



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

World Forestry Center

Financial Statements and Other Information
as of and for the Year Ended December 31, 2019
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, 2019, 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, 2019, 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.

Summarized Comparative Information

We have previously audited the World Forestry Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst & Young LLP

April 23, 2020, except for the disclosure in note 15 of a revised
2020 budget approved by the Board of Directors subsequent to
April 23, 2020, as to which the date is June 10, 2020

WORLD FORESTRY CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH COMPARATIVE AMOUNTS FOR 2018)

	2019	2018
Assets:		
Cash and cash equivalents	\$ 818,574	2,062,167
Accounts receivable	6,211	-
Prepaid expenses and other assets	7,015	9,142
Investments (<i>note 6</i>)	3,211,482	2,033,932
Beneficial interest in assets held by the Oregon Community Foundation (<i>note 7</i>)	9,555,695	8,475,307
Land, buildings, and equipment (<i>note 8</i>)	6,293,090	6,362,548
Total assets	\$ 19,892,067	18,943,096
Liabilities:		
Accounts payable and accrued expenses	114,797	105,338
Deposits and deferred revenue	89,628	119,835
Total liabilities	204,425	225,173
Net assets:		
Without donor restrictions (<i>note 10</i>)	9,145,335	8,776,377
With donor restrictions (<i>note 11</i>)	10,542,307	9,941,546
Total net assets	19,687,642	18,717,923
Commitments and contingencies (<i>notes 5, 9, and 16</i>)		
Total liabilities and net assets	\$ 19,892,067	18,943,096

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	
Operating revenues, gains, and other support:				
Contributions and grants	\$ 249,942	131,650	381,592	1,385,348
Memberships	45,490	—	45,490	36,359
Program service revenues	548,051	—	548,051	652,922
Admissions	110,765	—	110,765	112,875
Gift shop and other sales	22,150	—	22,150	21,869
Rental income	582,462	—	582,462	546,546
Total operating revenues and gains	1,558,860	131,650	1,690,510	2,755,919
Appropriation of endowment assets for expenditure (<i>note 14</i>)	—	471,926	471,926	437,425
Net assets released from restrictions for operating purposes (<i>note 12</i>)	820,644	(820,644)	—	—
Total operating revenues, gains, and other support	2,379,504	(217,068)	2,162,436	3,193,344
Expenses (<i>note 13</i>):				
Program services	1,861,363	—	1,861,363	1,580,775
Management and general	739,036	—	739,036	788,523
Fundraising	224,289	—	224,289	259,588
Total expenses	2,824,688	—	2,824,688	2,628,886
Net operating results	\$ (445,184) ^[A]	(217,068)	(662,252)	564,458

^[A] Includes depreciation expense of \$526,091 in 2019.

Continued

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Total	2018
	Without donor restrictions	With donor restrictions		
Non-operating activities:				
Endowment gifts <i>(note 14)</i>	\$ —	200	200	600,000
Increase (decrease) in beneficial interest in assets held by the Oregon Community Foundation <i>(note 7)</i>	—	1,552,114	1,552,114	(233,642)
Appropriation of endowment assets for expenditure <i>(note 14)</i>	—	(471,926)	(471,926)	(437,425)
Contributions restricted for capital acquisition	—	21,450	21,450	415,700
Proceeds from timber sales	—	—	—	108,766
Net investment return <i>(note 6)</i>	364,164	165,969	530,133	(49,002)
Net assets released from restriction for capital purposes <i>(note 12)</i>	449,978	(449,978)	—	—
Total non-operating activities	814,142	817,829	1,631,971	404,397
Increase in net assets	368,958	600,761	969,719	968,855
Net assets at beginning of year	8,776,377	9,941,546	18,717,923	17,749,068
Net assets at end of year	\$ 9,145,335	10,542,307	19,687,642	18,717,923

See accompanying notes to financial statements.

