

ANNUAL REPORT 2015



Chairman's Letter

While I wasn't a founding member who helped launch the Endowment, it is something of a surprise that I learn I am now the longest-serving member of the Board. When I was CEO of a Canadian-based forest products company, I was honored to be named the Endowment's first Canadian Liaison in 2007. Later I was elected to an open position on the Board when I retired to Georgia.

As I now complete a two-year term as Chairman, I can say that I have an even deeper understanding and appreciation for what an outstanding and impactful organization the Endowment has become. It has been a privilege to serve with great peers and to work alongside such a dedicated staff.

This year we saw one of our number, Kent Gilges, opt for business reasons to end his tenure early. In his three years on the Board, Kent

took a very active role. He will be missed. However, as has been our good fortune, his shoes have been ably filled by Alicia Cramer of the Westervelt Company from Tuscaloosa, Alabama. Alicia brings a vast array of talents and experiences to the team.

Let me reinforce the thoughts of our President in regard to our external partners. I can't image what the Endowment would be without our wonderful partners. Just as many strands make a rope stronger, we are a much stronger organization as a result of each that has joined us in our important work.

I save my last words for Colin Moseley, our incoming Chairman. There is no one in the forest sector who has shared his time and talents for the good of the greater community more than has Colin. As has been said of him, "He has chaired just about every body in the forest sector." We're glad he is completing the list with service to the Endowment.

John Weaver
Chairman

President's Letter

As we celebrated our ninth birthday, we found ourselves once again in all-too-familiar territory with our corpus below the \$200 million mark. We saw our portfolio "above water" for much of 2014 and early 2015 -- a rare situation that occurred in just 18 months out of nine years. Then global markets were once again shaken in what appeared to be an echo of the Great Recession. For the Endowment these are "normal times."

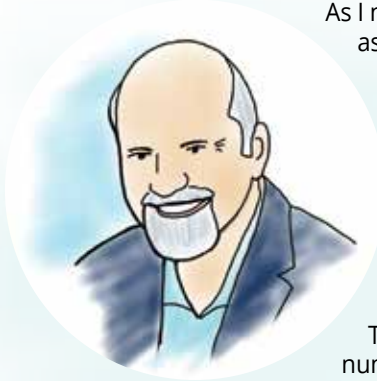
How have we built a credible program and been sound stewards of our financial resources in the face of some of the most difficult and challenging economic times in almost a century? Simply stated ... through strong partnerships! Trust, co-investment, and collaboration of our partners has allowed us to stretch our vision, our funds, and our human resources to accomplish truly great things together.

Had we founded our work on any model other than partnerships, the result would have been fewer successes, dimmed hopes and sorely depleted coffers.

With this our ninth annual report, we are especially pleased to celebrate our partners of all shapes and sizes. We can't thank each enough for taking the risk on a start-up organization with only a vision and a promise. This report highlights just a few of the successes (and challenges) that we've faced together.

Finally, we say thanks to our "internal partners"—our Board and staff—for all they've done as well. We are indeed blessed with outstanding leaders and contributors at every level. We express appreciation to John Weaver for the support and leadership he provided over the past two years as Chairman. Also, we are pleased to welcome back a former intern, Cameron Tommey, in the new role of Director, Legal & Program Compliance.

Carlton N. Owen
President & CEO



Overview

Mission

The Endowment works collaboratively with partners in the public and private sectors to advance systemic, transformative and sustainable change for the health and vitality of the nation's working forests and forest-reliant communities.

Vision

America's forests are sustainably managed to meet broad societal objectives such as marketable products, clean waters, wildlife habitats and other ecological services, while ensuring healthy and vibrant forest-reliant communities.

History

The U.S. Endowment for Forestry and Communities, Inc. (the Endowment) is a not-for-profit public charity. It was established September 21, 2006, at the request of the governments of the United States and Canada in accordance with the terms of the 2006 Softwood Lumber Agreement between the two countries.

Theory of Change

The Endowment operates under a "theory of change" that focuses on work in three areas: retaining and restoring healthy working forests; promoting and capturing multiple value streams; and enhancing community capacity, collaboration, and leadership. While many of our programmatic investments don't lend themselves to simple characterization, all are closely aligned and integrate well under this theory.

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Communities
Asheville, NC

Intern

COLEMAN ALLUMS
Furman University

1. Began service, November 2015
2. Completed service, July 2015

GOVERNMENT

Partner: U.S. Environmental Protection Agency

Healthy Watersheds Consortium

Protecting water quality by advancing best practices

The Healthy Watersheds Consortium, the Endowment's new partnership with the Environmental Protection Agency (EPA), will provide grants for protection of watersheds that are currently in good condition, with many of their services and systems intact. Each partner has committed \$625,000 per year for six years, creating a \$7,500,000 program. The Endowment will manage the grant program and bring in new public and private partners as investors in the consortium.

Our initial focus will be implementing existing watershed protection plans, building the organizational and social infrastructure needed for long-term protection efforts, and advancing the state of watershed practices. We will also help facilitate communication and collaboration on watershed protection, both within the water sector and between this group and land and natural resource conservation organizations. The EPA partnership complements our Healthy Watersheds through Healthy Forests Initiative, which highlights the economic, social and environmental benefits of well-managed forests to a quality water supply.

Launched in fall 2015, we expect to award the first grants in early 2016.

Partners: USDA Forest Service, Natural Resources Conservation Service

Sustainable Forestry and African American Land Retention Program

Partnering for forest restoration and family wealth creation

The tax liability for unmanaged forests compels many African American families to sell their ancestral holdings—land that could be working for them. When asked why his parents and grandparents had not known more about how to manage their coastal South Carolina forestland, Joe Hamilton replied, *"They were not welcome anywhere where they might have found out."*

Now the welcome mat is out and Hamilton is turning his family forest into a wealth-building asset, thanks in part to the Endowment's program. We provided funding for the Center for Heirs' Property to promote profitable, sustainable forestry practices among African American landowners, many of whom harbor profound and understandable mistrust of "outsiders." But South Carolina Forestry Commission Regional Forester Calvin Bailey has observed a change: *"They've started to see people's hearts. They see that a lot of us are in it because of the love of our job, the love of the land and the desire to help people. That's the bridge that has made the difference."*

This year marked the start of Phase II of our public-private collaboration. Read more about the Center for Heirs' Property at www.heirsproperty.org.

