



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

World Forestry Center

Financial Statements and Other Information
as of and for the Year Ended December 31, 2016
and Report of Independent Accountants

WORLD FORESTRY CENTER

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
World Forestry Center:*

We have audited the accompanying financial statements of the World Forestry Center, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 organization'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 organization'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 the World Forestry Center as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited the World Forestry Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Amy C. & Co. LLP". The signature is written in a cursive, flowing style.

April 17, 2017

WORLD FORESTRY CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

(WITH COMPARATIVE AMOUNTS FOR 2015)

	2016	2015
Assets:		
Cash and cash equivalents	\$ 744,532	863,970
Accounts receivable	5,760	7,266
Contributions receivable <i>(note 4)</i>	–	263,512
Prepaid expenses and other assets	24,506	26,527
Land held for sale <i>(note 5)</i>	370,330	215,000
Investments <i>(note 6)</i>	943,163	468,908
Beneficial interest in assets held by the Oregon Community Foundation <i>(note 7)</i>	7,812,672	7,811,473
Land, buildings, and equipment <i>(note 8)</i>	7,008,182	7,843,698
Total assets	\$ 16,909,145	17,500,354
Liabilities:		
Accounts payable and accrued expenses	129,513	164,170
Deposits and deferred revenue	129,491	140,069
Total liabilities	259,004	304,239
Net assets:		
Unrestricted	7,619,387	8,109,265
Temporarily restricted <i>(note 10)</i>	839,528	895,624
Permanently restricted <i>(note 10)</i>	8,191,226	8,191,226
Total net assets	16,650,141	17,196,115
Commitments and contingencies <i>(notes 4, 9 and 13)</i>		
Total liabilities and net assets	\$ 16,909,145	17,500,354

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			Total	2015
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenues, gains, and other support:					
Contributions and grants	\$ 383,505	61,202	—	444,707	1,524,007
Memberships	24,531	—	—	24,531	68,705
Program service revenues	711,256	—	—	711,256	650,973
Admissions	199,172	—	—	199,172	201,800
Gift shop and other sales	24,783	—	—	24,783	72,107
Rental income	552,487	—	—	552,487	558,928
Interest income	225	—	—	225	688
Other	119,675	—	—	119,675	138,184
Total operating revenues and gains	2,015,634	61,202	—	2,076,836	3,654,553
Appropriation of endowment assets for expenditure (<i>notes 7 and 10</i>)	448,610	50,000	—	498,610	439,161
Net assets released from restrictions for operating purposes (<i>note 11</i>)	80,000	(80,000)	—	—	—
Total operating revenues, gains, and other support	2,544,244	31,202	—	2,575,446	3,654,553
Expenses (<i>note 12</i>):					
Program services	1,962,815	—	—	1,962,815	2,273,430
Management and general	948,490	—	—	948,490	601,749
Fundraising	326,449	—	—	326,449	319,769
Total expenses	3,237,754	—	—	3,237,754	3,194,948
Net operating results, including depreciation expense of \$494,868 in 2016 and \$505,381 in 2015	\$ (693,510)	31,202	—	(662,308)	459,605

Continued

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			Total	2015
	Unrestricted	Temporarily restricted	Permanently restricted		
Non-operating activities:					
Increase (decrease) in beneficial interest in assets held by the Oregon Community Foundation (<i>note 7</i>)	\$ 449,809	–	–	449,809	(92,424)
Appropriation of endowment assets for expenditure (<i>notes 7 and 10</i>)	(448,610)	(50,000)	–	(498,610)	(439,161)
Timber sales proceeds	218,497	–	–	218,497	–
Contributions restricted for capital acquisition	–	23,500	–	23,500	100,000
In-kind contributions of capital assets	–	–	–	–	233,493
Interest and dividends	5,219	12,327	–	17,546	5,408
Net appreciation (loss) in the fair value of investments	9,073	31,188	–	40,261	(11,407)
Net loss on sale and disposal of capital assets	(134,669)	–	–	(134,669)	–
Net assets released from restriction for capital purposes (<i>note 11</i>)	104,313	(104,313)	–	–	–
Total non-operating activities	203,632	(87,298)	–	116,334	(204,091)
Increase (decrease) in net assets	(489,878)	(56,096)	–	(545,974)	255,514
Net assets at beginning of year	8,109,265	895,624	8,191,226	17,196,115	16,940,601
Net assets at end of year	\$ 7,619,387	839,528	8,191,226	16,650,141	17,196,115

