

WORLD FORESTRY CENTER

Audited Financial Statements

For the Year Ended December 31, 2021



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
World Forestry Center

### Opinion

We have audited the accompanying financial statements of World Forestry Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Forestry Center as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of World Forestry Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World Forestry Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 World Forestry Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World Forestry Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from the Organization's 2020 financial statements, which were audited by another auditor who expressed an unmodified opinion on those statements in their report dated May 18, 2021.

*McDonald Jacoby, P.C.*

Portland, Oregon  
June 6, 2022

WORLD FORESTRY CENTER  
STATEMENT OF FINANCIAL POSITION  
December 31, 2021  
(With comparative totals for 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 976,845	\$ 847,459
Accounts receivable	125,574	161,094
Pledges receivable	84,500	256,304
Prepaid expenses and other assets	5,452	3,783
Investments	3,125,880	3,180,942
Beneficial interest in assets held by Oregon Community Foundation	12,089,687	10,211,492
Property and equipment, net	5,885,817	5,763,418
 TOTAL ASSETS	 \$ 22,293,755	 \$ 20,424,492
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 505,132	\$ 153,968
Deferred revenue and deposits	144,161	89,858
Total current liabilities	649,293	243,826
Net assets:		
Without donor restrictions:		
Undesignated	840,327	592,361
Board-designated	1,873,348	2,373,348
Net property and equipment	5,885,817	5,763,418
Total without donor restrictions	8,599,492	8,729,127
With donor restrictions	13,044,970	11,451,539
Total net assets	21,644,462	20,180,666
 TOTAL LIABILITIES AND NET ASSETS	 \$ 22,293,755	 \$ 20,424,492

See notes to financial statements.

**WORLD FORESTRY CENTER**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Operating support and revenue:</b>				
Contributions and grants	\$ 193,832	\$ 45,500	\$ 239,332	\$ 732,107
Government grants - pandemic relief	1,063,602	-	1,063,602	382,810
Memberships	71,200	-	71,200	44,538
Program service revenues	208,735	-	208,735	197,550
Admissions	-	-	-	16,387
Rental income	201,869	-	201,869	100,675
Timber sales	-	-	-	208,771
Other	6,189	-	6,189	18,956
Appropriation from endowment	-	390,658	390,658	386,370
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	809,814	(809,814)	-	-
Total operating support and revenue	2,555,241	(373,656)	2,181,585	2,088,164
<b>Expenses:</b>				
Program services	1,607,325	-	1,607,325	1,622,274
Management and general	742,808	-	742,808	787,271
Fundraising	523,799	-	523,799	295,230
Total expenses	2,873,932	-	2,873,932	2,704,775
Net operating results	(318,691)	(373,656)	(692,347)	(616,611)
<b>Nonoperating activities:</b>				
Net change in beneficial interest	-	2,268,853	2,268,853	1,042,167
Net investment returns	189,056	88,892	277,948	453,838
Appropriation of endowment net assets	-	(390,658)	(390,658)	(386,370)
Change in net assets	(129,635)	1,593,431	1,463,796	493,024
<b>Net assets:</b>				
Beginning of year	8,729,127	11,451,539	20,180,666	19,687,642
End of year	\$ 8,599,492	\$ 13,044,970	\$ 21,644,462	\$ 20,180,666

See notes to financial statements.

WORLD FORESTRY CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	Program Services			Management and General			Fund- raising	2021 Total	2020 Total
	Public Programs	Professional Programs	Total	Facilities Rentals	Admini- strative	Total			
Salaries and related expenses	\$ 173,046	\$ 531,562	\$ 704,608	\$ 335,119	\$ 139,005	\$ 474,124	\$ 264,660	\$ 1,443,392	\$ 1,470,470
Professional fees	152,283	3,418	155,701	2,155	57,911	60,066	166,702	382,469	254,757
Conferences	-	43,641	43,641	-	-	-	-	43,641	44,466
Program expenses	-	121,245	121,245	-	-	-	-	121,245	51,515
Promotion and marketing	109	22,436	22,545	1,537	-	1,537	34,392	58,474	60,733
Maintenance and utilities	93,725	22,557	116,282	38,276	32,406	70,682	6,799	193,763	151,153
Office expenses	2,640	4,900	7,540	22,226	13,203	35,429	15,224	58,193	78,605
Insurance	5,213	16,013	21,226	10,095	4,187	14,282	7,973	43,481	40,679
Other	1,426	4,379	5,805	2,761	1,145	3,906	2,180	11,891	3,935
Total expenses before depreciation	428,442	770,151	1,198,593	412,169	247,857	660,026	497,930	2,356,549	2,156,313
Depreciation	388,037	20,695	408,732	77,607	5,175	82,782	25,869	517,383	548,462
Total expenses	<u>\$ 816,479</u>	<u>\$ 790,846</u>	<u>\$ 1,607,325</u>	<u>\$ 489,776</u>	<u>\$ 253,032</u>	<u>\$ 742,808</u>	<u>\$ 523,799</u>	<u>\$ 2,873,932</u>	<u>\$ 2,704,775</u>