Partner: USDA Forest Service

Mosquito in the Tent

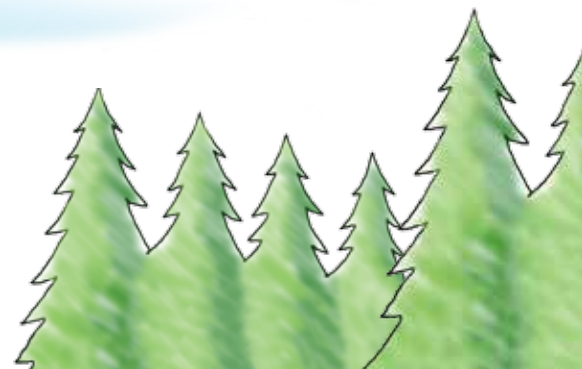
Leveraging funds, catalyzing action

"Anyone who has spent the night in a tent (or any room for that matter) with a mosquito can attest to the impact that a small organism can have on a larger one." That's how Vicki Christiansen, Associate Deputy Chief for State and Private Forestry, characterized the relationship between our small organization and the Forest Service. Speaking to our Board of Directors in 2013, she encouraged them not to underestimate how their young, six-person nonprofit could influence her agency's 35,000 employees with its 100+ year history.

We started partnering with the Forest Service almost from the moment the Endowment was formed in 2006. In fact, the Forest Service played a pivotal role in helping set the vision and direction of our organization and urged us to turn our small size to advantage by being nimble. In less than 10 years, the two organizations have collaborated to leverage a total impact of \$105 million in funding to sustain forests, deliver public benefits, and share knowledge.

In summer 2015, we released a comprehensive report and accompanying videos to highlight these innovative collaborations. Our partnership with the Forest Service is unique in its depth and breadth; our complementary missions allow for relatively small acts by the Endowment to catalyze major Forest Service projects including wood-product research and development, economic stimulus in forest-reliant communities, and forest landscape protection for numerous economic and ecological outcomes.

The full report and videos (featuring a Gifford Pinchot reenactor) can be found at: usendowment.org/partnerships/mosquitointhetent.html.





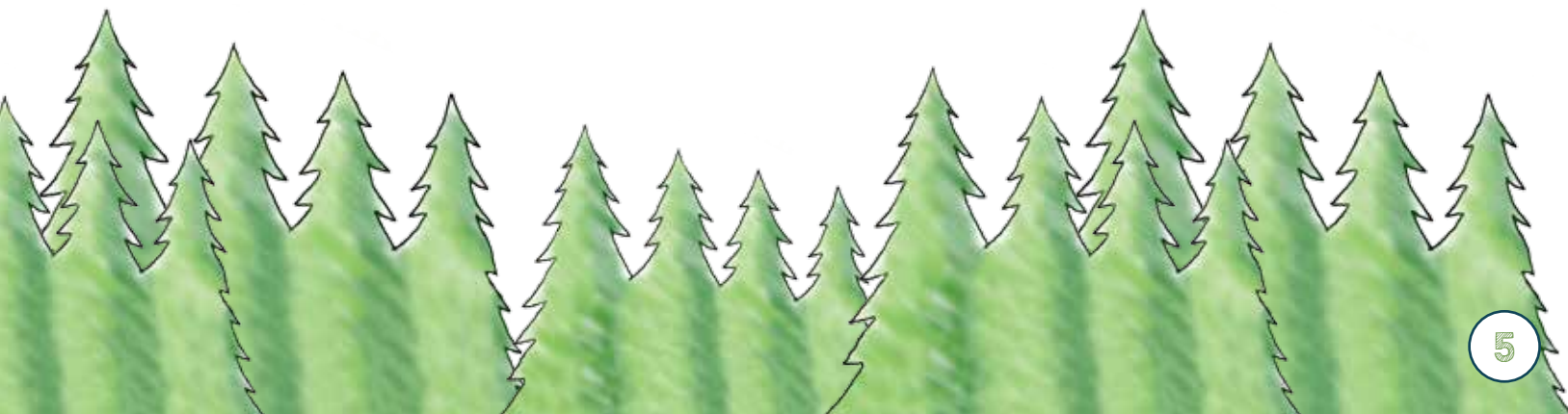
Partners: American Forest Foundation, USDA Forest Service, Gulf State Foresters

Stewardship along the Gulf Coast *Funding forest restoration in five southern states*

The Apalachicola Regional Stewardship Alliance in Florida has been tentatively approved for \$2.95 million in funding from the Gulf Coast Ecosystem Restoration Council, the federal agency overseeing distribution of BP's settlement for the Deepwater Horizon oil spill. An additional \$4.05 million is possible. The proposed project, which would direct settlement

funds towards forest restoration and conservation, is one of two forest-focused proposals prepared with Endowment help and submitted for the first round of grants.

With the American Forest Foundation and Forest Service Region 8, we initiated work with the state foresters of Florida, Alabama, Mississippi, Louisiana, and Texas to ensure that forests would be part of the restoration solution. The 2010 oil spill affected over 1,000 miles of Gulf of Mexico coastline. Forests comprise 50 percent of the land cover in the Gulf's coastal counties and must play a role in its recovery. Forests provide wildlife habitat, storm protection, clean water, and support rural jobs. Private landowners typically manage 85 percent or more of the woodlands, so engaging them in stewardship practices is vital to forest health.



