

World Forestry Center

Financial Statements and Other Information
as of and for the Year Ended December 31, 2010
and Report of Independent Accountants

WORLD FORESTRY CENTER

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REPORT OF INDEPENDENT ACCOUNTANTS

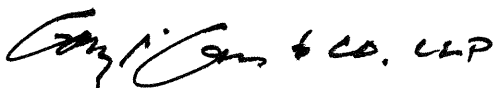
*The Board of Directors
World Forestry Center:*

We have audited the accompanying statement of financial position of the World Forestry Center as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the World Forestry Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the World Forestry Center as of December 31, 2009 and, in our report dated April 19, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the World Forestry Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the World Forestry Center as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, which is also the responsibility of management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



April 15, 2011

WORLD FORESTRY CENTER
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010
(WITH COMPARATIVE AMOUNTS FOR 2009)

	2010	2009
<hr/>		
Assets:		
Cash and cash equivalents	\$ 431,341	34,047
Accounts receivable	2,621	3,594
Contributions and grants receivable <i>(note 4)</i>	139,620	30,810
Inventories	57,406	55,202
Prepaid expenses	30,498	13,505
Beneficial interest in assets held by the Oregon Community Foundation <i>(note 5)</i>	8,228,343	7,804,440
Land, buildings, and equipment <i>(note 6)</i>	9,331,663	9,811,313
<hr/>		
Total assets	\$ 18,221,492	17,752,911
<hr/>		
Liabilities:		
Accounts payable and accrued expenses	101,417	99,019
Deposits and deferred revenue	68,887	65,290
<hr/>		
Total liabilities	170,304	164,309
<hr/>		
Net assets:		
Unrestricted	9,508,271	9,350,266
Temporarily restricted <i>(note 8)</i>	332,881	28,300
Permanently restricted <i>(note 8)</i>	8,210,036	8,210,036
<hr/>		
Total net assets	18,051,188	17,588,602
<hr/>		
Commitments and contingencies <i>(notes 7, 11, 13, and 14)</i>		
Total liabilities and net assets	\$ 18,221,492	17,752,911
<hr/>		

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			Total	2009
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenues, gains, and other support:					
Contributions and grants	\$ 519,720	68,672	—	588,392	424,967
Memberships	99,958	—	—	99,958	103,487
Program service revenues	461,942	—	—	461,942	405,170
Admissions	223,100	—	—	223,100	240,446
Gift shop and other sales	107,721	—	—	107,721	113,748
Rental income	459,788	—	—	459,788	402,483
Distribution of investment return earned on assets held by the Oregon Community Foundation (<i>note 5</i>)	469,460	—	—	469,460	475,956
Other investment income	170	42	—	212	—
Other	92,804	—	—	92,804	89,915
Total operating revenues and gains	2,434,663	68,714	—	2,503,377	2,256,172
Net assets released from restrictions for operating purposes (<i>note 9</i>)	61,474	(61,474)	—	—	—
Total operating revenues, gains, and other support	2,496,137	7,240	—	2,503,377	2,256,172
Expenses (<i>note 10</i>):					
Program services:					
Exhibits	1,240,075	—	—	1,240,075	1,191,279
Education	378,420	—	—	378,420	384,410
World Forest Institute	447,570	—	—	447,570	434,841
Memorial Tree Farms	109,854	—	—	109,854	106,720
Total program services	2,175,919	—	—	2,175,919	2,117,250
Supporting services:					
Management and general	396,317	—	—	396,317	414,531
Fundraising	156,268	—	—	156,268	151,291
Total supporting services	552,585	—	—	552,585	565,822
Total expenses	2,728,504	—	—	2,728,504	2,683,072
Net operating results, including depreciation expense of \$526,910	\$ (232,367)	7,240	—	(225,127)	(426,900)

Continued

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			Total	2009
	Unrestricted	Temporarily restricted	Permanently restricted		
Non-operating activities:					
Endowment gifts	\$ —	—	—	—	1,664
Contributions restricted for capital acquisition	—	263,810	—	263,810	—
In-kind donations of capital assets	—	—	—	—	244,315
Increase in beneficial interest in assets held by the Oregon Community Foundation (<i>note 5</i>)	386,368	506,995	—	893,363	1,463,688
Appropriation of endowment assets for expenditure (<i>note 8</i>)	(22,196)	(447,264)	—	(469,460)	(475,956)
Net assets released from restrictions for capital purposes (<i>note 9</i>)	26,200	(26,200)	—	—	—
Total non-operating activities	390,372	297,341	—	687,713	1,233,711
Increase in net assets	158,005	304,581	—	462,586	806,811
Net assets at beginning of year	9,350,266	28,300	8,210,036	17,588,602	16,781,791
Net assets at end of year	\$ 9,508,271	332,881	8,210,036	18,051,188	17,588,602

