a lease for office space which covers the period November 2013 through September 2024. 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 will be recorded as a part of deferred rent once the space has been built out and AF has moved into the space in November 2013. The future minimum lease payments under this lease at September 30, 2013 are as follows:

<i>For the Year Ending September 30,</i>	Amount
2014	\$ 229,499
2015	235,236
2016	241,117
2017	247,145
2018	253,323
Thereafter	1,609,708
Total	\$ 2,816,028

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, expiring 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 \$214,178 and \$375,905 as of September 30, 2013 and 2012, respectively, and is included in the cash and cash equivalents balance as of year end.

11. Subsequent Events

AF's management has evaluated subsequent events from September 30, 2013 (the date of the statement of financial position) through January 29, 2014 (the date of the audit report). During this period, AF relocated to new office space.