NON-PROFITS/PRIVATE FOUNDATIONS

Partner: Northern Forest Center

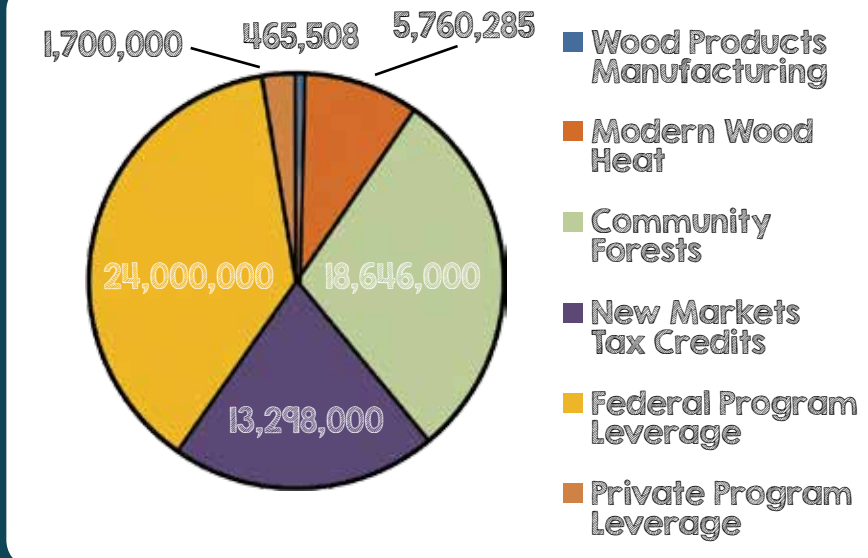
Northern Forest Investment Zone

Documenting the return on investment

In 2015 we received an excellent scorecard for the Endowment's \$2 million, five-year support of the Northern Forest Investment Zone project, which ended in 2013. The project was intended to revive the forest-rich rural communities of the Northern Forest through innovation in secondary wood products manufacturing, nature-based tourism, modern wood heat, community-owned forests, and policy change at both state and federal levels. It was one of three regional projects.

The Northern Forest Center collected data on jobs, leveraged financial resources, and counted working forestland stimulated by the Endowment investment and reported the following result:

2,215 jobs retained or created by secondary wood products manufacturers, nature-based tourism providers, and modern wood heat businesses.



35,678 acres of working forestland **preserved** through establishing community-owned forests and New Markets Tax Credit-financed land purchases.

\$64 million leveraged for forest-based community economic development projects and forest stewardship.

Partner: American Water Works Association

Demonstration Watershed Projects

Reducing utilities' costs for high-quality drinking water



"The U.S. Endowment for Forestry and Communities continues to expand its partnership with the nation's water sector as it works to integrate sustainable forestry with the goals of clean and safe water pursued by utilities. The Endowment entered into a productive partnership with the American Water Works Association (AWWA) several years ago. Since then, the Endowment has worked with related organizations such as the Water Research Foundation and the Water Environment Research Foundation to

pursue relevant research projects on the economic and environmental benefits of forest management, protection and restoration to utility managers. This is relevant to both drinking water and

wastewater utilities, the former focused on compliance with the Safe Drinking Water Act, the latter on the Clean Water Act.

Given the Endowment's emphasis on the forestland-water nexus, which necessitates a place-based approach, it has also provided generous financial support to exciting new regional initiatives in the Ohio, Savannah, and Potomac river basins involving both electric as well as water utilities. (Electric utilities must avoid polluting the water while removing pollutants from the air.)

AWWA is grateful for the Endowment's support of its member utilities."

G. Tracy Mehan III
Executive Director, Government Affairs
American Water Works Association

Partners: Land Trusts and Conservancies

Using Data for Better Planning

Coordinating land protection

The conservation community's land acquisitions and easements are a complicated mosaic, but the picture created by those many small pieces became easier to visualize in 2015, thanks to collaborative projects that improved the National Conservation Easement Database (NCED).

The Endowment provided the original funding for and coordinated the development of the NCED, which was launched in 2011. For more on the database, see www.conservationeasement.us.

With the Dallas-based Meadows Family Foundation, for example, we financed creation of the Deepwater Horizon Project Tracker (www.dwhprojecttracker.org), a user-friendly, comprehensive system to track projects funded by BP's settlement for the 2010 Gulf oil spill.

And the Wyoming-based Knobloch Family Foundation tested aerial imagery to provide cost-effective review of land status. Knobloch is also a partner in the Endowment's military base-buffering programs (pages 8-9) and recently began supporting working

forest conservation programs in the Savannah River watershed of Georgia and South Carolina. Like the Endowment, the Knobloch Family Foundation is interested in innovative approaches and can move quickly to take advantage of opportunities as they arise.



"I have had the opportunity, since 1993, to be involved with the Blandin Foundation, whose mission is to strengthen rural Minnesota communities, especially Grand Rapids. There's almost a mantra at Blandin: "It is always all about the relationships." I have learned that while the money is important for strengthening rural communities, that it is never ever the solution. As we often say, if you were able to stand on the street corner and hand out just the money, nothing would change.

