



# American Forests

## Financial Statements

Years Ended December 31, 2011 and 2010

# American Forests

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## Financial Statements

Years Ended December 31, 2011 and 2010

# American Forests

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## Independent Auditors' Report

The Board of Directors  
American Forests  
Washington, DC

We have audited the accompanying statements of financial position of American Forests as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of American Forests' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 American Forests' 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Forests at December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

July 5, 2012

## Financial Statements

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**American Forests**  
**Statements of Financial Position**

<i>December 31,</i>	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 3,262,380	\$ 3,767,436
Investments	4,496,714	4,433,414
Grants receivable	163,963	465,085
Contributions receivable, net	1,099,402	1,597,450
Other accounts receivable	8,528	-
Prepaid expenses	69,758	31,750
Deposits	13,376	13,376
Property and equipment, net	81,804	102,909
<b>Total Assets</b>	<b>\$ 9,195,925</b>	<b>\$ 10,411,420</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 59,419	\$ 53,624
Grants payable	926,439	1,323,355
Accrued expenses	73,830	126,701
Deferred revenue	4,212	43,312
Deferred rent	109,183	153,374
<b>Total Liabilities</b>	<b>1,173,083</b>	<b>1,700,366</b>
<b>Net Assets</b>		
Unrestricted	4,989,678	5,064,121
Temporarily restricted	3,002,497	3,616,933
Permanently restricted	30,667	30,000
<b>Total Net Assets</b>	<b>8,022,842</b>	<b>8,711,054</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,195,925</b>	<b>\$ 10,411,420</b>

*See accompanying notes to financial statements.*

# American Forests

## Statements of Activities

<i>Year Ended December 31, 2011</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Membership dues	\$ 27,284	\$ 20,347	\$ -	\$ 47,631
Contributions	604,742	2,896,813	-	3,501,555
Grants and contracts	32,325	457,573	-	489,898
Net realized and unrealized loss on investments	(5,776)	-	(58)	(5,834)
Investment income	166,904	-	725	167,629
Sales	85,568	-	-	85,568
Miscellaneous income	82,813	-	-	82,813
Net assets released from restrictions	3,989,169	(3,989,169)	-	-
<b>Total Revenue</b>	<b>4,983,029</b>	<b>(614,436)</b>	<b>667</b>	<b>4,369,260</b>
<b>Expenses</b>				
Conservation and policy	2,742,743	-	-	2,742,743
Strategic initiatives	374,416	-	-	374,416
Communications	438,887	-	-	438,887
Development	575,614	-	-	575,614
Finance and administration	925,812	-	-	925,812
<b>Total Expenses</b>	<b>5,057,472</b>	<b>-</b>	<b>-</b>	<b>5,057,472</b>
<b>Change in Net Assets</b>	<b>(74,443)</b>	<b>(614,436)</b>	<b>667</b>	<b>(688,212)</b>
<b>Net Assets, beginning of year</b>	<b>5,064,121</b>	<b>3,616,933</b>	<b>30,000</b>	<b>8,711,054</b>
<b>Net Assets, end of year</b>	<b>\$ 4,989,678</b>	<b>\$ 3,002,497</b>	<b>\$ 30,667</b>	<b>\$ 8,022,842</b>

*See accompanying notes to financial statements.*

# American Forests

## Statements of Activities

<i>Year Ended December 31, 2010</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Membership dues	\$ -	\$ 73,980	\$ -	\$ 73,980
Contributions	244,872	5,021,438	30,000	5,296,310
Grants and contracts	152,469	793,281	-	945,750
Net realized and unrealized gain on investments	90,146	-	-	90,146
Investment income	58,620	-	-	58,620
Sales	95,788	-	-	95,788
Miscellaneous income	130,826	-	-	130,826
Net assets released from restrictions	5,246,466	(5,246,466)	-	-
<b>Total Revenue</b>	<b>6,019,187</b>	<b>642,233</b>	<b>30,000</b>	<b>6,691,420</b>
<b>Expenses</b>				
Conservation & Policy	3,274,770	-	-	3,274,770
Strategic Initiatives	249,421	-	-	249,421
Communications	442,883	-	-	442,883
Development	272,252	-	-	272,252
Finance and administration	1,134,932	-	-	1,134,932
<b>Total Expenses</b>	<b>5,374,258</b>	<b>-</b>	<b>-</b>	<b>5,374,258</b>
<b>Change in Net Assets</b>	<b>644,929</b>	<b>642,233</b>	<b>30,000</b>	<b>1,317,162</b>
<b>Net Assets, beginning of year</b>	<b>4,419,192</b>	<b>2,974,700</b>	<b>-</b>	<b>7,393,892</b>
<b>Net Assets, end of year</b>	<b>\$ 5,064,121</b>	<b>\$ 3,616,933</b>	<b>\$ 30,000</b>	<b>\$ 8,711,054</b>