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 732,750	1,329,200
Cash received from admissions and service recipients	1,816,798	1,647,349
Distribution of investment return earned on assets held by the Oregon Community Foundation (<i>notes 7 and 10</i>)	448,610	439,161
Other investment income	17,771	6,096
Cash paid to employees and suppliers	(2,775,522)	(2,613,791)
Net cash provided by operating activities	240,407	808,015
Cash flows from investing activities:		
Capital expenditures	(158,826)	(19,608)
Proceeds from the sale of capital assets	209,475	—
Reinvestment of interest and dividends	(15,491)	(5,315)
Purchases of investments	(418,503)	(475,000)
Net cash used in investing activities	(383,345)	(499,923)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	23,500	100,000
Net cash provided by financing activities	23,500	100,000
Net increase (decrease) in cash and cash equivalents	(119,438)	408,092
Cash and cash equivalents at beginning of year	863,970	455,878
Cash and cash equivalents at end of year	\$ 744,532	863,970

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. Organization

Founded in 1966 in Portland, Oregon, the World Forestry Center (“WFC”) is a nonprofit educational institution. Its mission is to educate and inform people about the world’s forests and trees, and their importance to all life, in order to promote a balanced and sustainable future.

2. Program Services

During the year ended December 31, 2016, the Center incurred program service expenses in the following major categories:

Public Education – WFC’s Discovery Museum is a Pacific Northwest landmark created to educate people about forests and sustainable forestry. The Discovery Museum features interactive exhibits to enhance learning experiences. In addition to a museum open to the general public, the Discovery Museum hosts educational field trips for school groups and classes year-round, providing hands-on environmental education to local students.

WFC’s youth education programs serve thousands of children each year through hands-on, science-based, environmental education. Programs are age, developmentally, and interest/curriculum-appropriate, and rotate throughout the year, covering topics such as environmental stewardship, forestry careers and modern forestry technology, and Northwest habitats. Programs include guided instruction and tours by WFC’s education staff.

Magness Memorial Tree Farm, our premier demonstration forest located near Sherwood, Oregon, offers a hands-on outdoor approach to environmental learning. The Tree Farm offers guided educational hikes and specialized programs that focus on ecosystems, wildlife habitats, and healthy forests.

Professional Education – The World Forest Institute (“WFI”) provides professional development and continuing education for foresters and other natural resource professionals, including land managers, researchers, educators, attorneys, investors, conservation groups, land trusts and the timber industry. WFI’s fellowship program brings together natural resources practitioners from across the globe for six to twelve months of forestry research, training, networking and cultural exchange in the Pacific Northwest. Fellows leave the program with a solid understanding of the U.S. forestry sector, and Oregon’s approach to sustainable resource management. Over 120 Fellows from 30 countries have participated in the program.

WFI’s conferences, including the annual Who Will Own the Forest conference, provide critical opportunities for dialogue and learning about timely and emerging trends in forestry and natural resources management. Topics of discussion and education have included global resource trade, emerging countries, carbon offsets, conservation easements, international perspectives on forest management, the forestland investment arena, etc. Our conferences provide a forum for engaging discussions on issues of importance to the forestry sector.

WFC’s International Educators Institute (“IEI”) is a week-long professional development field course for experienced leaders in education, research, natural resource management and strategic communication, who are committed to advancing effective teaching and learning about the world’s forests. Participants benefit from content-rich, hands-on outdoor experiences, individual and group exercises, and user-friendly educational materials, and ultimately leave the program prepared to integrate their experiences and learning into their own teaching practices at home. Since 1996, IEI has attracted some of the most successful and inspirational leaders working to advance conservation education in 45 countries and 36 states.

External Relations – The World Forestry Center houses five other organizations on its campus and in addition to leasing space will, in some cases, provide administrative support on a fee-for-service basis. Organizations are selected based on synergistic fit with the mission of the World Forestry Center.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Center are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – The World Forestry Center has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities, such as exhibitions, educational programs, or research, as directed by donors.