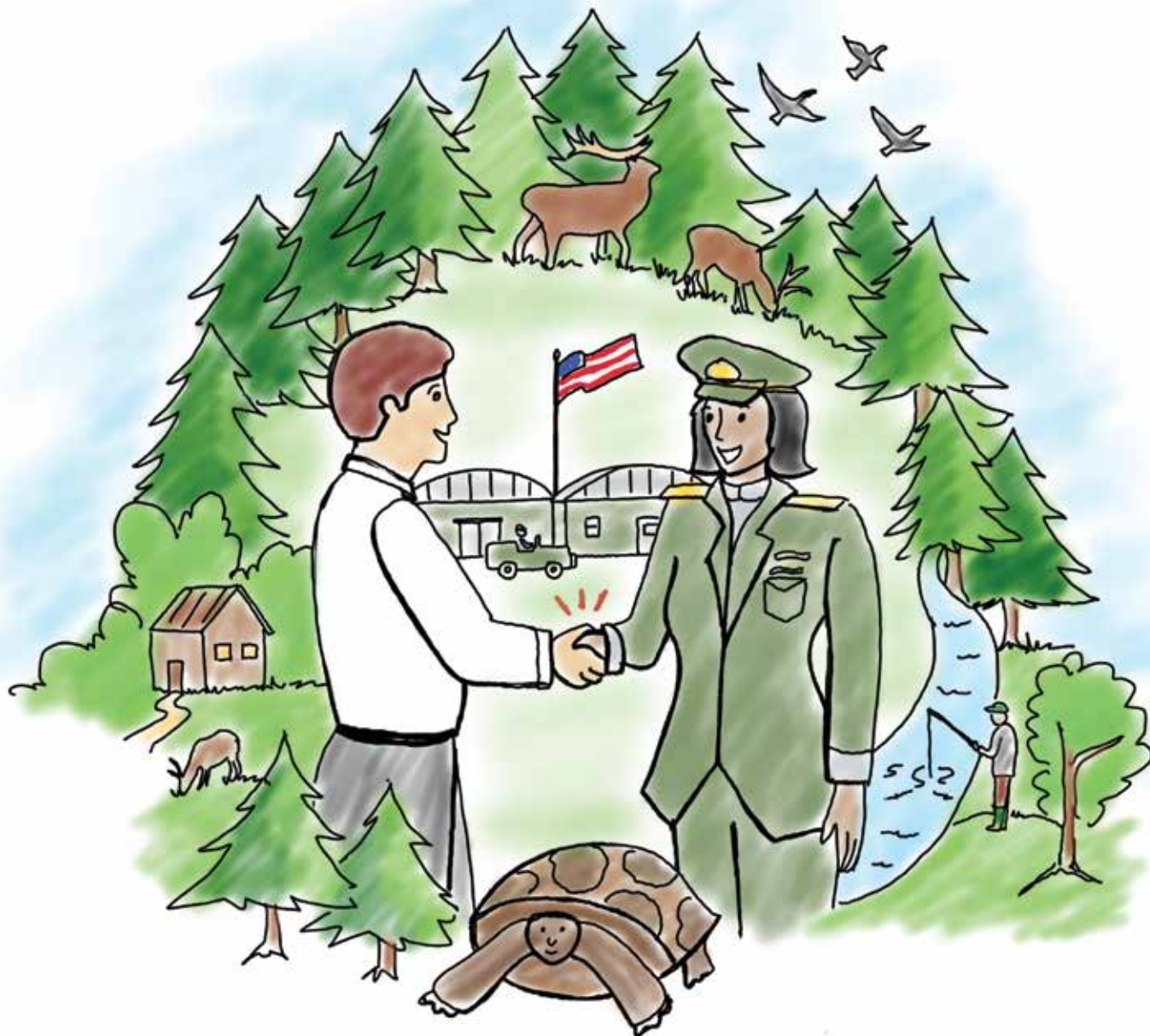
My observation is that the Endowment really gets it. That is, the staff understands that it is not the money that they are able to bring to communities. They work with the understanding that it takes a true partnership to create the conditions for change. The Endowment understands its role in this process and respects the partners that it is privileged to work with in order to help create sustainable healthy change in forest-reliant communities."

Jim Hoolihan

Trustee, The Blandin Foundation
CEO, Industrial Lubricant
Endowment Board Member



MILITARY



Partners: Department of Defense, Land Trusts

Readiness and Environmental Preparedness Integration

Financing land protection around military bases

Through its Readiness and Environmental Preparedness Integration (REPI) program, the Department of Defense has brought together groups that appear to be odd bedfellows—land trusts, the military, working forest owners, local businesses—to find promising ways to finance land protection and harness the creativity of the private sector.

Thanks to REPI, the military has been able to slow encroachment by development around its bases and thus avoid curtailing its live-fire and maneuver training. At the same time, the ecological communities that buffer the military installations benefit through increased regional planning and conservation of green corridors—imperative to promoting species migration

and adapting to climate change effects. The human community also benefits through safety, enhanced economic opportunities from working forests, and increased water quality.

The REPI Challenge began as a pilot in 2012, offering competitive funding mechanisms for land transactions that buffer eligible military bases while testing ways to conserve working forests at scale. As of the end of 2015, the Endowment had helped protect, acquire, or conserve thousands of acres of land around military installations by providing management services to REPI Challenge.

REPI Challenge

Since 2012, the U.S. Endowment has managed the Department of Defense's annual REPI Challenge, calling for partners to work with local military installations to propose large landscape conservation projects with innovative financing.



In 2015, three REPI Challenge projects were awarded to protect 28,000 acres of land at a 77% partner cost-share at Forts Benning and Stewart in Georgia, Naval Air Station Fallon in Nevada, and Naval Shipyard Portsmouth Survival, Evasion, Resistance, and Escape School in Maine. Over the four years of the Challenge, more than \$67 million – or a 76% partner cost-share – has been leveraged to protect a total of 65,000 acres of land benefitting the missions at 8 military installations.

These remarkable investments and land protection accomplishments are only made possible by the efforts of local partners who dedicate time and energy to marshalling the stakeholders and resources at the local level. *"I am always impressed by, and grateful for, the efforts of our partners,"* says Kristin Thomasgard-Spence, Director of the REPI Program, *"They work at the local, regional, and national levels to address compatible land use and critical habitat loss issues around military installations and rally their communities to invest in solutions that are mutually beneficial. Without partners like the U.S. Endowment, we could not have accomplished so much."*

Kristin Thomasgard-Spence

Program Director, Readiness and Environmental Protection Integration Program
United States Department of Defense

Partners: The Nature Conservancy, Natural Resources Conservation Service, U.S. Fish and Wildlife Service


Regional Conservation Partnership Program

Benefiting working forests, species conservation, and the military

A \$12 million grant to the Endowment in 2015 allowed us to accelerate land protection around military bases. The funding source is the Natural Resources Conservation Service, which awards USDA funds under the Regional Conservation Partnership Program (RCPP).