WORLD FORESTRY CENTER
STATEMENT OF FUNCTIONAL EXPENSES

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

	2019									2018
	Program services			Supporting services						
	Public programs	Professional programs	Total	Management and general			Fund-raising	Total		
			Facilities' rentals	Admini- strative	Total					
Salaries and related costs	\$ 344,430	546,582	891,012	305,106	131,503	436,609	154,789	1,482,410	1,327,572	
Fellows' stipends	-	104,001	104,001	-	-	-	-	104,001	62,400	
Professional fees	19,858	31,513	51,371	17,591	7,582	25,173	12,210	88,754	95,891	
Conferences	-	124,950	124,950	-	-	-	-	124,950	135,271	
Program expenses	7,225	52,072	59,297	-	-	-	-	59,297	55,190	
Cost of goods sold	10,972	-	10,972	-	-	-	-	10,972	10,382	
Promotion and marketing	5,140	-	5,140	7,096	13,337	20,433	31,923	57,496	77,743	
Maintenance, utilities, and insurance	105,777	27,536	133,313	96,941	12,893	109,834	7,832	250,979	265,403	
Office expenses	26,687	42,350	69,037	23,640	10,189	33,829	16,872	119,738	86,026	
Total expenses before depreciation	520,089	929,004	1,449,093	450,374	175,504	625,878	223,626	2,298,597	2,115,878	
Depreciation	386,394	25,876	412,270	87,320	25,838	113,158	663	526,091	513,008	
Total expenses	\$ 906,483	954,880	1,861,363	537,694	201,342	739,036	224,289	2,824,688	2,628,886	

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 427,082	1,421,707
Cash received from admissions, service recipients, and other	1,227,010	1,433,817
Distribution of investment return earned on assets held by the Oregon Community Foundation (<i>note 7</i>)	471,926	437,425
Other investment income	85,937	54,252
Cash paid to employees and suppliers	(2,287,011)	(2,112,566)
Net cash provided by (used in) operating activities	(75,056)	1,234,635
Cash flows from investing activities:		
Capital expenditures	(456,633)	(192,041)
Reinvestment of interest and dividends	(68,354)	(38,906)
Purchases of investments	(700,000)	(754,879)
Proceeds from the sale of investments	35,000	88,401
Transfer of funds to the Oregon Community Foundation	(200)	(600,000)
Net cash used in investing activities	(1,190,187)	(1,497,425)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	21,650	1,015,700
Net cash provided by financing activities	21,650	1,015,700
Net increase (decrease) in cash and cash equivalents	(1,243,593)	752,910
Cash and cash equivalents at beginning of year	2,062,167	1,309,257
Cash and cash equivalents at end of year	\$ 818,574	2,062,167

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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, 2019, WFC incurred program service expenses in the following major categories:

Public Programs – We create experiences that connect the public to its interdependence with forests. The heart of this work is our Discovery Museum, which features information on the natural systems, structures, and cycles of forests, the history of forestry, culture and innovation, and the challenges and solutions of sustainable forestry. We also host public events like The Hagenstein Lectures, which connect foresters to the public and identify and amplify emerging leaders in the industry.

Professional Programs – We drive problem-solving by current and future forestry professionals. We accomplish this through events and programs like our annual Who Will Own the Forest? conference, one of the largest timberland investment conferences in the world; convenings and workshops like the Oregon Governor’s Council on Wildfire; and our International Fellowship, an award-winning professional development program that has hosted over 148 Fellows from 47 countries.

3. Recently-Adopted Accounting Standard

Regarding revenue recognition, effective January 1, 2019, WFC adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), and an additional ASU issued to clarify the guidance in ASU 2014-09, which amends the existing accounting standards for revenue recognition. WFC adopted this new revenue standard applying the modified retrospective transition method to contracts not yet completed as of the date of adoption. The adoption of this standard did not have a material effect on WFC’s financial statements.

4. 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 a portion of these 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.