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

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 net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Contributions – Contributions, which include unconditional promises to give (pledges), 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 of Long-Lived Assets – Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – The Center receives contributed services from a number of volunteers who assist in fundraising efforts through their participation in a range of businesses and activities. In accordance with FASB ASC No. 958-605, the value of such services, which the Center considers not practicable to estimate, has not been recognized in the statement of activities. Significant services received which create or enhance a non-financial asset or require specialized skills that the Center would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2016, no contributed services were recorded.

In-kind contribution of capital assets, equipment and other materials and the free use of facilities are recorded when there is an objective basis upon which to value the contributions and where the contributions are an essential part of the Center's activities. During the year ended December 31, 2016, no contributed goods or materials were recorded.

Cash Equivalents – For purposes of the financial statements, the Center considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments – Investments are reported at fair value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. Investment income is accrued as earned, and reported net of investment advisory fees. All security transactions are recorded on a trade date basis.

Capital Assets and Depreciation – Capital assets are reported at cost, and initially at fair value when acquired by gift. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the respective assets, which is 5 to 10 years for furniture and equipment, 5 to 40 years for exhibits, and 20 to 40 years for buildings and improvements.

Land Held for Sale – Land held for sale is carried at the lower of cost or fair value.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Membership payments received from Center members are considered equivalent to unrestricted contributions and are recognized as revenue when received.

Outstanding Legacies – The Center is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Center's share of such bequests are recorded when the proceeds are measurable and, with respect to wills, when the probate court has declared the testamentary instrument valid.

Benefits Provided to Donors at Special Events – The Center conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Center.

Advertising and Promotional Expenses – Advertising and promotional costs are charged to expense as they are incurred. Advertising and promotional expenses totalled \$62,329 for the year ended December 31, 2016.

Endowment Funds and Interpretation of Relevant Law – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs Oregon charitable institutions with respect to the management, investment, and expenditure of donor-restricted endowment funds.

The Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the Center to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Center has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's historic dollar value may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA. As a result of this interpretation, the Center classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the Center to hold in perpetuity. Similarly, the amount of permanently restricted net assets is

not reduced by the Center's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the donor-restricted endowment fund;
- The purposes of the Center and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Center; and
- The investment policies of the Center.

The Center's policies limit spending to 5.5% of the average fair value measured over a thirteen-quarter trailing average of the World Forestry Endowment Fund, and 4.5% of the same measured average of the Louis W. Hill, Jr. Fund. Actual endowment returns earned in excess of distributions under this policy are reinvested as part of the Center's management of the endowment. For years where actual endowment returns are less than distributions under the policy, the shortfall is intended to be covered by realized and unrealized returns from prior years.

During the year ended December 31, 2016, the Center's Board of Directors appropriated donor restricted endowment assets totalling \$448,610, as well as, board-designated endowment assets totalling \$50,000 for expenditure in accordance with this policy (see notes 7 and 10).

Concentrations of Credit Risk – The organization’s financial instruments consist primarily of cash equivalents and mutual funds, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization’s management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Finally, the reported value of the Center’s beneficial interest in funds held by the Oregon Community Foundation (“OCF”) is dependant upon changes in the fair values of the underlying investments and the ability of OCF to honor its commitment.

Income Taxes – The Center is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Operating Results – Results from operations in the statement of activities reflect all transactions increasing or decreasing unrestricted net assets except for investment gains or income in excess of the Center’s spending policy, net assets released

from restrictions related to capital additions, gifts restricted by donors for capital purposes, in-kind donations of capital assets, gains and losses on the sale of long-lived assets that are peripheral to central operations, and endowment gifts.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through April 17, 2017, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2015 – The accompanying financial information as of and for the year ended December 31, 2015 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Contributions Receivable

No contributions receivable are outstanding at December 31, 2016.

Conditional Grants

The Center has been awarded a conditional capital improvements grant totaling \$138,300, which is contingent upon obtaining the balance of funds required to complete the projects funded. The Center also has been awarded a conditional grant for the Fellowship program totaling \$1,250,000, which will be paid in yearly amounts of \$125,000 over the next ten years, provided an equivalent amount of matching funds are raised each year.

These grants will be recorded in the financial statements once the associated conditions have been satisfied.

5. Land Held for Sale

During the year ended December 31, 2016, the Center was actively marketing one property for sale reported in the accompanying statement of financial position at the historical basis of \$370,330. Subsequent to December 31, 2016, the property was sold for \$605,000.