Aware of our REPI program to protect military bases (see related story), The Nature Conservancy's Georgia chapter in 2014 suggested tapping RCPP, which similarly encourages conservation partnerships that benefit landowners, communities, and natural resources. The Endowment and The Nature Conservancy coordinated military partners from six installations in four states in preparing a proposal to protect thousands of acres of working forests and benefit at-risk species, particularly those found in longleaf pine ecosystems.

The species benefits are critical: if the eastern gopher tortoise and other species are listed as endangered, working forest owners and military installation commanders face significant constraints. The project that the Endowment and the Conservancy proposed is designed to protect tortoise habitat and demonstrate that working forest practices can be compatible with at-risk species management. Another partner, the U.S. Fish and Wildlife Service, is contributing to on-the-ground conservation efforts to keep the at-risk species from being listed as endangered. Linking the resources of federal partners is an Endowment strength.



"The complex training and strategic requirements of any military installation demand multi-stakeholder approaches to land management and conservation. The unique tools that the Endowment has fostered in partnership with the Department of Defense operate at the intersection of mission and conservation. These tools protect military assets and capabilities, meet Service priorities, and provide a method for sharing costs with other public and private sources. The Endowment's role as a convener and facilitator has brought together local and state government, non-profit conservation organizations, land trusts, and military installations to achieve shared goals."

General John Kulhavi (Army-Retired)
Managing Director—Wealth Management
Global Wealth Management, Merrill Lynch
Endowment Board Member

FOR-PROFIT

Partners: Menominee Tribe, Indian Land Capital Company

Sawmill Upgrade

Providing economic and environmental benefits

In our first-ever partnership with a tribal entity, we worked in 2015 with the Menominee Indian Tribe's business unit—Menominee Tribal Enterprises—to upgrade the boiler at the tribe's sawmill in Neopit, Wisconsin. This upgrade is expected both to enhance economic efficiencies and to improve the facility's environmental performance.

We used our modest financial investment with the tribe to catalyze collaboration and attract more than \$3 million from other funding partners. We brought to the table the Indian Land Tenure Foundation and its affiliate—Indian Land Capital Company—to ensure that this project could move forward.

The Menominee Tribe completed the boiler upgrade in summer 2015 and can now look forward to providing sustainably produced wood products and vitally important jobs well into the future.

Partner: Enviva

Enviva Forest Conservation Fund

Retaining hardwood forests

In 2015 we joined the largest U.S. producer of wood energy pellets, Enviva, in promoting retention of hardwood forests. The program, part of the company's sustainability commitment, involves the Endowment in two ways:

- We will administer the Enviva Forest Conservation Fund, a \$5 million, 10-year investment to purchase conservation easements on working forests in North Carolina and Virginia; and,
- We are coordinating the development of a science-based process to identify enhanced management practices to further ecological benefits of managed forests.

The company also committed to voluntarily protect from harvest a range of high-conservation-value forest elements, including cypress-tupelo swamps, Atlantic white cedar stands and rare plant communities in Carolina bays and pocosins.



Partners: Softwood Lumber Board, American Wood Council

"Mass Timber" Buildings

Removing the barriers to engineered-wood construction

The Endowment has partnered with the Softwood Lumber Board (an organization we helped create through our early work on "check-offs") and the American Wood Council to stimulate the U.S. market for mass timber construction. Momentum is growing for building with cross-laminated timber (CLT), or "plywood on steroids." Widely used in Europe over the past 20 years, these large, solid, engineered-wood panels are a lightweight, cost-effective alternative to concrete, masonry, and steel, especially for multistory buildings. CLT panels have a smaller environmental footprint than competing products, are easily and rapidly installed, and do not generate onsite waste.

Two challenges for CLT in the U.S. are outdated building codes, which generally do not allow their structural use in buildings above six stories, and limited production capacity. With our partners, we are working to secure changes to building codes and helping U.S. firms take advantage of federal programs that will reduce the costs of their R&D investments and get production going.

Partners: Forest Products Companies

Convening to Enhance the Timber Harvesting/Hauling System

When we bring together voices across an industry, we at the Endowment sometimes hear perfect harmony. That was the case when we convened leaders from the nation's consuming mills and major landowners regarding challenges to the timber harvesting/hauling sector. After a day of vigorous discussion, the collaborative group began to speak in unison: the single greatest challenge, they agreed, was finding qualified truck drivers to get the raw material and products from forest to market.

Although each firm might have come to this conclusion on its own, it was our role as a convener and synergist that highlighted hauling weaknesses as a systemic—rather than an isolated—problem. As people around the room shared their experiences, it became clear that this issue was not one of “firm versus firm.”

