



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

World Forestry Center

Financial Statements and Other Information as of
and for the Year Ended December 31, 2020
and Report of Independent Accountants

WORLD FORESTRY CENTER

TABLE OF CONTENTS

	Page
Report of Independent Accountants	3
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Other Information:	
Board of Directors and Management	21
Inquiries and Other Information	22

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst & Young LLP

May 18, 2021

WORLD FORESTRY CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(WITH COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
Assets:		
Cash and cash equivalents	\$ 847,459	818,574
Accounts receivable	161,094	6,211
Contributions and grants receivable <i>(note 4)</i>	256,304	–
Prepaid expenses and other assets	3,783	7,015
Investments <i>(note 5)</i>	3,180,942	3,211,482
Beneficial interest in assets held by the Oregon Community Foundation <i>(note 6)</i>	10,211,492	9,555,695
Land, buildings, and equipment <i>(note 7)</i>	5,763,418	6,293,090
Total assets	\$ 20,424,492	19,892,067
Liabilities:		
Accounts payable and accrued expenses	153,968	114,797
Deposits and deferred revenue	89,858	89,628
Total liabilities	243,826	204,425
Net assets:		
Without donor restrictions		
Available for operations	592,361	31,919
Board-designated strategic reserve	2,373,348	2,820,326
Net investment in capital assets	5,763,418	6,293,090
Total net assets without donor restrictions	8,729,127	9,145,335
With donor restrictions <i>(note 10)</i>	11,451,539	10,542,307
Total net assets	20,180,666	19,687,642
Commitments and contingencies <i>(notes 4, 7, 8, 9, 15, and 20)</i>		
Total liabilities and net assets	\$ 20,424,492	19,892,067

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		Total	2019
	Without donor restrictions	With donor restrictions		
Operating revenues, gains, and other support:				
Contributions and grants	\$ 238,080	494,027	732,107	381,592
Paycheck Protection Program grant (note 8)	–	269,472	269,472	–
Memberships	44,538	–	44,538	45,490
Program service revenues	197,550	–	197,550	548,051
Admissions	16,387	–	16,387	110,765
Rental income	100,675	–	100,675	567,669
Employee retention credit (note 19)	113,338	–	113,338	–
Proceed from timber sales	208,771	–	208,771	–
Other	18,956	–	18,956	36,943
Total operating revenues and gains	938,295	763,499	1,701,794	1,690,510
Appropriation of endowment assets for expenditure (note 13)	–	386,370	386,370	471,926
Net assets released from restrictions for operating purposes (note 11)	1,014,417	(1,014,417)	–	–
Total operating revenues, gains, and other support	1,952,712	135,452	2,088,164	2,162,436
Expenses (note 12):				
Program services	1,622,274	–	1,622,274	1,861,363
Management and general	787,271	–	787,271	739,036
Fundraising	295,230	–	295,230	224,289
Total expenses	2,704,775	–	2,704,775	2,824,688
Net operating results	\$ (752,063) ^[A]	135,452	(616,611)	(662,252)

^[A] Includes depreciation expense of \$548,462 in 2020.

Continued

WORLD FORESTRY CENTER

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		Total	2019
	Without donor restrictions	With donor restrictions		
Non-operating activities:				
Endowment gifts	\$ —	—	—	200
Increase in beneficial interest in assets held by the Oregon Community Foundation <i>(note 6)</i>	—	1,042,167	1,042,167	1,552,114
Net investment return <i>(note 5)</i>	307,528	146,310	453,838	530,133
Appropriation of endowment assets for expenditure <i>(note 13)</i>	—	(386,370)	(386,370)	(471,926)
Contributions restricted for capital acquisition	—	—	—	21,450
Net assets released from restriction for capital purposes <i>(note 11)</i>	28,327	(28,327)	—	—
Total non-operating activities	335,855	773,780	1,109,635	1,631,971
Increase (decrease) in net assets	(416,208)	909,232	493,024	969,719
Net assets at beginning of year	9,145,335	10,542,307	19,687,642	18,717,923
Net assets at end of year	\$ 8,729,127	11,451,539	20,180,666	19,687,642

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020									2019
	Program services			Supporting services			Fund-raising	Total		
	Public programs	Professional programs	Total	Management and general		Total				
			Facilities rentals	Administrative						
Salaries and related costs	\$ 249,734	570,239	819,973	295,630	169,124	464,754	185,743	1,470,470	1,482,410	
Fellows' stipends	—	—	—	—	—	—	—	—	104,001	
Professional fees	16,329	110,420	126,749	19,330	63,057	82,387	45,620	254,756	88,754	
Conferences	—	44,466	44,466	—	—	—	—	44,466	124,950	
Program expenses	12,469	40,656	53,125	—	—	—	—	53,125	59,515	
Cost of goods sold	1,781	—	1,781	—	—	—	—	1,781	10,972	
Promotion and marketing	2,405	—	2,405	1,523	44,359	45,882	12,971	61,258	51,781	
Maintenance, utilities, and insurance	75,652	25,208	100,860	71,723	11,417	83,140	7,833	191,833	250,978	
Office expenses	12,070	27,560	39,630	14,192	9,162	23,354	15,640	78,624	125,236	
Total expenses before depreciation	370,440	818,549	1,188,989	402,398	297,119	699,517	267,807	2,156,313	2,298,597	
Depreciation	411,347	21,938	433,285	82,269	5,485	87,754	27,423	548,462	526,091	
Total expenses	\$ 781,787	840,487	1,622,274	484,667	302,604	787,271	295,230	2,704,775	2,824,688	

See accompanying notes to financial statements.