6. Investments

At December 31, 2016, investments consist of balanced index mutual funds totalling \$943,163, reported at fair value.

7. Beneficial Interest in Assets Held by the Oregon Community Foundation

The Center has established two funds at the Oregon Community Foundation: the World Forestry Center Endowment Fund and the Louis W. Hill, Jr. Fund. In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the Center accounts for its interest in these funds using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to the Center. The assets in the funds are permanently restricted for endowment.

Changes in the Center's beneficial interest in these funds for the year ended December 31, 2016 are summarized as follows:

Balance at beginning of year	\$ 7,811,473
Plus net appreciation in the fair value of the funds	449,809
Less the distribution of investment return to the Center ¹	(448,610)
<hr/>	
Balance at end of year	\$ 7,812,672

¹ Under the terms of its agreements with OCF, the funds are invested at the discretion of OCF and are held in a mixture of asset classes designed to maximize return while minimizing risk. The Center receives annual distributions of the net investment return earned on these assets (generally, 4.5% on the Louis W. Hill, Jr. Fund and 5.5% on the World Forestry Center Endowment Fund of the average fair value of the funds using a trailing 13-quarter average). During the year ended December 31, 2016, the Center received \$448,610 in distributions.

8. Land, Buildings, and Equipment

A summary of the Center's land, buildings, and equipment at December 31, 2016 is as follows:

Timberland	\$ 462,547
Land improvements	545,406
Buildings and related improvements	7,318,233
Permanent exhibits	7,310,415
Furniture and equipment	823,200
<hr/>	
	16,459,801
Less accumulated depreciation	(9,451,619)
<hr/>	
	\$ 7,008,182

The Center leases the land upon which the Center is situated under a 35-year lease agreement with the Portland Parks and Recreation Bureau. The annual rent is \$1 and the lease terminates on April 9, 2039. No amount is included in the accompanying financial statements for the rental value of this land as such an amount is not subject to objective determination.

9. Line of Credit

The Center maintains a revolving line of credit, expiring on June 30, 2017, in the amount of \$250,000, bearing interest at .750 percentage points over the Columbia Bank base rate, as published on Columbia Bank's web site, but not less than 4.0% (4.0% at December 31, 2016). Borrowings under the line are secured by inventories and equipment. At December 31, 2016, there were no outstanding balances due under this arrangement.

10. Restrictions and Limitations on Net Asset Balances

The following summarizes donor-imposed restrictions ascribed to the Center's net assets at December 31, 2016:

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 totalled \$839,528 and consisted of contributions, grants, and other unexpended revenues available for specific program services and future periods, as follows:

WFI fellowships	\$	63,726
Capital improvements		13,916
		<hr/>
		77,642
William Hagenstein Lectures fund ¹		761,886
		<hr/>
	\$	839,528

¹ At December 31, 2016, \$761,886 of the Center's temporarily restricted net assets were designated by the Board of Directors for long-term investment. The fund carries a donor restriction for lectures by foresters for the general public. During the year ended December 31, 2016, the Board appropriated \$50,000 to support the 2016 lectures.

Permanently Restricted Net Assets

At December 31, 2016, the Center held \$8,191,226 in endowment funds. The return earned on the investment of these permanently restricted net assets is available to fund general operations.

Cumulative Endowment Deficit

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. As of December 31, 2016, the Center had incurred a cumulative endowment deficit totalling \$378,554 in excess of unappropriated accumulated endowment earnings. Accordingly, in order to report the cumulative endowment deficit as required by FASB ASC No. 958-320, *Investments*, the excess appropriations, in this case, have been classified as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

Continued

Endowment Summary

The Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. The Center's donor-restricted endowment consists of two individual funds established to provide annual support to fund continued operations. As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. The following summarizes the Center's endowment-related activities for the year ended December 31, 2016:

	Donor-restricted			Total	Board-	Total
	Unrestricted	Temporarily restricted	Permanently restricted		designated Temporarily restricted	
Endowment net assets at beginning of year	\$ (379,753)	–	8,191,226	7,811,473	757,460	8,568,933
Additions to Board-designated endowment	–	–	–	–	11,002	11,002
Other investment income	–	–	–	–	12,236	12,236
Net decline in the fair value of investments	–	–	–	–	31,188	31,188
Change in beneficial interest in assets held by the Oregon Community Foundation	449,809	–	–	449,809	–	449,809
Appropriation of endowment assets for expenditure	(448,610)	–	–	(448,610)	(50,000)	(498,610)
Endowment net assets at end of year	\$ (378,554)	–	8,191,226	7,812,672	761,886	8,574,558