*See accompanying notes to financial statements.*



**American Forests**  
**Statements of Functional Expenses**

<i>Year Ended December 31, 2011</i>	Conservation and Policy	Strategic Initiatives	Commun- ications	Total Program Services	Development	Finance and Business Ops.	Total Support Services	Total Expenses
Salaries	\$ 542,623	\$ 193,903	\$ 223,242	\$ 959,768	\$ 319,611	\$ 595,751	\$ 915,362	\$ 1,875,130
Personnel costs	44,862	16,857	12,096	73,815	15,821	25,771	41,592	115,407
Travel	36,198	732	597	37,527	3,099	40,660	43,759	81,286
Consultants	92,748	119,284	80,533	292,565	123,703	121,411	245,114	537,679
Postage	1,342	11,498	4,784	17,624	7,523	1,495	9,018	26,642
Grants	1,921,496	-	-	1,921,496	-	-	-	1,921,496
Supplies	14,568	7,125	2,320	24,013	24,655	15,062	39,717	63,731
Printing	5,385	1,865	55,518	62,768	19,580	2,628	22,208	84,976
Telephone	6,809	1,720	4,442	12,971	4,034	7,060	11,094	24,065
Equipment rental	3,488	1,072	2,770	7,330	2,499	3,211	5,711	13,040
Taxes and insurance	5,169	1,589	4,104	10,862	4,454	5,483	9,937	20,799
Rent	55,006	15,014	38,777	108,797	34,995	44,960	79,955	188,752
Depreciation and amortization	13,049	3,757	9,704	26,510	8,757	11,251	20,008	46,518
Other	-	-	-	-	6,883	51,069	57,952	57,952
<b>Total</b>	<b>\$ 2,742,743</b>	<b>\$ 374,416</b>	<b>\$ 438,887</b>	<b>\$ 3,556,046</b>	<b>\$ 575,614</b>	<b>\$ 925,812</b>	<b>\$ 1,501,426</b>	<b>\$ 5,057,472</b>

*See accompanying notes to financial statements.*

**American Forests**  
**Statements of Functional Expenses**

<i>Year Ended December 31, 2010</i>	Conservation and Policy	Strategic Initiatives	Commun- ications	Total Program Services	Development	Finance and Business Ops.	Total Support Services	Total Expenses
Salaries	\$ 637,472	\$ 118,241	\$ 187,550	\$ 943,262	\$ 138,607	\$ 617,830	\$ 756,437	\$ 1,699,700
Personnel costs	280,057	79,794	5,544	365,395	-	42	42	365,437
Travel	68,270	10,032	8,906	87,208	64	32,577	32,641	119,849
Consultants	-	12,577	121,213	133,790	88,839	303,773	392,612	526,402
Postage	2,083	11,223	12,476	25,782	17,807	5,395	23,202	48,984
Grants	2,110,215	-	-	2,110,215	-	-	-	2,110,215
Supplies	16,764	12,173	3,915	32,852	489	11,908	12,397	45,249
Printing	5,945	4,449	67,621	78,015	22,237	2,032	24,268	102,284
Telephone	13,113	932	2,955	17,000	-	12,111	12,111	29,111
Equipment Rental	5,619	-	1,334	6,953	-	5,092	5,092	12,045
Taxes and Insurance	9,176	-	2,178	11,354	-	8,104	8,104	19,458
Rent	93,266	-	22,139	115,405	-	82,368	82,368	197,773
Depreciation and amortization	29,709	-	7,052	36,761	-	26,237	26,237	62,998
Other	3,081	-	-	3,081	4,209	27,463	31,672	34,753
<b>Total</b>	<b>\$ 3,274,770</b>	<b>\$ 249,421</b>	<b>\$ 442,883</b>	<b>\$ 3,967,074</b>	<b>\$ 272,252</b>	<b>\$ 1,134,932</b>	<b>\$ 1,407,184</b>	<b>\$ 5,374,258</b>