WORLD FORESTRY CENTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 520,341	427,082
Paycheck Protection Program grant	269,472	–
Cash received from admissions, service recipients, and other	505,996	1,227,010
Distribution of investment return earned on assets held by the Oregon Community Foundation (<i>note 6</i>)	386,370	471,926
Other investment income	56,430	85,937
Cash paid to employees and suppliers	(2,113,910)	(2,287,011)
Net cash used in operating activities	(375,301)	(75,056)
Cash flows from investing activities:		
Capital expenditures	(23,762)	(456,633)
Reinvestment of interest and dividends	(54,552)	(68,354)
Purchases of investments	–	(700,000)
Proceeds from the sale of investments	482,500	35,000
Transfer of funds to the Oregon Community Foundation	–	(200)
Net cash provided by (used in) investing activities	404,186	(1,190,187)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition and long-term investment	–	21,650
Net cash provided by financing activities	–	21,650
Net increase (decrease) in cash and cash equivalents	28,885	(1,243,593)
Cash and cash equivalents at beginning of year	818,574	2,062,167
Cash and cash equivalents at end of year	\$ 847,459	818,574

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020, 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. 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, 2020, 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, 2020, 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.

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. As of December 31, 2020, the organization held \$353,620 in excess of 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.

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, and endowment gifts.

Subsequent Events – Subsequent events have been evaluated by management through May 18, 2021, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2019 – The accompanying financial information as of and for the year ended December 31, 2019 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

At December 31, 2020 WFC reported \$256,304 in contributions and grants receivable representing unconditional promises expected to be collected in less than one year.

Conditional Grants

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 ten years, provided that an equivalent amount of matching funds is raised each year. During the year ended December 31, 2020, \$55,148 was recorded as contribution, as conditions were met. The remaining balance of the grant totaling \$781,250, as of December 31, 2020, will be recorded in the financial statements once the associated conditions have been satisfied.

In addition, at December 31, 2020, WFC had access to an additional \$92,000 in grants, the receipt of which is conditioned on raising matching funds totaling \$138,000. These grant revenues have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2020.

5. Investments

At December 31, 2020, investment consists of balanced index mutual funds totaling \$3,180,942, carried at fair value.

Total return on investments and cash and cash equivalents for the year ended December 31, 2020 is as follows:

Interest and dividend income ¹	\$	56,430
Net increase in the fair value of investments		397,408
		Total net investment return
	\$	453,838

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

6. 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, 2020 are summarized as follows:

Balance at beginning of year	\$ 9,555,695
Net increase in the fair value of the funds	1,042,167
Less the distribution of investment return to WFC ¹	(386,370)
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Balance at end of year	\$ 10,211,492

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, 4.30% on the Louis W. Hill, Jr. Fund and 4.35% 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, 2020, WFC received \$386,370 in distributions.

7. Land, Buildings, and Equipment

A summary of WFC's land, buildings, and equipment at December 31, 2020 is as follows:

Timber land	\$ 462,547
Land improvements	996,926
Buildings and related improvements	7,642,434
Permanent exhibits	7,296,790
Furniture and equipment	689,666
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	17,088,363
Less accumulated depreciation	(11,324,945)
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	\$ 5,763,418

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.

8. Paycheck Protection Program Grant

In April 2020, WFC obtained an unsecured loan from a commercial bank in the amount of \$269,472, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The bank's loan is guaranteed by the U.S. Small Business Administration ("SBA"), and is designed to provide a direct incentive for organizations and other small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic (see note 20). Qualifying businesses can spend loan proceeds to cover payroll, mortgage interest, rent, and utilities, and qualify to have the loans forgiven if the proceeds are used to pay for eligible costs.

In accordance with the provisions of the PPP and SBA's promise of forgiveness, WFC used the entire amount of the loan for qualifying expenses and obtained full forgiveness of the loan subsequent to year-end.

WFC accounted for the loan as a conditional grant. All the conditions were met during the year ended December 31, 2020, and the entire amount was recognized as revenue.

In February 2021, WFC obtained a second round of PPP loan in the amount \$247,822.

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, 2020, there were no outstanding balances due under this arrangement.

