



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

World Forestry Center

Financial Statements and Other Information
as of and for the Year Ended December 31, 2018
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, 2018, and the related statements of activities, functional expenses, 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, 2018, 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.

Emphasis of Matter

As discussed in note 4 to the financial statements, in 2018 the World Forestry Center adopted FASB Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited the World Forestry Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst & Young LLP

April 22, 2019

WORLD FORESTRY CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE AMOUNTS FOR 2017)

	2018	2017
Assets:		
Cash and cash equivalents	\$ 2,062,167	1,309,257
Prepaid expenses and other assets	9,142	12,846
Investments <i>(note 6)</i>	2,033,932	1,431,802
Beneficial interest in assets held by the Oregon Community Foundation <i>(note 7)</i>	8,475,307	8,546,374
Land, buildings, and equipment <i>(note 8)</i>	6,362,548	6,683,515
Total assets	\$ 18,943,096	17,983,794
Liabilities:		
Accounts payable and accrued expenses	105,338	105,730
Deposits and deferred revenue	119,835	128,996
Total liabilities	225,173	234,726
Net assets:		
Without donor restrictions <i>(note 10)</i>	8,776,377	7,936,948
With donor restrictions <i>(note 11)</i>	9,941,546	9,812,120
Total net assets	18,717,923	17,749,068
Commitments and contingencies <i>(notes 5, 9, and 17)</i>		
Total liabilities and net assets	\$ 18,943,096	17,983,794

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		Total	2017
	Without donor restrictions	With donor restrictions		
Operating revenues, gains, and other support:				
Contributions and grants	\$ 1,269,298	116,050	1,385,348	574,168
Memberships	36,359	–	36,359	36,740
Program service revenues	652,922	–	652,922	618,509
Admissions	112,875	–	112,875	191,584
Gift shop and other sales	21,869	–	21,869	19,881
Rental income	531,647	–	531,647	536,918
Other	14,899	–	14,899	29,934
Total operating revenues and gains	2,639,869	116,050	2,755,919	2,007,734
Appropriation of endowment assets for expenditure (<i>note 14</i>)	–	437,425	437,425	464,550
Net assets released from restrictions for operating purposes (<i>note 12</i>)	586,175	(586,175)	–	–
Total operating revenues, gains, and other support	3,226,044	(32,700)	3,193,344	2,472,284
Expenses (<i>note 13</i>):				
Program services	1,580,775	–	1,580,775	1,564,571
Management and general	788,523	–	788,523	836,330
Fundraising	259,588	–	259,588	346,391
Total expenses	2,628,886	–	2,628,886	2,747,292
Net operating results	\$ 597,158 ^[A]	(32,700)	564,458	(275,008)

^[A] Includes depreciation expense of \$513,008 in 2018 and \$501,817 in 2017.

Continued

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		Total	2017
	Without donor restrictions	With donor restrictions		
Non-operating activities:				
Endowment gifts <i>(note 14)</i>	\$ —	600,000	600,000	—
Increase (decrease) in beneficial interest in assets held by the Oregon Community Foundation <i>(note 7)</i>	—	(233,642)	(233,642)	1,178,252
Appropriation of endowment assets for expenditure <i>(note 14)</i>	—	(437,425)	(437,425)	(464,550)
Contributions restricted for capital acquisition	—	415,700	415,700	247,100
In-kind contributions of capital assets	—	—	—	11,600
Timber sales proceeds	108,766	—	108,766	—
Net investment return <i>(note 6)</i>	(24,180)	(24,822)	(49,002)	160,185
Net gain on sale and disposal of capital assets	—	—	—	241,348
Net assets released from restriction for capital purposes <i>(note 12)</i>	157,685	(157,685)	—	—
Total non-operating activities	242,271	162,126	404,397	1,373,935
Increase in net assets	839,429	129,426	968,855	1,098,927
Net assets at beginning of year <i>(note 4)</i>	7,936,948	9,812,120	17,749,068	16,650,141
Net assets at end of year	\$ 8,776,377	9,941,546	18,717,923	17,749,068