*See accompanying notes to financial statements.*

**American Forests**  
**Statements of Cash Flows**

<i>Year Ended December 31,</i>	2011	2010
<b>Operating Activities</b>		
Change in net assets	\$ (688,212)	\$ 1,317,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,517	62,998
Net loss on disposal of property and equipment	2,036	-
Net loss/(gain) from investments	5,834	(148,766)
Changes in assets and liabilities:		
Grants receivable	301,122	482,700
Contributions receivable	498,048	(758,041)
Other accounts receivable	(8,528)	-
Prepaid expenses	(38,008)	(8,432)
Accounts payable	5,795	(383,446)
Grants payable	(396,916)	622,592
Accrued expenses	(52,871)	35,598
Deferred revenue	(39,100)	2,573
Deferred rent	(44,191)	(35,793)
<b>Net cash (used in) provided by operating activities</b>	<b>(408,474)</b>	<b>1,189,145</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(27,448)	(28,642)
Purchases of investments	(791,951)	(3,586,174)
Proceeds from the sales of investments	722,817	419,770
<b>Net cash used in investing activities</b>	<b>(96,582)</b>	<b>(3,195,046)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(505,056)</b>	<b>(2,005,901)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>3,767,436</b>	<b>5,773,337</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,262,380</b>	<b>\$ 3,767,436</b>

# American Forests

## Notes to Financial Statements

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### 1. Organization and Nature of Operations

American Forests ("AF") was founded in 1875 by citizens concerned with the waste and destruction then taking place on America's forest lands. The objective of American Forests and its members is to protect and restore forests and the ecosystems they support.

In its early years, AF was instrumental in the establishment of the National Forest System and National Park System. AF regularly leads efforts to develop improved understanding and workable solutions on issues of forest conservation.

AF seeks to accomplish its objectives through providing scientific information, education and action-oriented programs, especially tree planting for ecosystem restoration.

#### *Basis of Accounting*

The financial statements of AF are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses are recognized when an obligation is incurred.

#### *Basis of Presentation*

AF's net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net asset changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations and are fully available at the discretion of management and the Board of Directors.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of AF and/or the passage of time. At such time, these assets will be reclassified as unrestricted net assets. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by AF. Generally, the donors of these assets permit AF to use all, or part of, the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, 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.

# American Forests

## Notes to Financial Statements

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Contributions to be received after one year are discounted at an appropriate discount rate commensurate as to reflect the fair value at the date of the gift. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions and nature of fund-raising activity.

Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The major programs of AF, which are reported in these financial statements, include the following:

- *Conservation and Policy Programs* - Restoring forest ecosystems, supporting urban forest research and work, advocating for sound national forest policies and funding, promoting science and research, and working with local and community partners are the lynchpins of American Forests Conservation and Public Policy work. In the last 20 years, our Global ReLeaf program has helped restore forests in all 50 states and 38 countries around the world, planting more than 40 million trees. For almost two decades, American Forests has worked with cities and researchers around the country to analyze forest cover in urban environments and to help promote the benefits that trees in cities can provide. For more than a century, American Forests has been at the forefront of forest policy, meeting with key policymakers and arguing for appropriate plans and levels of funding to support needed work in our nation's forests. Throughout the course of its history, American Forests has grounded its work in the best science of the time, and with the 2011 creation of its Science Advisory Board, American Forests has aligned itself with some of the nation's premiere scientists to continue developing its work in and around the latest science. For decades, American Forests has worked with local partners to help restore and protect forests and has served on many local and regional coalitions and community groups to promote strong local forestry practices and partnerships.
- *Strategic Initiatives and Public Outreach* - Forests and trees impact the lives of every individual on the planet. By engaging a strong, active community of research and engagement through its Strategic Initiatives and Public Outreach program, American Forests is able to better accomplish its mission of protecting and restoring forests. In the area of research, American Forests is developing a number of new initiatives and programs that will help support new and continuing scientific endeavors, including a research institute. To engage people in its work, American Forests partners on public events, like its 2011-2012 project with Japanese embassies across America for cherry tree plantings in their respective cities, and is developing volunteering activities around key campaigns. Some other major initiatives bridge research and engagement, such as a campaign focused on America's endangered western forests, in which American Forests is partnering with leading scientists studying these forests while also creating events for individuals to help aid the efforts to save these forests.
- *Communications* - Beyond supporting the work occurring in the Conservation and Public Policy and Strategic Initiatives and Public Outreach programs, American Forests' Communications program focuses on educating its community about the issues, challenges and developments in the forestry world. This goal is accomplished through the daily blog, Loose Leaf; the monthly e-newsletter, Forest Files; and quarterly magazine, American Forests. In addition, American Forests' National Big Tree Program is a prime education effort, promoting more than 700 of America's biggest trees across hundreds of species. Every year, the program

# American Forests

## Notes to Financial Statements

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receives hundreds of nominations for big trees and uses the publication of its National Register of Big Trees to communicate the important role big trees play in ecosystems across America.