10. Net Assets with Donor Restrictions

The following summarizes WFC's net assets with donor-imposed restrictions as of December 31, 2020:

*Expendable net assets
restricted for the
following purposes:*

William Hagenstein Lectures fund, for lectures by foresters for the general public	\$ 975,478
Director of Experience	210,000
Capital improvements	22,265
Youth education	11,000
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	1,218,743

*Expendable net assets
unrestricted as to purpose,
but restricted as to time:*

Pledges to benefit general operations in future periods	21,304
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<i>Endowment – unrestricted as to purpose</i>	10,211,492
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Total net assets with donor restrictions	\$ 11,451,539
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11. Net Assets Released from Restrictions

During the year ended December 31, 2020, 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	\$ 1,014,417
For capital purposes	28,327
	<hr/>
	\$ 1,042,744

12. 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.

13. Endowment

The following summarizes WFC's endowment-related activities for the year ended December 31, 2020:

	Accumulated endowment return	Endowment principal	Total
Endowment net assets at beginning of year	\$ 764,269	8,791,426	9,555,695
Net change in the beneficial interest in assets held by the Oregon Community Foundation	1,042,167	–	1,042,167
Appropriation of endowment assets for expenditure	(386,370)	–	(386,370)
Endowment net assets at end of year	\$ 1,420,066	8,791,426	10,211,492

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 4.35% of the average fair value measured over a thirteen-quarter trailing average of the World Forestry Endowment Fund, and 4.30% 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, 2020, the Board appropriation of donor-restricted endowment assets totaled \$386,370.

14. 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, 2020:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 847,459
Accounts receivable	161,094
Contributions and grants receivable	256,304
Investments	3,180,942
Beneficial interest in assets held by the Oregon Community Foundation	10,211,492
	14,657,291
<i>Less financial assets not available within the year ending December 31, 2021:</i>	
Endowment funds	(10,211,492)
Board designated reserve funds	(2,373,348)
Donor restricted funds	(1,196,478)
Funds restricted for capital improvement	(22,265)
	(13,803,583)
<i>Plus other funds subject to appropriation for expenditure:</i>	
Authorized 2021 endowment appropriations for operations	390,658
Board designated reserves approved for expenditure in 2021	500,000
	890,658
	\$ 1,744,366

Continued

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 10).

WFC holds certain reserve funds totaling \$2,373,348 and donor restricted funds totaling \$1,196,478. 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.

15. 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 \$41,900 for the year ended December 31, 2020.

16. 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, 2020, 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 5 for a summary of investments held at December 31, 2020.

At December 31, 2020, 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 6 for a summary of the change in these assets during the year ended December 31, 2020.

17. 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	\$ 493,024
<hr/>	
<i>Adjustments to reconcile increase in net assets to net cash used in operating activities:</i>	
Depreciation	548,462
Gain on insurance recovery	(7,769)
Net increase in the fair value of investments	(397,408)
Cash distribution received from the Oregon Community Foundation for operations	386,370
Increase in beneficial interest in assets held by the Oregon Community Foundation	(1,042,167)
<i>Net changes in:</i>	
Accounts receivable	(142,142)
Contributions and grants receivable	(256,304)
Prepaid expenses and other assets	3,232
Accounts payable and accrued expenses	39,171
Deposits and deferred revenue	230
<hr/>	
Total adjustments	(868,325)
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Net cash used in operating activities	\$ (375,301)
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18. Reclassification of 2019 Comparative Totals

Certain 2019 amounts presented herein have been reclassified to conform to the 2020 presentation.

19. Employee Retention Credit

During the year ended December 31, 2020, WFC claimed an employee retention credit pursuant to the CARES Act, which was enacted March 27, 2020 to encourage businesses to keep employees on their payroll during the COVID-19 crisis.

The credit applies to qualified wages paid to employees after March 12, 2020, and before January 1, 2021. An employer, regardless of size, is eligible for the credit during 2020 if the business is 1) fully or partially suspended due to a governmental order related to COVID-19, or 2) if an employer experiences a significant decline in gross receipts beginning with the first calendar quarter in 2020 in which employer's gross receipts are less than 50 percent of its gross receipts for the same calendar quarter in 2019. For eligible employers with 100 or fewer full-time employees in 2019, the credit applies to all employee wages. The credit is applied against the organization's share of social security taxes under section 3111(a) of the Internal Revenue Code and is fully refundable for the amount of the credit in excess of taxes owed.

WFC claimed a credit totaling \$113,338 for the year ended December 31, 2020, which is included in accounts receivable in the statements of financial position.

20. Coronavirus Pandemic

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses.

As a result, 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. Consequently, the WFC has experienced significant decline in certain sources of revenues, and management predict that these declines will continue well into 2021.

Management has adopted a plan to address these financial challenges including (1) a reduction in staffing and operating expenses, (2) obtaining fully forgivable loans through the Payroll Protection Program as well additional funding through the Employee Retention Credit, and COVID relief grants.

It is possible that the effects of these events could 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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WORLD FORESTRY CENTER

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