



**Gary McGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **World Forestry Center**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2017  
and Report of Independent Accountants

WORLD FORESTRY CENTER

**TABLE OF CONTENTS**

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	<b>Page</b>
<b>Report of Independent Accountants</b>	3
<b>Financial Statements:</b>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	8
Notes to Financial Statements	9
<b>Supplementary Financial Information:</b>	
Schedule of Functional Expenses	18
<b>Other Information:</b>	
Board of Directors and Management	20
Inquiries and Other Information	21

## 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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Gary A. Galt & Co. LLP". The signature is written in a cursive, flowing style.

April 16, 2018

WORLD FORESTRY CENTER

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2017

(WITH COMPARATIVE AMOUNTS FOR 2016)

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,309,257	744,532
Accounts receivable	–	5,760
Prepaid expenses and other assets	12,846	24,506
Land held for sale	–	370,330
Investments ( <i>note 5</i> )	1,431,802	943,163
Beneficial interest in assets held by the Oregon Community Foundation ( <i>note 6</i> )	8,546,374	7,812,672
Land, buildings, and equipment ( <i>note 7</i> )	6,683,515	7,008,182
<b>Total assets</b>	<b>\$ 17,983,794</b>	<b>16,909,145</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	105,730	129,513
Deposits and deferred revenue	128,996	129,491
<b>Total liabilities</b>	<b>234,726</b>	<b>259,004</b>
<b>Net assets:</b>		
Unrestricted ( <i>note 9</i> )	7,936,948	7,619,387
Temporarily restricted ( <i>note 9</i> )	1,620,894	839,528
Permanently restricted ( <i>note 9</i> )	8,191,226	8,191,226
<b>Total net assets</b>	<b>17,749,068</b>	<b>16,650,141</b>
Commitments and contingencies ( <i>notes 4, 8 and 12</i> )		
<b>Total liabilities and net assets</b>	<b>\$ 17,983,794</b>	<b>16,909,145</b>

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			Total	2016
	Unrestricted	Temporarily restricted	Permanently restricted		
<b>Operating revenues, gains, and other support:</b>					
Contributions and grants	\$ 280,732	293,436	—	574,168	444,707
Memberships	36,740	—	—	36,740	24,531
Program service revenues	618,509	—	—	618,509	711,256
Admissions	191,584	—	—	191,584	199,172
Gift shop and other sales	19,881	—	—	19,881	24,783
Rental income	536,918	—	—	536,918	552,487
Interest income	352	—	—	352	225
Other	29,582	—	—	29,582	119,675
Total operating revenues and gains	1,714,298	293,436	—	2,007,734	2,076,836
Appropriation of endowment assets for expenditure ( <i>note 9</i> )	—	464,550	—	464,550	498,610
Net assets released from restrictions for operating purposes ( <i>note 10</i> )	640,550	(640,550)	—	—	—
Total operating revenues, gains, and other support	2,354,848	117,436	—	2,472,284	2,575,446
<b>Expenses (<i>note 11</i>):</b>					
Program services	1,564,571	—	—	1,564,571	2,053,551
Management and general	836,330	—	—	836,330	831,170
Fundraising	346,391	—	—	346,391	353,033
Total expenses	2,747,292	—	—	2,747,292	3,237,754
Net operating results, including depreciation expense of \$501,817 in 2017 and \$494,868 in 2016	\$ (392,444)	117,436	—	(275,008)	(662,308)