See notes to financial statements.

WORLD FORESTRY CENTER  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Cash received from contributors, grantors, members	\$ 482,336	\$ 520,341
Cash received for pandemic relief	1,063,602	269,472
Cash received from program services, admissions, other	506,616	505,996
Distribution from beneficial interest	390,658	386,370
Investment income received	60,975	56,430
Cash paid to employees and suppliers	<u>(2,350,022)</u>	<u>(2,113,910)</u>
Net cash flows from operating activities	<u>154,165</u>	<u>(375,301)</u>
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(296,814)	(23,762)
Additions to investments	(2,573,834)	(54,552)
Proceeds from the sale of investments	<u>2,845,869</u>	<u>482,500</u>
Net cash flows from investing activities	<u>(24,779)</u>	<u>404,186</u>
 Net change in cash and cash equivalents	129,386	28,885
 Cash and cash equivalents - beginning of year	<u>847,459</u>	<u>818,574</u>
 Cash and cash equivalents - end of year	<u>\$ 976,845</u>	<u>\$ 847,459</u>

See notes to financial statements.

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

1. NATURE OF ACTIVITIES

Founded in 1966 in Portland, Oregon, the World Forestry Center ("WFC" or "the Organization") 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.

WFC's programs include:

**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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 (or certain grantor) restrictions.



WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation - Net Assets, Continued

- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction and released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included in investments are considered investments.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the outstanding balances, it has concluded that possible future losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. If material to the financial statements, unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management provides for probable uncollectible amounts for pledges receivable through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and pledges receivable. All pledges receivable are due within one year.

Investments

Investments are carried at fair value. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction.

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment and Depreciation

Acquisitions of property and equipment with estimated useful lives exceeding one year are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years for furniture and equipment, 5 to 40 years for exhibits, and 20 to 40 years for buildings.

Revenue Recognition

Revenues from various sources are recognized as follows:

**Contributions and Grants:** Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Government Grants – Pandemic Relief:** A portion of the Organization’s revenue is derived from various government programs to assist organizations during the worldwide pandemic and are conditional upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has satisfied the conditions or incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances and included in deferred revenue in the statement of financial position. See Note II for detail on specific funds received.

**Memberships:** Membership payments received from the Organization’s members are considered equivalent to contributions, without donor restrictions, and are recognized as revenue when received.

**Exchange Transactions:** WFC’s exchange transactions include revenues from admissions, program service fees, rental income, and timber sales. These revenues are generally recognized at the time-of-service or delivery.

**Donated Assets, Materials and Services:** Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, many individuals volunteer a substantial amount of time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations and administrative duties. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying consolidated financial statements.

Functional Expenses

The costs of providing the various programs and activities of WFC have been summarized on a functional basis in the statement of activities and statement of functional expenses. 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.

Income Tax Status

The Organization is a nonprofit corporation exempt from federal and state income - tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2020

The financial information as of December 31, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 976,845	\$ 847,459
Accounts receivable	125,574	161,094
Pledges receivable	84,500	256,304
Investments	3,125,880	3,180,942
Beneficial interest in assets held by Oregon Community Foundation	<u>12,089,687</u>	<u>10,211,492</u>
	16,402,486	14,657,291
Less amounts unavailable for general expenditure:		
Board designated reserve funds	(1,873,348)	(2,373,348)
Net assets with donor restrictions	(13,044,970)	(11,430,235)
Plus funds appropriated for future expenditure:		
Authorized endowment appropriations	416,914	390,658
Board designated reserve approved for expenditure	<u>500,000</u>	<u>500,000</u>
Financial assets available for general expenditure	<u>\$ 2,401,082</u>	<u>\$ 1,744,366</u>

Board-designated net assets may be spent with approval of the Board of Directors. See Note 9. See Note 7 for information about the Organization's line of credit.