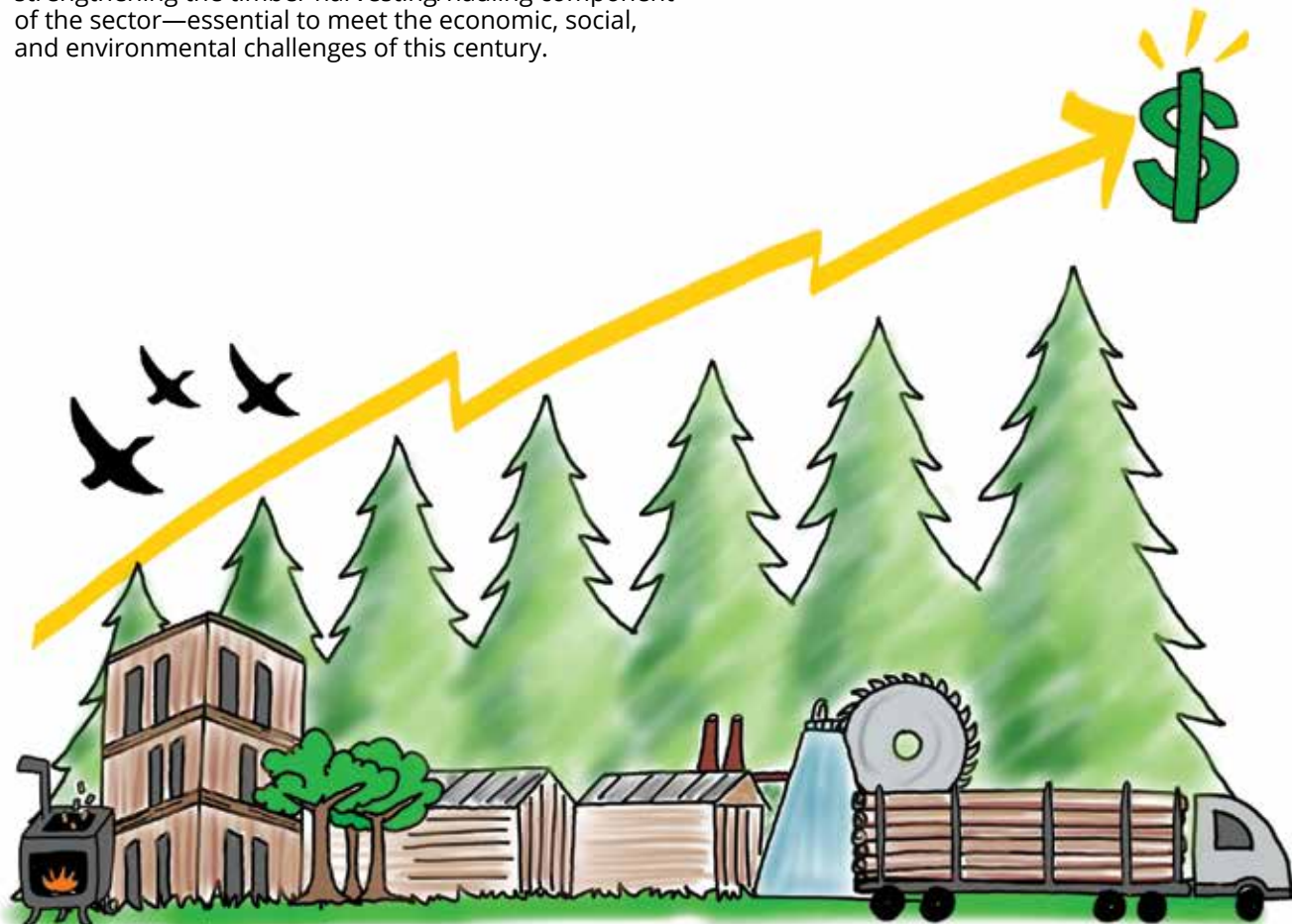
Moving into 2016, we will further the discussion and look for ways to enhance collaboration and cooperation. A pilot project in a subregion of the U.S. Southeast will identify the potential for systemic, transformative, and sustainable change. We see this pilot as a first step to strengthening the timber harvesting/hauling component of the sector—essential to meet the economic, social, and environmental challenges of this century.

Hardwood Sector Marketing

Passing up opportunity

In 2015 we saw the end of our five-year effort to bring industry leaders together through a USDA “commodity check-off” program that would have allowed generic marketing of hardwood products. The rationale for growing the market was strong: in 2007, going into the Great Recession, America's hardwood industry produced some 16 billion board feet of lumber and plywood products, but by 2010 those numbers had fallen by half.

The hardwood check-off was to be modeled on current check-offs for softwood lumber and for paper and paper-based packaging. Because of opposition within the hardwood industry, however, in October the USDA terminated further consideration. We are nevertheless proud of our investment of time and funds (\$241,000 in direct cash invested from the Endowment alone) to help competitors see their common interest and equitably invest for the future.



RESEARCH INSTITUTIONS

Partners: USDA Forest Service, Research Institutions, Private Companies

Consortium for Advanced Wood-to-Energy Solutions

Taking torrefied wood to scale

Thanks to process improvements funded by an Endowment partnership, torrefied wood could soon be produced in quantities sufficient to support commercial-scale testing at a coal-fired power plant. Production is planned to start in the western U.S., where large volumes of low-value wood are becoming available from forest restoration efforts on National Forests. Few other markets for this material exist. Torrefied wood could generate not only electric power but also enough revenue to accelerate restoration treatments on degraded landscapes at risk of catastrophic wildfire.

The Consortium for Advanced Wood-to-Energy Solutions (CAWES) was established by the Endowment and the Forest Service and now has dues-paying members—universities and private companies seeking to produce torrefied wood at commercial scale. When lightly “roasted” to drive off water and volatile chemicals and then densified, wood becomes an energy-rich biobased material that can be a direct substitute for coal in energy production.

Several large utilities have committed to membership in CAWES because they see torrefied biomass as a potential replacement or co-firing material for coal in existing power facilities. Its use would extend the capital investment made by ratepayers while reducing carbon dioxide emissions all while benefitting forest retention and health. Now that’s a win-win-win!