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018									2017
	Program services			Supporting services						
	Public programs	Professional programs	Total	Management and general			Fund-raising	Total		
Facilities' rentals				Administrative						
Salaries and related costs	\$ 346,622	351,455	698,077	298,466	182,846	481,312	148,183	1,327,572	1,363,822	
Fellows' stipends	–	62,400	62,400	–	–	–	–	62,400	82,185	
Professional fees	13,183	12,347	25,530	13,628	48,842	62,470	7,891	95,891	101,248	
Conferences	–	135,271	135,271	–	–	–	–	135,271	135,652	
Program expenses	14,278	40,912	55,190	–	–	–	–	55,190	68,198	
Cost of goods sold	10,382	–	10,382	–	–	–	–	10,382	8,315	
Promotion and marketing	12,183	–	12,183	9,099	3,600	12,699	52,861	77,743	80,727	
Event expenses	–	–	–	–	–	–	–	–	74,631	
Maintenance, utilities, and insurance	97,865	34,803	132,668	107,508	13,986	121,494	11,241	265,403	247,520	
Office expenses	21,137	21,432	42,569	18,246	11,150	29,396	14,061	86,026	83,177	
Total expenses before depreciation	515,650	658,620	1,174,270	446,947	260,424	707,371	234,237	2,115,878	2,245,475	
Depreciation	385,832	20,673	406,505	74,482	6,670	81,152	25,351	513,008	501,817	
Total expenses	\$ 901,482	679,293	1,580,775	521,429	267,094	788,523	259,588	2,628,886	2,747,292	

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 1,421,707	610,908
Cash received from admissions, service recipients, and other	1,433,817	1,401,739
Distribution of investment return earned on assets held by the Oregon Community Foundation (<i>note 7</i>)	437,425	444,550
Other investment income	54,252	28,200
Cash paid to employees and suppliers	(2,112,566)	(2,257,598)
Net cash provided by operating activities	1,234,635	227,799
Cash flows from investing activities:		
Capital expenditures	(192,041)	(158,373)
Proceeds from the sale of capital assets	-	604,501
Reinvestment of interest and dividends	(38,906)	(25,609)
Purchases of investments	(754,879)	(370,693)
Proceeds from the sale of investments	88,401	40,000
Transfer of funds to the Oregon Community Foundation	(600,000)	-
Net cash provided by (used in) investing activities	(1,497,425)	89,826
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	1,015,700	247,100
Net cash provided by financing activities	1,015,700	247,100
Net increase in cash and cash equivalents	752,910	564,725
Cash and cash equivalents at beginning of year	1,309,257	744,532
Cash and cash equivalents at end of year	\$ 2,062,167	1,309,257

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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, 2018, WFC incurred program service expenses in the following major categories:

Public Programs – 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.

Professional Programs – 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 45 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 WFC 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 – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WFC and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, WFC’s Board of Directors may designate from net assets for particular purposes and objectives.

- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of WFC and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by WFC (e.g., endowment funds). Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed 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 the donor's commitment is 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 and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement WFC's programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that WFC would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2018, no contributed services were recorded.

In-kind contributions of land, buildings, equipment, and other materials are recorded when there is an objective basis upon which to value these contributions and when the contributions are an essential part of WFC's activities. During the year ended December 31, 2018, no contributed land, buildings, equipment, or other materials were recorded.

Cash Equivalents – For purposes of the financial statements, WFC 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 consists of the realized gains or losses and the unrealized appreciation (decline) of those investments. 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.

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 WFC members are considered equivalent to contributions without donor restriction and are recognized as revenue when received.

Outstanding Legacies – WFC is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. WFC'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.

Advertising and Promotional Expenses – Advertising and promotional costs are charged to expense as they are incurred. Advertising and promotional expenses totaled \$77,743 for the year ended December 31, 2018.

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, 2018, WFC held \$1,849,157 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 WFC'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 – WFC 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 net assets without donor restriction except for investment gains or income in excess of WFC’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.

	Without donor restrictions	With donor restrictions	Total
Net assets, as previously reported			
Unrestricted	\$ 7,936,948	–	7,936,948
Temporarily restricted	–	1,620,894	1,620,894
Permanently restricted	–	8,191,226	8,191,226
Net assets, as restated	\$ 7,936,948	9,812,120	17,749,068

Subsequent Events – Subsequent events have been evaluated by management through April 22, 2019, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2017 – The accompanying financial information as of and for the year ended December 31, 2017 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. Recently-Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. WFC implemented ASU No. 2016-14 during the 2018 fiscal year and has adjusted the presentation of these financial statements accordingly.