11. Net Assets Released from Restrictions

During the year ended December 31, 2016, \$184,313 in donor-imposed net asset restrictions were released by incurring expenses in satisfaction of the restricted purposes or by the occurrence of other events specified by the donors, as follows:

For operating purposes	\$ 80,000
For capital purposes	104,313
	<u>\$ 184,313</u>

12. Expenses

The costs of providing the various programs and other activities of the Center have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. Retirement Plan

The Center provides a tax-deferred annuity plan as described in Section 403(b) of the Internal Revenue Code to all qualified employees. The Center's contributions to the plan are discretionary and determined on an annual basis. Employees also may contribute amounts to the plan up to the maximum amount allowed by the Internal Revenue Code. During the year ended December 31, 2016, the Center made a 4% safe harbor matching contribution; the Center's contributions to the plan totaled \$43,436 for the year then ended.

Effective January 1, 2017, the Center will provide a 3% non-elective contribution and a 1% discretionary matching contribution to the plan. Both of these contributions will be made under the plan's safe harbor provisions.

14. Fair Value Measurements

The accompanying financial statements report the Center's investments at fair value. These assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At December 31, 2016, the Center's investments are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (i.e., Level 1). See note 6 for a summary of investments held at December 31, 2016.

At December 31, 2016, the Center's beneficial interest in assets held by OCF is reported at fair value on a recurring basis. These assets are measured at fair value using information received from OCF (i.e., Level 3). See note 7 for a summary of the change in these assets during the year ended December 31, 2016.

15. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Decrease in net assets	\$ (545,974)
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<i>Adjustments to reconcile decrease in net assets to net cash provided by operating activities:</i>	
Depreciation	494,868
Net appreciation in the fair value of investments	(40,261)
Proceeds from contributions restricted for capital acquisition	(23,500)
Net loss on the sale of capital assets	134,669
Cash distribution received from the Oregon Community Foundation for operations	448,610
Increase in beneficial interest in assets held by the Oregon Community Foundation	(449,809)
<i>Net changes in:</i>	
Accounts receivable	1,506
Contributions and grants receivable	263,512
Prepaid expenses and other assets	2,021
Accounts payable and accrued expenses	(34,657)
Deposits and deferred revenue	(10,578)
<hr/>	
Total adjustments	786,381
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Net cash provided by operating activities	\$ 240,407
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WORLD FORESTRY CENTER

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016				
		Program services			
	Public Education	Professional Education	External Relations	Total	
Salaries and related costs	\$ 417,268	294,298	220,120	931,686	605,088
Fellows' stipends	-	82,027	-	82,027	-
Professional fees	36,228	33,964	13,586	83,778	22,643
Publications	-	-	-	-	-
Promotion and marketing	9,302	1,165	-	10,467	9,237
Program expenses	18,756	55,211	46,594	120,561	8,018
Conferences	-	166,326	-	166,326	-
Cost of goods sold	12,048	-	-	12,048	-
Maintenance and utilities	93,441	23,645	12,385	129,471	68,648
Insurance	11,136	10,440	4,176	25,752	6,960
Office expenses	32,619	42,283	14,497	89,399	24,162
Total expenses before depreciation	630,798	709,359	311,358	1,651,515	744,756
Depreciation	219,745	182,291	-	402,036	86,414
Total expenses	\$ 850,543	891,650	311,358	2,053,551	831,170

Supporting services

Fundraising	Total	Total	2015
201,500	806,588	1,738,274	1,617,722
–	–	82,027	60,387
7,627	30,270	114,048	77,213
–	–	–	39,168
42,625	51,862	62,329	39,655
81,023	89,041	209,602	192,019
–	–	166,326	152,341
–	–	12,048	61,513
4,504	73,152	202,623	251,701
2,088	9,048	34,800	29,817
7,248	31,410	120,809	168,031
346,615	1,091,371	2,742,886	2,689,567
6,418	92,832	494,868	505,381
353,033	1,184,203	3,237,754	3,194,948

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WORLD FORESTRY CENTER

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