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 688,350	528,454
Cash received from admissions and service recipients	1,349,925	1,286,131
Distribution of investment return earned on assets held by the Oregon Community Foundation (<i>note 5</i>)	469,460	475,956
Other investment income	212	-
Cash paid to employees and suppliers	(2,218,218)	(2,144,383)
Cash paid for interest	(175)	(2,858)
Net cash provided by operating activities	289,554	143,300
Cash flows from investing activities:		
Capital expenditures	(47,260)	(14,303)
Transfer of funds to the Oregon Community Foundation	-	(142,106)
Net cash used in investing activities	(47,260)	(156,409)
Cash flows from financing activities:		
Proceeds from contributions restricted to long-term investment	-	142,106
Proceeds from contributions restricted for capital acquisition	155,000	-
Principal payments on note payable	-	(135,305)
Net cash provided by financing activities	155,000	6,801
Net increase (decrease) in cash and cash equivalents	397,294	(6,308)
Cash and cash equivalents at beginning of year	34,047	40,355
Cash and cash equivalents at end of year	\$ 431,341	34,047

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

1. Organization

Founded in 1964 in Portland, Oregon, the World Forestry Center is a nonprofit educational institution. Its mission is to educate and inform people about the world's forests and trees, and their importance to all life, in order to promote a balanced and sustainable future.

2. Program Services

During the year ended December 31, 2010, the Center incurred program service expenses in the following major categories:

Exhibits – The World Forestry Center's Discovery Museum features permanent exhibits on forests of the world and special changing educational exhibits on the environment, history, art, and culture. The Center also offers various special events throughout the year, including book signings, public lectures, and free or discounted days.

Educational Programs – The educational programs of the Center include self-guided tours of the museum for school and youth groups, Tree-Mendous Second Saturdays for the general public, introductory tours for senior groups, and Project Learning Tree classes and resources for teachers. The Center also offers various special events throughout the year.

World Forest Institute – The World Forest Institute (the "Institute") was established in 1989 as the information services division of the World Forestry Center. Supported by a broad network of global contacts in forestry, the Institute provides valuable services designed to meet the diverse needs of manufacturers, consultants, researchers, brokers, government agencies, and others. In addition, the Institute operates as an applied research program of the Center. The primary program of the Institute is the International Fellowship Program. The Institute also sponsors international conferences and tours on a variety of forestry related topics.

Memorial Tree Farms – The Center owns and operates three demonstration forests: The Magness Memorial Tree Farm near Wilsonville, Oregon, the Johnson-Swanson Memorial Tree Farm near Silverton, Oregon, and the Shaefer property northwest of Forest Grove, Oregon. The Magness Memorial Tree Farm features hiking trails, facilities for indoor and outdoor classes, programs for youth groups, overnight stays, and a summer Youth Leadership camp. The Johnson-Swanson Memorial Tree Farm has forestland and land under cultivation. Most of the land under cultivation was replanted with trees and the initial trail/interpretive system was built. Both tree farms are divided into units showing different woodland management techniques. Finally, in 2009 the Oregon Parks Foundation donated the 55-acre Shaefer property to the Center. It is "valley remnant forest" and will be managed as a tree farm and serve as a demonstration forest for educational purposes.

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.

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, 2010, no contributed services were recorded.

In-kind contribution of 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, 2010, no contributed land or equipment 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.

Inventories – Inventories, which consist primarily of merchandise held for sale by the Center's gift store, are carried at the lower of cost or market value. Cost is determined using the average cost method.

Capital Assets and Depreciation – Capital assets are reported at cost, and at market 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 equipment and furniture, 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 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 \$142,369 for the year ended December 31, 2010.

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

The Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the Center to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Center has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's historic dollar value may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Center classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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

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

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

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

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

During the year ended December 31, 2010, the Center's Board of Directors appropriated endowment assets totaling \$469,460 for expenditure in accordance with this policy (see notes 5 and 8).

Concentration of Credit Risk – The Center’s financial instruments consist primarily of cash and cash equivalents. These financial instruments may subject the Center to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). At December 31, 2010, the Center held \$78,011 in cash equivalents in excess of FDIC insured levels.

All interest bearing checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. In addition, Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides depositors with temporary unlimited coverage for noninterest-bearing transaction accounts. This unlimited protection became effective on December 31, 2010 and terminates on December 31, 2012.