Partners: Forest Products Lab, Universities, Nonprofits, Industry

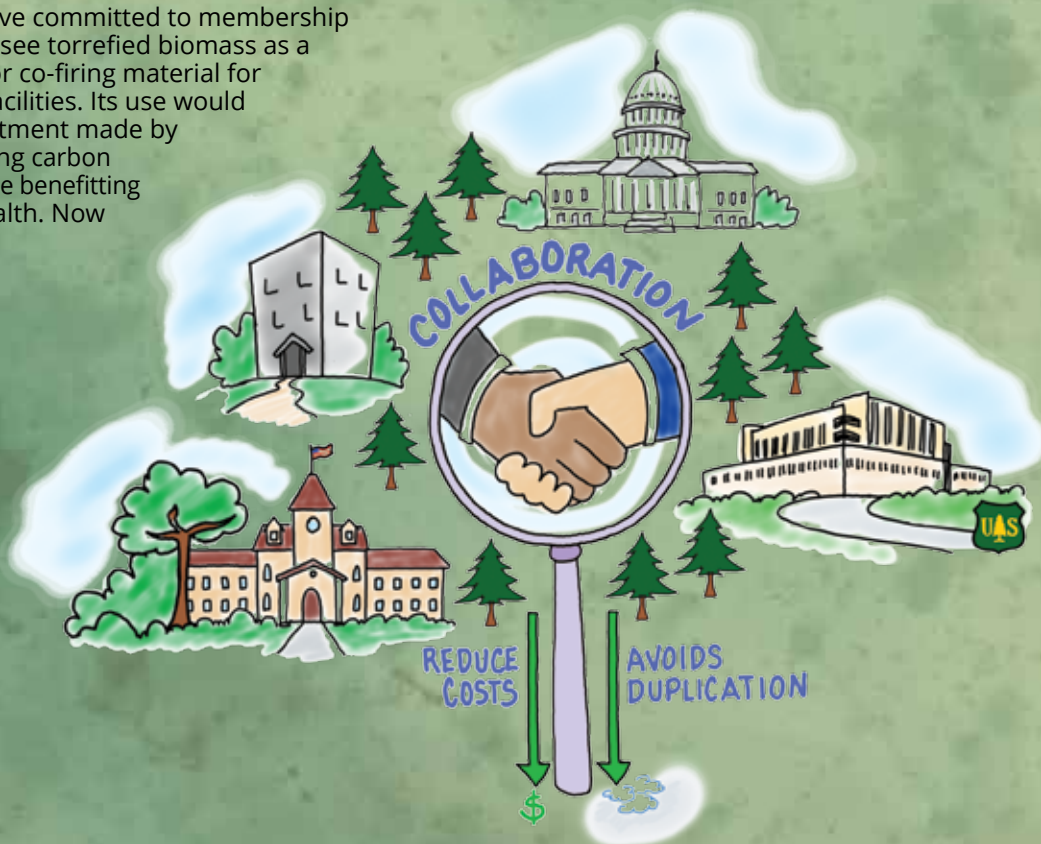
P3Nano

Preparing for commercialization

Making wood-derived nanomaterials market-ready was the year’s focus for P3Nano, the Endowment’s public-private partnership to advance 21st Century forest products. We prepared a safety data sheet that explains how to safely handle cellulosic nanomaterials (CN) and identifies data gaps. FP Innovations, Canada’s public-private forest products research arm and a P3Nano partner, began studying possible inhalation risks associated with CN, and we started working with U.S. regulatory agencies—the EPA, the FDA—on testing protocols.

CN has exceptional strength and is less costly to manufacture than competing products. A few of P3Nano’s 11 projects indicate the range of possible applications:

- At Purdue and Oregon State, researchers are incorporating CN in concrete to improve strength and workability and, by reducing the amount of cement required, reducing concrete production’s associated CO₂ emissions by 15 percent.



- At the Forest Products Lab, P3Nano-funded scientists are working with collaborators at Michigan State to improve the performance of 100 percent biobased plastics by using CN.
- At the University of Maine, scientists worked with Paperlogic on commercial-scale production of cellulosic nanofibrils, which will be used in innovative paper products and could replace petroleum-based chemicals in plywood and fiberboard.
- At Georgia Tech and in partnership with Yamaha, P3Nano is funding research on CN composite materials for the auto industry.

Our original benchmark was to see commercial production of CN begin in the United States in three years—a goal achieved in just two years. P3Nano was founded by the Endowment and the Forest Service's Forest Products Lab to benefit forests and forest-based communities by developing wood-based nanomaterials.

Kim Nelson, Vice President of Nanocellulose Technology at American Process Inc., observed, *"The Endowment—through P3Nano—is playing a crucial, global role in accelerating the commercialization of cellulosic nanomaterials. With assistance from the Endowment's investments, this multi-functional material is making the leap from lab to market."*



"By bridging the gap between government, for profit, and non-profit funders, the Endowment can concentrate leveraged funds in research labs in forest communities across the country. Through their P3Nano initiative, for example, they are forging partnerships to accelerate cutting-edge technologies to make nanocellulose a viable, sustainable, and economically strong market. While this research and development may have occurred without the catalytic action of the Endowment, it surely would not have happened with such coordination and urgency."

John T. Cooper Jr.

Professor of Practice at
the Texas A&M University
Endowment Board Member

Partner: USDA Forest Service

Forest Health Initiative

Collaborating to advance forest health solutions

When the Endowment and the Forest Service launched the Forest Health Initiative in 2009, we agreed on an unorthodox approach to biotechnology research. Instead of issuing blanket requests for proposals, we identified institutions that were already leaders in the technology and invited them to participate in an "open platform" approach to filling knowledge gaps. Traditional competitors for research funds were asked to collaborate and freely share information. Results point to the power of the model: Clemson, Penn State, SUNY-College of Environmental Science and Forestry, University of Georgia, U.S. Forest Service Forest Genetics and Ecosystems Biology lab, and Virginia Tech began to view each other as partners, cutting years off traditional research processes and yielding significant scientific advances.

While the science work continues, 2015 advances include work at Oregon State University to better understand how to engage the public in discussions about use of biotechnology in forest conservation and explorations with the three federal regulatory agencies with oversight of genetically modified organisms – EPA, FDA and USDA Animal & Plant Health Inspection Service – to consider more timely and cost-effective pathways to move products from the laboratory to the field to address forest health issues.

CANADA

Partners: Canadian Forest Service, USDA Forest Service

Forest Summit 2015

Cooperating across the border

In 2015 the Endowment convened a summit to advance cross-border collaboration between Canada and the United States on forest health. As U.S. Secretary of Agriculture Tom Vilsack noted at the occasion of the first summit, *"bugs don't recognize borders."* Thus, the two countries are working to expand strategic collaboration to avoid duplication and speed results to address common forest health challenges.

The summit, the third convened by the Endowment since 2012, reviewed joint research to fight forest pests and wildfires while growing markets to expand on-the-ground forest health treatments. The chiefs of the two federal forestry agencies, the U.S. Forest Service and the Canadian Forest Service, were joined for the first time by FPInnovations, Canada's public-private forest products research partnership, and the two U.S.-based forest sector commodity check-off programs, for softwood lumber and for paper and paper-based packaging.