5. Conditional Grants Receivable

During the year ended December 31, 2016, WFC was awarded a conditional grant for its Fellowship program totaling \$1,250,000, which is expected to be paid in yearly amounts of \$125,000 over the succeeding ten years thereafter, provided that an equivalent amount of matching funds are raised each year. During the year ended December 31, 2018, \$93,750 was recorded, as conditions were met. Accordingly, the remaining \$1,031,250 will be recorded in the financial statements once associated conditions have been satisfied.

6. Investments

At December 31, 2018, investment consists of balanced index mutual funds totaling \$2,033,932, carried at fair value.

Total return on investments and cash and cash equivalents for the year ended December 31, 2018 is as follows:

Interest and dividend income ¹	\$ 54,252
Net decline in the fair value of investments	(103,254)
Total net investment return	\$ (49,002)

¹ Investment income is presented net of external and direct internal investment expenses.

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

WFC has established two funds at the Oregon Community Foundation: the World Forestry Center Endowment Fund and the Louis W. Hill, Jr. Fund. WFC 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 WFC. The assets in the funds are permanently restricted for endowment.

Changes in WFC's beneficial interest in these funds for the year ended December 31, 2018 are summarized as follows:

Balance at beginning of year	\$ 8,546,374
Transfer of funds to the Oregon Community Foundation	600,000
Less net decline in the fair value of the funds	(233,642)
Less the distribution of investment return to WFC ¹	(437,425)
Balance at end of year	\$ 8,475,307

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. WFC receives annual distributions of the net investment return earned on these assets (generally, 4.45% 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, 2018, WFC received \$437,425 in distributions.

8. Land, Buildings, and Equipment

A summary of WFC's land, buildings, and equipment at December 31, 2018 is as follows:

Timber land	\$ 462,547
Land improvements	539,167
Buildings and related improvements	7,595,028
Permanent exhibits	7,296,790
Furniture and equipment	743,928
Work-in-progress	61,655
	16,699,115
Less accumulated depreciation	(10,336,567)
	\$ 6,362,548

WFC leases the land upon which WFC 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

WFC maintains a revolving line of credit, expiring on June 30, 2019, in the amount of \$250,000, bearing interest at 0.75 of a percentage point over the Columbia Bank base rate, as published by Columbia Bank online, but not less than 4.75%. Borrowings under the line are secured by inventories and equipment. At December 31, 2018, there were no outstanding balances due under this arrangement.

10. Net Assets without Donor Restrictions

The following summarizes WFC's net assets without donor restrictions as of December 31, 2018:

Available for operations and general purposes	\$ 412,482
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Net assets designated by the Board of Directors for:	
Strategic reserves	1,570,306
Operating reserves	257,064
Facilities' maintenance	173,977
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	2,001,347
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Net investment in capital assets	6,362,548
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	\$ 8,776,377
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11. Net Assets with Donor Restrictions

The following summarizes WFC's net assets with donor-imposed restrictions as of December 31, 2018:

Expendable net assets restricted for the following purposes:

William Hagenstein Lectures fund, for lectures by foresters for the general public	\$ 795,016
Capital improvements	497,775
Merlo Legacy Fund for WFI Fellows, to support the World Forest Institute Fellows program	130,436
WFI fellowships	43,012
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	1,466,239
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<i>Endowment unrestricted as to purpose</i>	8,475,307
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Total net assets with donor restrictions	\$ 9,941,546
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12. Net Assets Released from Restrictions

During the year ended December 31, 2018, \$743,860 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	\$ 586,175
For capital purposes	157,685
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	\$ 743,860
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13. Expenses

The costs of providing the various programs and activities of WFC have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to one or more program or supporting functions of the organization, and therefore require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and amortization, and other facility-related costs, which are allocated on a square footage basis. Salaries and wages, benefits, payroll taxes which are allocated on the basis of estimates of time and effort. Other shared costs which include insurance, office expenses, professional services, communications, which allocated based on each function's direct costs.