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

4. INVESTMENTS

Investments consist of the following at December 31, 2021 and 2020:

	2021	2020
Cash	\$ 65,988	\$ -
Exchange traded funds	3,059,892	-
Mutual funds	-	3,180,942
Total investments	\$ 3,125,880	\$ 3,180,942

5. BENEFICIAL INTEREST IN ASSETS HELD BY THE OREGON COMMUNITY FOUNDATION

WFC established two funds held by the Oregon Community Foundation (OCF), an Oregon charitable organization, the World Forestry Center Endowment Fund and the Louis W. Hill, Jr. Fund. WFCs funds are pooled with other assets managed by OCF which are invested in a mixture of equities, fixed income instruments, alternative investment classes, and cash, and are reflected at fair value. Under the terms of the agreements, variance power has been granted to OCF, however, WFC is the beneficiary of the funds and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. Also, under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. OCF may make additional distributions from the funds to WFC upon a majority vote of all of the directors of WFC, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of WFC. The beneficial interest in assets totaled \$12,089,687 and \$10,211,492 at December 31, 2021 and 2020, respectively. The assets of the endowment funds include both expiring and perpetual donor restricted net assets (see Note 14).

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Timber land	\$ 462,547	\$ 462,547
Land improvements	996,926	996,926
Buildings and improvements	7,643,954	7,642,434
Permanent exhibits	7,296,790	7,296,790
Furniture and equipment	692,455	689,666
Construction in progress	635,473	-
Total property and equipment	17,728,145	17,088,363
Less accumulated depreciation	11,842,328	11,324,945
Net property and equipment	\$ 5,885,817	\$ 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.

Construction in progress includes costs related to plan improvements to the building owned by WFC. WFC has not yet entered into any commitments for the planned improvements.

7. 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, 2021 and 2020, there were no outstanding advances due under this arrangement.

8. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

9. BOARD-DESIGNATED NET ASSETS

The Organization has board designated strategic reserves of \$1,873,378 and \$2,373,348 at December 31, 2021 and 2020, respectfully.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	2021	2020
Net assets with expiring donor restrictions:		
William Hagenstein Lectures Fund for lectures by foresters for the general public	\$ 814,370	\$ 975,478
Director of Experience	94,648	210,000
Capital improvements	22,265	22,265
Youth education	24,000	11,000
Time restrictions	-	21,304
Endowment earnings (Note 14)	3,298,261	1,420,066
Total net assets with expiring donor restrictions	4,253,544	2,660,113
Net assets with perpetual donor restrictions:		
Endowment (Note 14)	8,791,426	8,791,426
Total net assets with donor restrictions	\$ 13,044,970	\$ 11,451,539

11. GOVERNMENT GRANTS – PANDEMIC RELIEF

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The loan may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. The Organization received a loan of \$269,472 and satisfied the conditions during 2020 and recognized the advance as government grant – pandemic relief revenue. A second loan of \$247,822 was received and the conditions were satisfied during 2021 and the advance was recognized as government grant - pandemic relief revenue.

The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization recognizes revenue at the time the refund claim is submitted. During 2021 and 2020, the Organization recognized revenue totaling \$242,231 and \$113,338, respectively, as government grant – pandemic relief revenue.



WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

II. GOVERNMENT GRANTS – PANDEMIC RELIEF, Continued

During, 2021, the Organization was awarded a \$604,594 Shuttered Venue Operators Grant (SVOG) by the Small Business Administration (SBA). The SVOG is conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as a refundable advance and included in deferred revenue on the statement of financial position. Qualifying expenses incurred through December 31, 2021 total \$573,549. Management expects to incur the remaining qualifying expenditures, and recognize the outstanding refundable advance of \$31,045 during the year ending December 31, 2022.

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable and unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the balance sheet. Revenue from customers is recognized at the time services are performed.