Revenue Recognition – With regard to revenues from grants and contracts, WFC evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, WFC recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

WFC’s exchange transactions include revenues from admissions, program service fees, rental income, and other revenues. These revenues are generally recognized at the time of service delivery.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, WFC evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.

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. Management estimates an allowance for uncollectible contributions receivable based on past collection history. 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 accordance with donor intent.

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, 2019, 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, 2019, 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 in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. Net investment return, which includes both current yield (interest and dividend income) and net appreciation (decline) in the fair value of investments (both the realized gains or losses and the unrealized appreciation (decline) of those investments), is reported in the accompanying financial statements, net of investment expenses. Interest income is accrued as earned. 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.

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 \$57,496 for the year ended December 31, 2019.

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”).

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.

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.

Finally, the reported value of WFC’s beneficial interest in funds held by the Oregon Community Foundation (“OCF”) is dependent 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 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.

Subsequent Events – Subsequent events have been evaluated by management through April 23, 2020, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2018 – The accompanying financial information as of and for the year ended December 31, 2018 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.

5. Conditional Grants Receivable

During the year ended December 31, 2016, WFC was awarded a conditional grant for its Fellowship program in the amount of \$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, 2019, \$125,000 was recorded, as conditions were met. Accordingly, the remaining balance as of December 31, 2019 totaling \$906,250 will be recorded in the financial statements once associated conditions have been satisfied.

6. Investments

At December 31, 2019, investment consists of balanced index mutual funds totaling \$3,211,482, carried at fair value.

Total return on investments and cash and cash equivalents for the year ended December 31, 2019 is as follows:

Interest and dividend income ¹	\$	85,937
Net increase in the fair value of investments		444,196
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Total net investment return	\$	530,133

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, 2019 are summarized as follows:

Balance at beginning of year	\$	8,475,307
Transfer of funds to the Oregon Community Foundation		200
Net increase in the fair value of the funds		1,552,114
Less the distribution of investment return to WFC ¹		(471,926)
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Balance at end of year	\$	9,555,695

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, 2019, WFC received \$471,926 in distributions.

8. Land, Buildings, and Equipment

A summary of WFC's land, buildings, and equipment at December 31, 2019 is as follows:

Timber land	\$ 462,547
Land improvements	996,926
Buildings and related improvements	7,610,047
Permanent exhibits	7,296,790
Furniture and equipment	703,109
Work-in-progress	8,625
	<hr/>
	17,078,044
Less accumulated depreciation	(10,784,954)
	<hr/>
	\$ 6,293,090

WFC leases the land upon which WFC is situated under a 35-year lease agreement with the Portland Parks and Recreation Bureau. 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, 2022, 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, 2019, 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, 2019:

<i>Net assets designated by the Board of Directors for:</i>	
Strategic reserves	\$ 1,788,324
Tree farm	384,281
Operating reserves	292,131
Facilities' maintenance	197,724
Merlo Legacy Fund for WFI Fellows, to support the World Forest Institute Fellows program	157,866
	<hr/>
	2,820,326
Available for operations and general purposes	31,919
Net investment in capital assets	6,293,090
	<hr/>
	\$ 9,145,335

11. Net Assets with Donor Restrictions

The following summarizes WFC's net assets with donor-imposed restrictions as of December 31, 2019:

<i>Expendable net assets restricted for the following purposes:</i>	
William Hagenstein Lectures fund, for lectures by foresters for the general public	\$ 904,874
Capital improvements	57,052
WFI fellowships	24,686
	<hr/>
	986,612
<i>Endowment – unrestricted as to purpose</i>	9,555,695
	<hr/>
Total net assets with donor restrictions	\$ 10,542,307

12. Net Assets Released from Restrictions

During the year ended December 31, 2019, 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	\$	820,644
For capital purposes		449,978
	\$	<u>1,270,622</u>

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 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, are allocated based on each function's direct costs.