Certain receivables also may, from time to time, subject the Center to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, Center 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 presented 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. For tax purposes, the Center’s open audit periods are for the years ended December 31, 2007 through 2009.

The Center has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10 (formerly known as FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). Under this standard, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Center has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Center believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Center’s financial condition, results of operations, or cash flows. Accordingly, the Center has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2010.

For tax purposes, the Center’s open audit periods are for the years ended December 31, 2007 through 2009.

Operating Results – Results from operations in the statement of activities reflect all transactions increasing or decreasing unrestricted net assets except for investment gains or income in excess of the Center’s spending policy, net assets released from restrictions related to capital additions, gifts restricted by donors for capital purposes, in-kind donations of capital assets, gains and losses on the sale of long-lived assets that are peripheral to central operations, and endowment gifts.

Subsequent Events – As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through April 15, 2011, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2009 – The accompanying financial information as of and for the year ended December 31, 2009 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 and Grants Receivable

Contributions and grants receivable at December 31, 2010 are summarized as follows:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 91,000
One year to five years	53,107
	<hr/> 144,107
Less discount ¹	(4,487)
	<hr/> \$ 139,620

¹ Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5.0%.

\$30,810 of net contributions and grants receivable have been designated by donors for endowment purposes, and \$108,810 for capital improvements.

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

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

Changes in the Center's beneficial interest in these funds for the year ended December 31, 2010 are summarized as follows:

Balance at beginning of year	\$ 7,804,440
Plus increase in the fair value of the funds	893,363
Less the distribution of investment return to the Center ¹	(469,460)
	<hr/> Balance at end of year
	\$ 8,228,343

¹ Under the terms of its agreements with the OCF, the funds are invested at the discretion of the 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, 2010, the Center received \$469,460 in distributions.

6. Land, Buildings, and Equipment

A summary of the Center's land, buildings, and equipment at December 31, 2010 is as follows:

Timberland	\$ 807,834
Land improvements	457,197
Buildings and related improvements	6,485,084
Permanent exhibits	7,583,189
Furniture and equipment	1,027,935
	16,361,239
Less accumulated depreciation	(7,029,576)
	\$ 9,331,663

On April 10, 1979, the Center entered into a 35-year lease agreement with the Portland Parks and Recreation Bureau for the land upon which the Center is situated, as well as the adjacent parking lot. The annual rent is \$2 and the lease terminates on March 31, 2014. 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.

7. Line of Credit

The Center maintains a revolving line of credit agreement, expiring on June 30, 2011, with a financial institution in the amount of \$250,000, bearing interest at prime rate as published in THE WALL STREET JOURNAL, but not less than 4.0% (4.0% at December 31, 2010). Borrowings under the line are secured by inventories and equipment. At December 31, 2010, there were no outstanding balances due under this arrangement.

8. Restrictions and Limitations on Net Asset Balances

The following summarizes donor-imposed restrictions ascribed to the Center's net assets at December 31, 2010:

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2010 totaled \$332,881 and consisted of contributions, grants, and other unexpended revenues available for specific program services and future periods, as follows:

<i>Expendable contributions and grants:</i>	
Capital improvements	\$ 237,652
Schaefer property ¹	14,180
WFI fellowships	10,318
Education	8,500
Future exhibits	2,500
	273,150
<i>Expendable endowment earnings:</i>	
Endowment earnings available for general operating purposes not yet appropriated for expenditure	59,731
	\$ 332,881

¹ These funds are restricted to both investment in the Schaefer property and programs associated with the use of the property.

Permanently Restricted Net Assets

At December 31, 2010, the Center held \$8,210,036 in endowment funds. The return earned on the investment of these permanently restricted net assets is available to fund general operations.

Cumulative Endowment Adjustment

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of December 31, 2010, the Center had incurred cumulative investment losses on its endowment funds totaling \$10,614 in excess of unappropriated accumulated endowment earnings.

Accordingly, in order to report the losses as required by FASB ASC No. 958-320, *Investments*, the excess losses and appropriations have been classified as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

Endowment Summary

The Center's endowment consists of two individual funds established to provide annual support to fund continued operations. As required by generally accepted accounting principles, net assets associated with endowment 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, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	\$ (374,786)	—	8,210,036	7,835,250
Increase in beneficial interest in assets held by the Oregon Community Foundation	386,368	506,995	—	893,363
Appropriation of endowment assets for expenditure	(22,196)	(447,264)	—	(469,460)
Endowment net assets at end of year	\$ (10,614)	59,731	8,210,036	8,259,153

9. Net Assets Released from Restrictions

During the year ended December 31, 2010, \$87,674 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	\$ 61,474
For capital purposes	26,200
	<hr/>
	\$ 87,674

10. 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.