*Continued*

WORLD FORESTRY CENTER

**STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			Total	2016
	Unrestricted	Temporarily restricted	Permanently restricted		
<b>Non-operating activities:</b>					
Increase in beneficial interest in assets held by the Oregon Community Foundation ( <i>note 6</i> )	\$ 378,554	799,698	—	1,178,252	449,809
Appropriation of endowment assets for expenditure ( <i>note 9</i> )	—	(464,550)	—	(464,550)	(498,610)
Timber sales proceeds	—	—	—	—	218,497
Contributions restricted for capital acquisition	—	247,100	—	247,100	23,500
In-kind contributions of capital assets	11,600	—	—	11,600	—
Interest and dividends	10,381	17,467	—	27,848	17,546
Net appreciation in the fair value of investments	46,702	85,635	—	132,337	40,261
Net gain (loss) on sale and disposal of capital assets	241,348	—	—	241,348	(134,669)
Net assets released from restriction for capital purposes ( <i>note 10</i> )	21,420	(21,420)	—	—	—
Total non-operating activities	710,005	663,930	—	1,373,935	116,334
Increase (decrease) in net assets	317,561	781,366	—	1,098,927	(545,974)
Net assets at beginning of year	7,619,387	839,528	8,191,226	16,650,141	17,196,115
Net assets at end of year	\$ 7,936,948	1,620,894	8,191,226	17,749,068	16,650,141

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
<b>Cash flows from operating activities:</b>		
Cash received from contributors, grantors, and members	\$ 610,908	732,750
Cash received from admissions and service recipients	1,401,739	1,816,798
Distribution of investment return earned on assets held by the Oregon Community Foundation ( <i>note 6</i> )	444,550	448,610
Other investment income	28,200	17,771
Cash paid to employees and suppliers	(2,257,598)	(2,775,522)
Net cash provided by operating activities	227,799	240,407
<b>Cash flows from investing activities:</b>		
Capital expenditures	(158,373)	(158,826)
Proceeds from the sale of capital assets	604,501	209,475
Reinvestment of interest and dividends	(25,609)	(15,491)
Purchases of investments	(370,693)	(418,503)
Proceeds from the sale of investments	40,000	-
Net cash provided by (used in) investing activities	89,826	(383,345)
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for capital acquisition and long-term investment	247,100	23,500
Net cash provided by financing activities	247,100	23,500
Net increase (decrease) in cash and cash equivalents	564,725	(119,438)
Cash and cash equivalents at beginning of year	744,532	863,970
Cash and cash equivalents at end of year	\$ 1,309,257	744,532

See accompanying notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

### 1. Organization

Founded in 1966 in Portland, Oregon, the World Forestry Center (“WFC”) is a nonprofit educational institution. Its mission is to educate and connect people to the importance of forests, and create and inspire champions of sustainable forestry.

### 2. Program Services

During the year ended December 31, 2017, the Center incurred program service expenses in the following major categories:

**Museum and Tree Farms** – 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. Magness Memorial Tree Farm, our premier demonstration forest located near Sherwood, Oregon, offers a hands-on outdoor approach to environmental learning.

**Education** – The World Forest Institute (“WFI”) provides professional development and continuing education for foresters and other natural resource professionals, as well as public interest education programming.

WFI Fellowship program brings together natural resource practitioners from across the globe for six 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 140 Fellows from 30 countries have participated in the program.

WFI’s conferences and events provide critical opportunities for dialogue and learning about emerging trends in forestry and natural resources management, on topics such as global resource trade, carbon offsets, forest fires, family forest issues, international forest management, and timberland investment. Our conferences provide a forum for engaging discussions on issues of importance to the forestry sector.

### 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, 2017, 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, 2017, \$11,600 of donated capital assets 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 totaled \$80,727 for the year ended December 31, 2017.

**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 when actual endowment returns are less than distributions under the policy, the short-fall is intended to be covered by realized and unrealized returns from prior years.

During the year ended December 31, 2017, the Center's Board of Directors appropriated donor restricted endowment assets totaling \$444,550 (see notes 6 and 9).

**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. At December 31, 2017, the World Forestry Center held \$856,330 in excess of the FDIC-insured limits.

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 endowment spending policy, as well as investment gains or income earned on board designated reserve funds, 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 16, 2018, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2016** – The accompanying financial information as of and for the year ended December 31, 2016 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, 2017.