### 2. Significant Accounting Policies

#### *Cash and Cash Equivalents*

For financial statement purposes, AF considers cash and cash equivalents to include cash in banks and liquid investments with an original maturity of three months or less.

#### *Investments*

Investments in marketable securities are carried at fair value determined by quoted market prices. Donated investments received by gift are recorded by estimated fair value at the date of acquisition. Net realized and unrealized gains (losses) on investments are reflected in the accompanying statements of activities.

#### *Grants Receivable*

Grants receivable are recorded at the amounts due and do not bear interest. AF estimates an allowance for doubtful accounts based upon management's best estimate of the amount of probable credit losses existing in grants receivable. AF's allowance for doubtful accounts was \$0 at December 31, 2011 and 2010.

#### *Contributions Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted private gifts, grants and contracts in the financial statements. Conditional promises to give are not recorded as contributions receivable until such time as the conditions are substantially met. AF estimates an allowance for doubtful accounts based upon management's best estimate of the amount of probable credit losses existing in contributions receivable. AF's allowance for doubtful accounts was \$36,305 and \$39,062 at December 31, 2011 and 2010, respectively.

#### *Property and Equipment*

AF capitalizes all property and equipment purchases greater than \$400. Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation on property and equipment is calculated on the straight-line method over estimated useful lives of 5 years for furniture and fixtures, 3 years for equipment, and 3 years for software. Leasehold improvements are amortized over the lesser of the useful life or minimum lease term. Maintenance and repairs are expensed as incurred.

# American Forests

## Notes to Financial Statements

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### *Deferred Revenue*

Deferred revenue consists of cash received by AF for grants that have not been earned as of year-end.

### *Deferred Rent*

Deferred rent consists of (i) the excess of the allocable straight-line rent expense to date as compared to the total amount of rent due and payable through such period, and (ii) funds received from landlords to reimburse AF for the cost, or a portion of the cost, of leasehold improvements. Deferred rent is amortized as a reduction to rent expense over the term of the lease.

### *Revenues*

AF's revenues are mostly from contributions, grants and contracts primarily with various government entities, membership dues and the sale of merchandise related to AF's exempt activities.

A substantial portion of AF's total revenue is derived from voluntary arrangements with sponsors whose contributions and grants are designated by donors to specific programs.

Membership dues are solicited and received throughout the year.

### *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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

### *Income Taxes*

AF is a not-for-profit organization incorporated in the District of Columbia and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been determined that AF is not a private foundation as defined in Section 509(9a).

AF is subject to unrelated business income tax on any net advertising and sales revenue related to its publications. AF did not have any material unrelated business income for the year ended December 31, 2011 and 2010.

### *Recent Accounting Pronouncements*

In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06 which amends disclosure requirements for fair value measurements and disclosures. The new disclosure requirements require that an entity disclose separately the amounts of transfers in and out of Level 1 and Level 2 fair value measurements and describe the reason for the transfers. The ASU

# American Forests

## Notes to Financial Statements

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also requires reporting entities to present information about purchases, sales, issuances, and settlements separately in the reconciliation of the fair value measurements using significant unobservable inputs. The ASU is effective for periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances, and settlements in the Level 3 rollforward, which are effective for periods beginning after December 15, 2010. The adoption of the ASU did not have a material impact on AF's financial statements.

### *Reclassifications*

Certain reclassifications have been made to the 2010 financial statements to conform with the 2011 presentation. These reclassifications did not result in any changes to net assets.

### 3. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

*Level 1* - inputs utilize quoted prices in active markets for identical assets or liabilities.

*Level 2* - inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability;
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

*Level 3* - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.



# American Forests

## Notes to Financial Statements

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The following tables summarize the levels in the ASC 820 fair value hierarchy of AF's investments at December 31:

	2011		2010	
	Level 1	Level 2	Level 1	Level 2
Certificates of deposit	\$ -	\$ 690,627	\$ -	\$ 716,388
Marketable securities	\$ 3,806,087	\$ -	\$ 3,717,026	\$ -

The above marketable securities include equity investments in large and medium cap entities with sufficient trading volume to adequately access fair value. At December 31, 2011 and 2010, AF had no investments which were considered to be Level 3.

AF has not elected to report financial instruments at fair value, as provided by the fair value option in ASC 825, *Financial Instruments*. The guidance requires disclosure of fair value of all financial instruments if the fair value option is not elected. AF's financial instruments consist of cash and cash equivalents, grants and contributions receivable, accounts payable, grants payable, and accrued expenses.

The carrying amounts of cash and cash equivalents, grants receivable, accounts payable, grants payable, and accrued expenses approximate fair value due to the relative terms and short maturity of these financial instruments. The carrying amounts of contributions receivable approximate fair value since these instruments are recorded at net present value.