11. Retirement Plan

The Center provides a tax-deferred annuity plan described in Section 403(b) of the Internal Revenue Code to all qualified full-time employees. The Center's contributions to the plan are discretionary and are 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, 2010, the Center did not make any contributions to the plan. Effective January 1, 2011, the Center began matching employee contributions at the rate of 4.0%.

12. 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, 2010, the Center's beneficial interest in assets held by the OCF is reported at fair value on a recurring basis. These assets are measured at fair value using information received from the OCF (i.e., Level 3). See note 5 for a summary of the change in these assets during the year ended December 31, 2010.

13. Operating Leases

The Center leases certain office equipment under non-cancelable operating leases expiring at various dates through June of 2013.

At December 31, 2010, the approximate future minimum rental commitments under these leases are as follows:

<i>Years ending December 31,</i>	
2011	\$ 8,940
2012	8,385
2013	3,360
	<hr/>
	\$ 20,685

Rent expense associated with these lease arrangements totaled \$8,093 for the year ended December 31, 2010.

14. Other Commitments and Contingencies

The Center has entered into three contracts regarding future exhibitions and certain facility repair. Outstanding commitments under these contracts totaled approximately \$19,825 for the year ended December 31, 2010.

15. Related Party Transactions

During the year ended December 31, 2010, the Center incurred \$20,000 in legal costs for services provided by a law firm, a partner of which serves as a member of the Center's Board of Directors.

16. 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	\$ 462,586
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	526,910
Cash distribution received from the Oregon Community Foundation for operations	469,460
Increase in beneficial interest in assets held by the Oregon Community Foundation	(893,363)
Proceeds from contributions restricted to capital acquisition	(155,000)
<i>Net change in:</i>	
Accounts receivable	973
Contributions and grants receivable	(108,810)
Inventories	(2,204)
Prepaid expenses	(16,993)
Accounts payable and accrued expenses	2,398
Deferred revenue	3,597
<hr/>	
Total adjustments	(173,032)
<hr/>	
Net cash provided by operating activities	\$ 289,554
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WORLD FORESTRY CENTER

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010					Total
	Program services				Memorial Tree Farms	
	Exhibits	Education	World Forest Institute			
Salaries and related costs	\$ 510,442	223,529	293,521	60,230		1,087,722
Professional fees	11,000	4,000	5,000	3,000		23,000
Publications	–	17,170	–	–		17,170
Promotion	126,964	–	252	2,200		129,416
Education classes	–	52,054	–	–		52,054
Special events	20,487	–	–	–		20,487
Projects and conferences	–	–	100,624	–		100,624
Fellowship and training	–	–	19,965	–		19,965
Travel and transportation	10	414	1,504	332		2,260
Cost of goods sold	42,472	–	–	–		42,472
Repair, maintenance, and utilities	71,533	13,956	6,978	15,534		108,001
Insurance	17,375	–	1,738	5,212		24,325
Office expense	27,205	24,727	12,945	13,444		78,321
Property taxes	–	–	–	2,631		2,631
Interest	–	–	–	–		–
Total expenses before depreciation	827,488	335,850	442,527	102,583		1,708,448
Depreciation	412,587	42,570	5,043	7,271		467,471
Total expenses	\$ 1,240,075	378,420	447,570	109,854		2,175,919

Supporting services				
Management and general	Fundraising	Total	Total	2009
221,112	104,930	326,042	1,413,764	1,391,153
11,000	2,000	13,000	36,000	24,788
–	–	–	17,170	18,184
11,363	1,590	12,953	142,369	113,318
–	–	–	52,054	65,485
–	17,596	17,596	38,083	42,590
–	–	–	100,624	82,423
–	–	–	19,965	28,309
1,192	–	1,192	3,452	2,702
–	–	–	42,472	41,919
73,265	13,956	87,221	195,222	188,396
10,425	–	10,425	34,750	35,300
15,440	9,102	24,542	102,863	95,100
–	–	–	2,631	2,025
175	–	175	175	2,858
343,972	149,174	493,146	2,201,594	2,134,550
52,345	7,094	59,439	526,910	548,522
396,317	156,268	552,585	2,728,504	2,683,072

WORLD FORESTRY CENTER

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Consulting Forester

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Hancock Timber Resource Group

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Sara Wu
World Forest Institute Director

Jennifer Kent
Marketing Director

Maria Jeffrey
Development Director

¹ Executive committee

² Finance committee

WORLD FORESTRY CENTER

INQUIRIES AND OTHER INFORMATION

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