##### *Conditional Grants*

During the year ended December 31, 2016, the Center was awarded a conditional grant for its Fellowship program totaling \$1,250,000, which will be paid in yearly amounts of \$125,000 over the succeeding ten years thereafter, provided an equivalent amount of matching funds are raised each year. During the year ended December 31, 2017, \$125,000 was recorded, as conditions were met. Accordingly, the remaining \$1,125,000 will be recorded in the financial statements once associated conditions have been satisfied.

#### **5. Investments**

At December 31, 2017, investment consists of balanced index mutual funds totaling \$1,431,802.

#### **6. 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.

*Continued*

Changes in the Center's beneficial interest in these funds for the year ended December 31, 2017 are summarized as follows:

Balance at beginning of year	\$ 7,812,672
Plus net appreciation in the fair value of the funds	1,178,252
Less the distribution of investment return to the Center <sup>1</sup>	(444,550)
Balance at end of year	\$ 8,546,374

<sup>1</sup> 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, 2017, the Center received \$444,550 in distributions.

## 7. Land, Buildings, and Equipment

A summary of the Center's land, buildings, and equipment at December 31, 2017 is as follows:

Timber land	\$ 462,547
Land improvements	539,167
Buildings and related improvements	7,449,804
Permanent exhibits	7,296,790
Furniture and equipment	743,929
Work-in-progress	14,836
	16,507,073
Less accumulated depreciation	(9,823,558)
	\$ 6,683,515

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.

## 8. Line of Credit

The Center maintains a revolving line of credit, expiring on June 30, 2018, in the amount of \$250,000, bearing interest at .75 percentage points over the Columbia Bank base rate, as published on Columbia Bank's web site, but not less than 4.0%. Borrowings under the line are secured by inventories and equipment. At December 31, 2017, there were no outstanding balances due under this arrangement.

## 9. Restrictions and Limitations on Net Asset Balances

### *Unrestricted Net Assets*

Unrestricted net asset, at December 31, 2017, consists of the following:

Available for programs and general operations	\$ (40,750)
Board designated reserve funds <sup>1</sup>	1,294,183
Net investment in capital assets	6,683,515
	\$ 7,936,948

<sup>1</sup> At December 31, 2017, the Board of Directors had designated \$1,294,183 in unrestricted net assets for the following purposes:

Operating reserves	\$ 851,552
Strategic reserve	241,501
Facilities maintenance	201,130
	\$ 1,294,183

### Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 totaled \$1,620,894 and consisted of contributions, grants, and other unexpended revenues available for specific program services and future periods, as follows:

WFI fellowships	\$	25,712
Fellows Educational Program		30,000
Capital improvements		239,624
Unappropriated endowment earnings		355,148
		<hr/>
		650,484
		<hr/>
William Hagenstein Lectures fund <sup>1</sup>		836,526
Merlo Legacy fund for WFI Fellows <sup>2</sup>		133,884
		<hr/>
		970,410
		<hr/>
	\$	1,620,894

<sup>1</sup> At December 31, 2017, \$836,526 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, 2017, the Board appropriated \$20,000 to support the 2017 lectures.

<sup>2</sup> At December 31, 2017, an additional \$133,885 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 to support the World Forest Institute Fellows program. No funds were appropriate during the year ended December 31, 2017.

### Permanently Restricted Net Assets

At December 31, 2017, 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.