#### 4. Concentration of Credit Risk

Financial instruments, which subject AF to a concentration of credit risk, consist of cash and cash equivalents placed with financial institutions. AF maintains cash balances with various financial institutions, which at times may exceed the Federal Deposit Insurance Corporation limits. AF's non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the University's non-interest bearing cash balances may again exceed federally insured limits.

At December 31, 2011, AF had grants receivable due from two third-parties representing 82% and 15% of total grants receivable, respectively, and contributions receivable due from two other third-parties representing 22% and 44% of total contributions receivable, respectively.

At December 31, 2010, AF had grants receivable due from two third-parties representing 58% and 36% of total grants receivable, respectively, and contributions receivable due from two other third-parties representing 38% and 20% of total contributions receivable, respectively.

# American Forests

## Notes to Financial Statements

### Investments

Investments are stated at market value, and their unrealized gains (losses) are included in investment income as a component of unrestricted net assets in the statement of activities.

Investments consisted of the following:

<i>December 31,</i>	2011		2010	
	Market Value	Cost	Market Value	Cost
Certificates of deposit	\$ 690,627	\$ 672,000	\$ 716,388	\$ 672,000
Fixed income	2,365,385	2,435,819	2,291,299	2,352,577
Equity securities	1,440,702	1,293,728	1,425,727	1,229,714
<b>Total investments</b>	<b>\$ 4,496,714</b>	<b>\$ 4,401,547</b>	<b>\$ 4,433,414</b>	<b>\$ 4,254,291</b>

### 5. Contributions Receivable, Net

Contributions receivable, net is summarized as follows:

<i>December 31,</i>	2011	2010
Unconditional promises expected to be collected in:		
Less than one year	\$ 892,915	\$ 1,609,600
One year to five years	237,040	13,632
Over five years	6,816	13,632
Gross contributions receivable	1,136,771	1,636,864
Less unamortized discount (discount rate of 0.12% to 0.29%)	(1,064)	(352)
Less allowance for uncollectible pledges	(36,305)	(39,062)
<b>Contributions receivable, net</b>	<b>\$ 1,099,402</b>	<b>\$ 1,597,450</b>

### 6. Net Realized and Unrealized (Loss)/Gain on Investments

Net realized and unrealized (loss)/gain on investments included the following:

<i>Year Ended December 31,</i>	2011	2010
Net realized gain on sale of investments	\$ 78,122	\$ 24,438
Net unrealized (loss)/gain on investments	(83,956)	65,708
<b>Net realized and unrealized (loss)/gain on investments</b>	<b>\$ (5,834)</b>	<b>\$ 90,146</b>

# American Forests

## Notes to Financial Statements

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### 7. Property and Equipment, Net

Property and equipment, net consisted of the following:

<i>December 31,</i>	2011	2010
Furniture and fixtures	\$ 71,052	\$ 58,916
Equipment	159,294	201,460
Software	301,986	310,689
Leasehold improvements	181,710	181,710
Total property and equipment	714,042	752,775
Less: accumulated depreciation and amortization	(632,238)	(649,866)
Property and equipment, net	\$ 81,804	\$ 102,909

Depreciation and amortization expense for the year ended December 31, 2011 and 2010 was \$46,517 and \$62,998, respectively.

### 8. Retirement Plan

AF has a defined contribution retirement plan, which covers all eligible employees. Under the terms of the plan, AF will match elective deferral contributions up to a maximum of 6% of a participant's annual compensation. AF may also make discretionary contributions. Vesting occurs at the rate of 50% per year. Total contributions for the year ended December 31, 2011 and 2010 were \$35,183 and \$57,908, respectively.

### 9. Commitment and Contingencies

During 2003, AF entered into a lease for office space which covers the period October 2003 through November 2013. In connection with leasing this office space, AF was granted a period of free rent which was recorded as a part of deferred rent. The unamortized balance of the free rent at December 31, 2011 and 2010 was \$74,926 and \$101,244, respectively, and is reflected as part of deferred rent in the accompanying statements of financial position.

Office rent expense for the year ended December 31, 2011 and 2010 was \$188,752 and \$197,773, respectively.

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## Notes to Financial Statements

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The remaining minimum payments under this lease at December 31, 2011 are as follows:

*For the Year Ending December 31,*

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2012	\$ 227,096
2013	215,914
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Total	\$ 443,010

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### 10. Subsequent Events

AF's management has evaluated subsequent events from December 31, 2011 (the date of the statement of position) through July 5, 2012 (the date of the audit report). During this period, no material recognizable subsequent events were identified.