14. Endowment

As required by generally accepted accounting principles, net assets associated with endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes WFC's endowment-related activities for the year ended December 31, 2018:

	Accumulated underwater endowment	Accumulated endowment return	Endowment principal	Total
Endowment net assets at beginning of year	\$ —	355,148	8,191,226	8,546,374
Contributions and bequests	—	—	600,000	600,000
Net change in the beneficial interest in assets held by the Oregon Community Foundation	—	(233,642)	—	(233,642)
Appropriation of endowment assets for expenditure	(325,339)	(112,086)	—	(437,425)
Endowment net assets at end of year	\$ (325,339)	9,420	8,791,226	8,475,307

Interpretation of Relevant Law – The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

WFC's Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring WFC 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 WFC 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 original gift 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, WFC classifies as endowment principal (1) the original value of gifts donated to the donor-restricted endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return until those amounts are appropriated for expenditure by WFC 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 endowment principal represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that donor-imposed restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces endowment principal.

Endowments with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires WFC to retain as a fund of perpetual duration. In addition, WFC’s Board of Directors interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and WFC has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater. At December 31, 2018, funds with original gift values of \$8,291,226, fair values of \$7,965,887, and deficiencies of \$325,339 were reported in net assets with donor restrictions.

Investment and Spending Policies – In accordance with UPMIFA, WFC’s 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 fund;
- The purposes of WFC and the 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 WFC; and
- The investment policies of WFC.

To meet its objective, WFC’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 4.45% of the same measured average of the Louis W. Hill, Jr. Fund. Actual endowment return earned in excess of distributions under this policy is reinvested as part of WFC’s management of the endowment, and is reported as a non-operating item in the accompanying statement of activities.

For years when actual endowment return is less than distributions under the policy, the short-fall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years when the overall endowment is underwater, the Board may permit continued spending from principal only in accordance with its policies for spending from underwater endowments. See *Endowments with Deficiencies*.

During the year ended December 31, 2018, the Board appropriation of donor-restricted endowment assets totaled \$437,425.

15. Current Concentrations

During the year ended December 31, 2018, 31% of WFC’s operating revenue was provided by a single donor.

16. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at December 31, 2018:

<i>Total financial assets available to fund general operations:</i>	
Cash and cash equivalents	\$ 2,062,167
Investments	2,033,932
	4,096,099
<i>Less financial assets not available within the year ending December 31, 2019:</i>	
Funds restricted for capital improvement	(497,775)
Board designated reserve funds	(2,001,347)
Donor-restricted funds	(865,452)
	(3,364,574)
<i>Plus other funds subject to appropriation for expenditure:</i>	
Authorized 2019 endowment appropriations for operations	438,710
	438,710
	\$ 1,170,235

As part of its liquidity management, WFC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, WFC invests cash in excess of daily requirements, as well as its reserve funds in money market funds and balanced indexed mutual funds. To help manage unanticipated liquidity needs, WFC has a committed line of credit upon which it could draw (see note 9).

WFC holds certain reserve funds totaling \$2,001,347 and donor restricted funds totaling \$905,452. Although WFC does not intend to spend from these funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from these funds could be made available, if necessary.

17. Retirement Plan

WFC provides a tax-deferred annuity plan as described in Section 403(b) of the Internal Revenue Code to all qualified employees. WFC'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, 2018, WFC contributed a 3% non-elective contribution and a 1% discretionary matching contribution of employee deferrals; thus, WFC's contributions to the plan totaled \$41,349 for the year then ended. This plan was terminated on April 2, 2019.

As of March 1, 2019, WFC also provides a defined contribution retirement savings plan, as described under section 401(k) of the Internal Revenue Code to all qualified employees. WFC makes an annual safe harbor contribution to the plan equal to 3% of the annual compensation of each employee, as well as a 1% discretionary matching contribution of employee deferrals. WFC's contribution to the plan vest immediately.

18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available.

When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect WFC's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At December 31, 2018, WFC'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, 2018.

At December 31, 2018, WFC'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, 2018.

19. 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	\$ 968,855
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	1513,008
Net decline in the fair value of investments	103,254
Proceeds from contributions restricted for capital acquisition and long term investment	(1,015,700)
Cash distribution received from the Oregon Community Foundation for operations	437,425
Decrease in beneficial interest in assets held by the Oregon Community Foundation	233,642
<i>Net changes in:</i>	
Prepaid expenses and other assets	3,704
Accounts payable and accrued expenses	(392)
Deposits and deferred revenue	(9,161)
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Total adjustments	265,780
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Net cash provided by operating activities	\$ 1,234,635
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BOARD OF DIRECTORS AND MANAGEMENT

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Portland State University

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