### 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 three 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, 2017:

	Donor-restricted			Total	Board-designated Temporarily restricted	Total endowment
	Unrestricted	Temporarily restricted	Permanently restricted			
Endowment net assets at beginning of year	\$ (378,554)	—	8,191,226	7,812,672	761,886	8,574,558
Additions to Board-designated endowment	—	—	—	—	125,450	125,450
Other investment income	—	—	—	—	17,440	17,440
Net increase in the fair value of investments	—	—	—	—	85,634	85,634
Change in beneficial interest in assets held by the Oregon Community Foundation	378,554	799,698	—	1,178,252	—	1,178,252
Appropriation of endowment assets for expenditure	—	(444,550)	—	(444,550)	(20,000)	(464,550)
Endowment net assets at end of year	\$ —	355,148	8,191,226	8,546,374	970,410	9,516,784

## 10. Net Assets Released from Restrictions

During the year ended December 31, 2017, \$661,970 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	\$	640,550
For capital purposes		21,420
	\$	661,970

## 11. 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.

## 12. 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, 2017, the Center contributed a 3% non-elective contribution and a 1% discretionary matching contribution of employee deferrals; thus, the Center's contributions to the plan totaled \$41,413 for the year then ended.

## 13. 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, 2017, 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 5 for a summary of investments held at December 31, 2017.

At December 31, 2017, 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 6 for a summary of the change in these assets during the year ended December 31, 2017.



#### 14. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase 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):

Increase in net assets	\$ 1,098,927
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	501,817
In-kind contributions of capital assets	(11,600)
Net appreciation in the fair value of investments	(132,337)
Proceeds from contributions restricted for capital acquisition	(247,100)
Net gain on the sale of capital assets	(241,348)
Cash distribution received from the Oregon Community Foundation for operations	444,550
Increase in beneficial interest in assets held by the Oregon Community Foundation	(1,178,252)
<i>Net changes in:</i>	
Accounts receivable	5,760
Prepaid expenses and other assets	11,660
Accounts payable and accrued expenses	(23,783)
Deposits and deferred revenue	(495)
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Total adjustments	(871,128)
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Net cash provided by operating activities	\$ 227,799
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WORLD FORESTRY CENTER

**SCHEDULE OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	<b>2017</b>				
	<b>Program services</b>			<b>Management and general</b>	
	<b>Museum and tree farms</b>	<b>Education</b>	<b>Total</b>	<b>Facilities rentals</b>	<b>Admini- strative</b>
Salaries and related costs	\$ 312,159	354,241	666,400	267,047	259,876
Fellows' stipends	-	82,185	82,185	-	-
Professional fees	22,234	25,231	47,465	19,021	18,510
Conferences	-	135,652	135,652	-	-
Program expenses	21,185	47,013	68,198	-	-
Cost of goods sold	8,315	-	8,315	-	-
Promotion and marketing	9,878	-	9,878	5,305	7,066
Event expenses	-	-	-	-	-
Maintenance, utilities, and insurance	68,836	37,062	105,898	99,714	31,431
Office expenses	16,911	19,190	36,101	23,762	14,078
Total expenses before depreciation	459,518	700,574	1,160,092	414,849	330,961
Depreciation	220,860	183,619	404,479	40,207	50,313
Total expenses	\$ 680,378	884,193	1,564,571	455,056	381,274

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**Supporting services**

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<b>Total</b>	<b>Fundraising</b>	<b>Total</b>	<b>2016</b>
526,923	170,499	1,363,822	1,738,274
-	-	82,185	82,027
37,531	16,252	101,248	143,157
-	-	135,652	166,326
-	-	68,198	119,191
-	-	8,315	12,048
12,371	58,478	80,727	64,641
-	74,631	74,631	79,898
131,145	10,477	247,520	240,041
37,840	9,236	83,177	97,283
745,810	339,573	2,245,475	2,742,886
90,520	6,818	501,817	494,868
836,330	346,391	2,747,292	3,237,754

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**BOARD OF DIRECTORS AND MANAGEMENT**

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**Board of Directors**

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*Portland State University*

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*Human Resources*  
*Director*

Wendy Mitchell  
*Development &*  
*Community Relations*  
*Director*

Jennifer Kent  
*Event & Visitor*  
*Services Director*

Rick Zenn  
*Senior Fellow*

WORLD FORESTRY CENTER

**INQUIRIES AND OTHER INFORMATION**

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