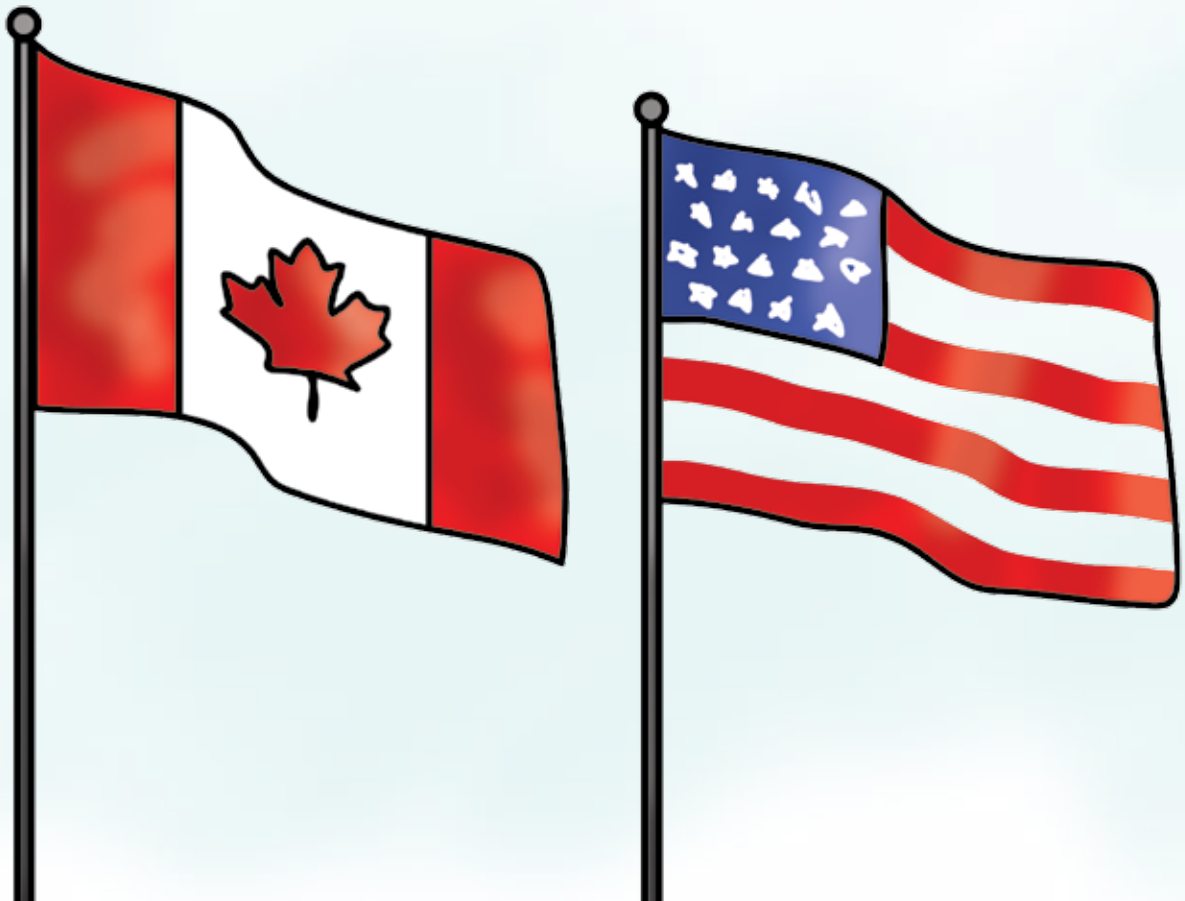
Examples of summit results include:

- **E-learning on safe international trade in forest commodities**
Training forest sector personnel

To reduce the risks that international trade will introduce alien insects and diseases to forests, the Endowment's cross-border partners released "Good Practices for Forest Health Protection," North American edition (<http://www.fao.org/forestry/foresthealthguide/76169/en/>). The online course reviews phytosanitary practices for nurseries, forest management, forest operations, and postharvest processing and transportation, and takes a systems approach to reducing pest problems.

- **Forest pests**
Controlling the damage

Spruce budworms periodically infest forests in eastern Canada and New England, leaving a path of devastation. To limit damage from the current outbreak, scientists in Canada and the U.S. are collaborating in two studies to review pest transport models and population-based behavior to enact effective intervention strategies.



Statements of Financial Activity

(For the 12 Months Ended December 31)

Program Investment	2015*	2014	2013
Partner Investment (public and private support)	\$3,332,000	\$2,631,000	\$3,109,000
Program Expenditures			
Grants and Contracts	9,255,000	6,458,000	6,536,000
Impact Investments (\$11,533,000 cumulative)	2,610,000	2,750,000	1,574,000
Total	\$11,865,000	\$9,208,000	\$8,110,000

Operation Expense

Personnel, general and administrative	\$655,000	\$648,000	\$629,000
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Investment Activity

Income, realized and unrealized gains	(\$3,085,000)	\$17,854,000	\$19,458,000
Total Increase in Net Assets	(9,663,000)	13,379,000	15,402,000
Net Assets at Beginning of Period	217,853,000	204,474,000	189,072,000
Net Assets at End of Period	\$208,190,000	\$217,853,000	\$204,474,000

Cumulative Leverage

Endowment investments of \$47,845,000 leveraged \$274,725,000 in internal and external investments for a total of \$322,570,000.		2007-2015
	External Investment	\$230,042,000
	Partner Investment	44,683,000
	Endowment Investment	47,845,000
		\$322,570,000

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**2015 information is preliminary pending completion of year-end closing and audit procedures.*

THEORY OF CHANGE

FOREST VALUE STREAMS



VIBRANT
FOREST-RELIANT
COMMUNITIES

HEALTHY WORKING
FORESTS

FOREST
RETENTION

FOREST
HEALTH

ASSET
CREATION

INNOVATION

WOOD
TO
ENERGY

INITIATIVES

TRADITIONAL
MARKETS

NON-
TRADITIONAL
MARKETS