Revenue by type:	2021	2020
Point-in-time:		
Program services	\$ 208,735	\$ 197,550
Admissions	-	16,387
Rentals	201,869	100,675
Timber sales	-	208,771
Total revenue from exchange transactions	\$ 410,604	\$ 523,383

The beginning and ending contract balances are as follows:

	December 31,		
	2021	2020	2019
Contract liabilities (deferred revenue):			
Program services	\$ 21,052	\$ 18,460	\$ 12,960
Rentals	92,063	71,398	76,668
Total contract liabilities	\$ 113,115	\$ 89,858	\$ 89,628

Revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of each year was \$71,398 and \$76,668, respectively. There are no contract assets (accounts receivable) associated with these revenues.



WORLD FORESTRY CENTER  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

13. RETIREMENT PLAN

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 \$40,600 and \$41,900 for the years ended December 31, 2021 and 2020, respectively.

14. ENDOWMENT

The Organization's endowment consists of donor-restricted funds established for long-term support of the Organization. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or session designations.

Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classify as net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organization consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment funds
- (2) The purposes of the Organization and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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14. ENDOWMENT, Continued

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Expiring</u>	<u>Perpetual</u>	
Endowment net assets:			
Balance, December 31, 2019	\$ 764,269	\$ 8,791,426	\$ 9,555,695
Net investment return	1,042,167	-	1,042,167
Appropriated for expenditure	<u>(386,370)</u>	<u>-</u>	<u>(386,370)</u>
Balance, December 31, 2020	1,420,066	8,791,426	10,211,492
Net investment return	2,268,853	-	2,268,853
Appropriated for expenditure	<u>(390,658)</u>	<u>-</u>	<u>(390,658)</u>
Balance, December 31, 2021	<u>\$ 3,298,261</u>	<u>\$ 8,791,426</u>	<u>\$ 12,089,687</u>

Fund with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or the Act requires the Organizations 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 the fund is underwater. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in net assets with expiring restrictions. There were no deficiencies at December 31, 2021 and 2020.

Return Objectives and Risk Parameters

WFC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WCF must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, WFC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WFC has adopted an asset allocation strategy that results in an acceptable risk and return profile while also providing and acceptable probability of achieving the investment objectives over the long-term.

Spending Policy

WFC policies limit spending to 4.35% of the average fair value measured over a 13-quarter trailing average for the World Forestry Endowment Fund and 4.3% of the same measured average of the Louis W. Hill, Jr. Fund.

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15. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	Fair Value	Level 1	Level 3
<b>December 31, 2021</b>			
Exchange traded funds:	\$ 3,059,892	\$ 3,059,892	\$ -
Beneficial interest in assets held by OCF	<u>12,089,687</u>	<u>-</u>	<u>12,089,687</u>
Total fair value investments	<u>\$ 15,149,579</u>	<u>\$ 3,059,892</u>	<u>\$ 12,089,687</u>
<b>December 31, 2020</b>			
Mutual funds - balanced index	\$ 3,180,942	\$ 3,180,942	\$ -
Beneficial interest in assets held by OCF	<u>10,211,492</u>	<u>-</u>	<u>10,211,492</u>
Total fair value investments	<u>\$ 10,211,492</u>	<u>\$ -</u>	<u>\$ 10,211,492</u>

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15. FAIR VALUE MEASUREMENTS, Continued

Fair values for fixed income, equity securities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments held at OCF in pooled funds are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach. Quoted market prices are not available for certain alternative investment classes, such as limited partnership investments. The valuations for limited partnership investments are based on the net asset value of OCF's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by OCF.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include the beneficial interest in assets held by OCF: See Note 14 for the changes in these asset balances for the years ended December 31, 2021 and 2020.

16. FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash balances, investments, pledges and accounts receivable. To limit credit risk, the Organization places its cash and cash equivalents with high credit quality financial institutions. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed insured limits. Balances in excess of insured limits totaled approximately \$735,000 and \$354,000 at December 31, 2021 and 2020, respectively.

Investment securities, including investments held by OCF, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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17. RELATED PARTY TRANSACTION

The Organization engaged in business transactions with companies or organizations where board and committee members are employees or owners. During 2021, the Organization paid \$32,500 in consulting fees to two vendors who are also board members.

18. UNCERTAINTY

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

19. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through June 6, 2022, the date the financial statements were available to be issued.