14. Endowment

The following summarizes WFC's endowment-related activities for the year ended December 31, 2019:

	Accumulated underwater endowment	Accumulated endowment return	Endowment principal	Total
Endowment net assets at beginning of year	\$ (325,339)	9,420	8,791,226	8,475,307
Contributions and bequests	–	–	200	200
Net change in the beneficial interest in assets held by the Oregon Community Foundation	325,339	1,226,775	–	1,552,114
Appropriation of endowment assets for expenditure	–	(471,926)	–	(471,926)
Endowment net assets at end of year	\$ –	764,269	8,791,426	<u>9,555,695</u>

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.

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. During the year ended December 31, 2019, WFC amended its spending policy to limit spending to 4.35% of the same measured average for each fund effective January 1, 2020. 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, 2019, the Board appropriation of donor-restricted endowment assets totaled \$471,926.

15. 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, 2019:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 818,574
Accounts receivable	6,211
Investments	3,211,482
Beneficial interest in assets held by the Oregon Community Foundation	9,555,695
	<hr/>
	13,591,962
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<i>Less financial assets not available within the year ending December 31, 2020:</i>	
Endowment funds	(9,555,695)
Board designated reserve funds	(2,820,326)
Donor restricted funds	(904,874)
Funds restricted for capital improvement	(57,052)
	<hr/>
	(13,337,947)
	<hr/>

*Plus other funds subject to
appropriation for expenditure:*

Authorized 2020 endowment appropriations for operations	385,977
Board designated reserves approved approved for expenditure in 2020	828,225
	<hr/>
	1,214,202
	<hr/>
	\$ 1,468,217
	<hr/>

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 \$2,820,326 and donor restricted funds totaling \$904,874. 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. In light of business disruptions due to COVID-19, in June 2020, the Board of Directors approved a revised budget for fiscal year 2020 with a projected deficit of \$828,225.

16. Retirement Plan

As of March 1, 2019, WFC 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. Contribution to the plan from both employees and WFC vest immediately. WFC's contributions to the plan totaled \$39,251 for the year ended December 31, 2019.

WFC also 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, 2019, WFC contributed a 3% non-elective contribution and a 1% discretionary matching contribution of employee deferrals totaling \$7,240 for the year. This plan was terminated on April 2, 2019.

17. 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, 2019, 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, 2019.

At December 31, 2019, 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, 2019.

18. 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 used in operating activities (as reported on the statement of cash flows):

Increase in net assets	\$	969,719
<hr/>		
<i>Adjustments to reconcile increase in net assets to net cash used in operating activities:</i>		
Depreciation		526,091
Net increase in the fair value of investments		(444,196)
Proceeds from contributions restricted for capital acquisition and long term investment		(21,650)
Cash distribution received from the Oregon Community Foundation for operations		471,926
Increase in beneficial interest in assets held by the Oregon Community Foundation		(1,552,114)
<i>Net changes in:</i>		
Accounts receivable		(6,211)
Prepaid expenses and other assets		2,127
Accounts payable and accrued expenses		9,459
Deposits and deferred revenue		(30,207)
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Total adjustments		(1,044,775)
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Net cash used in operating activities	\$	(75,056)
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19. Reclassification of 2018 Comparative Totals

Certain 2018 amounts presented herein have been reclassified to conform to the 2019 presentation.

20. Subsequent Event – Coronavirus Pandemic

In December of 2019, an outbreak of a novel strain of coronavirus (COVID-19), originated in Wuhan, China, and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Oregon, have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. To support Oregon's effort to contain the spread of COVID-19, WFC has temporarily closed all in-person public offerings and programs, including the Discovery Museum, the Washington Park Campus, and Magness the Memorial Tree Farm.

It is anticipated that the effects of these events will continue for some time, including continuing disruptions to, or restrictions on, our employees' ability to work and on the ability of our patrons, customers and other constituents to fully participate in our programs and continue their current level of financial support to the organization. At the present time, the ultimate future effects of these issues are unknown.

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