U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2022 and 2021

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Independent Auditor's Report

The Board of Directors
U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Greenville, South Carolina

Opinion
We have audited the consolidated financial statements of U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries (the "Endowment"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Endowment as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Endowment and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Endowment'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Endowment'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.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023 on our consideration of the Endowment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Endowment's internal control over financial reporting and compliance.

FORVIS, LLP

Greenville, South Carolina
September 6, 2023

U. S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2022 and 2021

		2022		2021
ASSETS				
Cash and cash equivalents	$	**4,058,454**	$	2,492,761
Restricted cash		**4,657,701**		5,070,080
Grants receivable		**3,061,582**		3,251,478
Other receivables		**851,986**		520,888
Other assets		**416,287**		407,622
Notes receivable		**1,846,928**		1,152,641
Investments		**247,635,293**		284,425,359
Operating lease right-of-use assets, net		**640,061**		-
Property and equipment, net		**19,955,882**		19,884,202
Total assets	$	**283,124,174**	$	317,205,031
LIABILITIES AND NET ASSETS				
Accounts payable and other accruals	$	**2,543,797**	$	2,974,809
Operating lease liabilities		**638,862**		-
Line of credit		**3,150,000**		-
Other liabilities		**4,860,165**		5,270,080
Total liabilities		**11,192,824**		8,244,889
Net assets:				
Net assets without donor restrictions:				
Without donor restrictions		**22,636,985**		23,121,290
With donor restrictions		**249,294,365**		285,838,852
Total net assets		**271,931,350**		308,960,142
Total liabilities and net assets	$	**283,124,174**	$	317,205,031

U. S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Consolidated Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Without donor restrictions:		
Interest and dividend income, net of investment fees	**$ 52,187**	$ 72,854
Federal support	**7,968,777**	10,102,334
Private support	**382,268**	612,878
Paycheck Protection Program income	**-**	256,356
Other income	**547,583**	541,193
Net assets released from restrictions	**12,977,764**	10,934,848
Total support, revenues and gains	**21,928,579**	22,520,463
Expenses:		
Program	**21,569,520**	20,913,023
Management and general	**843,364**	841,399
Total expenses	**22,412,884**	21,754,422
Increase (decrease) in net assets without donor restrictions	**(484,305)**	766,041
With donor restrictions:		
Interest and dividend loss, net of investment fees	**(451,296)**	(268,757)
Net realized and unrealized gains (losses) on investments and other investment income	**(25,623,770)**	44,516,974
Private support	**2,508,343**	1,771,514
Net assets released from restrictions	**(12,977,764)**	(10,934,848)
Increase (decrease) in net assets with donor restrictions	**(36,544,487)**	35,084,883
Total increase (decrease) in net assets	**(37,028,792)**	35,850,924
Net assets at beginning of year	**308,960,142**	273,109,218
Net assets at end of year	**$ 271,931,350**	$ 308,960,142

U. S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	**$ (37,028,792)**	$ 35,850,924
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Net realized and unrealized losses (gains) on investments and other investment income	**25,623,770**	(44,516,974)
Depreciation	**642,295**	520,463
Amortization of operating lease right-of-use assets	**96,544**	-
Paycheck Protection Program income	**-**	(256,356)
Net changes in operating assets and liabilities:		
Grants receivable	**189,896**	(127,191)
Other receivables	**(331,098)**	210,802
Other assets	**(8,665)**	40,747
Notes receivable	**(694,287)**	1,052,452
Accounts payable and other accruals	**(431,012)**	82,692
Operating lease liabilities	**(97,743)**	-
Other liabilities	**2,464**	11,304
Net cash used by operating activities	**(12,036,628)**	(7,131,137)
Cash flows from investing activities:		
Sales of investments	**65,718,359**	87,389,919
Purchases of investments	**(54,552,063)**	(79,470,162)
Purchases of property and equipment	**(713,975)**	(602,154)
Net cash provided by investing activities	**10,452,321**	7,317,603
Cash flows from financing activities:		
Proceeds from line of credit	**7,333,000**	-
Repayments of line of credit borrowings	**(4,183,000)**	-
Repayment of mitigation fund liability	**(412,379)**	-
Net cash provided by financing activities	**2,737,621**	-
Net increase in cash and cash equivalents	**1,153,314**	186,466
Cash and cash equivalents at beginning of year	**7,562,841**	7,376,375
Cash and cash equivalents at end of year	**$ 8,716,155**	$ 7,562,841
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	**$ 4,058,454**	$ 2,492,761
Restricted cash	**4,657,701**	5,070,080
	$ 8,716,155	$ 7,562,841

U. S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Program	**Management and General**	**Total**	**Program**	**Management and General**	**Total**
Timberhauling.com, ForesTrust and Restoration Fuels	**$ 4,495,829**	**$ -**	**$ 4,495,829**	$ 3,455,113	$ -	$ 3,455,113
All other programs	**14,619,015**	**-**	**14,619,015**	15,394,729	-	15,394,729
Compensation - officers	**342,620**	**85,655**	**428,275**	328,655	82,164	410,819
Compensation - non-officers	**1,470,421**	**408,879**	**1,879,300**	1,253,623	444,280	1,697,903
Training/Recruitment	**12,280**	**3,240**	**15,520**	12,675	3,670	16,345
Employee benefits	**437,377**	**115,415**	**552,792**	333,726	98,933	432,659
Travel	**45,501**	**73,855**	**119,356**	514	9,101	9,615
Communications	**51,967**	**13,713**	**65,680**	49,504	14,675	64,179
Utilities/Supplies/Other	**57,252**	**15,108**	**72,360**	38,134	11,307	49,441
Professional services	**12,307**	**79,258**	**91,565**	27,745	145,061	172,806
Insurance	**24,951**	**6,584**	**31,535**	18,605	5,516	24,121
Interest expense	**-**	**15,878**	**15,878**	-	2,600	2,600
Taxes/other	**-**	**25,779**	**25,779**	-	24,092	24,092
	$ 21,569,520	**$ 843,364**	**$ 22,412,884**	$ 20,913,023	$ 841,399	$ 21,754,422

Notes to the Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

U.S. Endowment for Forestry and Communities, Inc. is a not-for-profit organization incorporated and established in 2006 at the request of the governments of the United States and Canada in accordance with the terms of the Softwood Lumber Agreement ("SLA") between the two countries. The U.S. Endowment for Forestry and Communities, Inc. is one of three entities designated to share in a one-time infusion of funds to support "meritorious initiatives" in the United States. It was endowed with $200 million under the terms of the SLA. The U.S. Endowment for Forestry and Communities, Inc. has been chartered with two purposes: 1) educational and charitable causes in timber-reliant communities; and 2) educational and public-interest projects addressing forest management issues that affect timber-reliant communities, or the sustainability of forests as sources of building materials, wildlife habitat, bio-energy, recreation and other values.

The U.S. Endowment for Forestry and Communities, Inc. has a wholly owned subsidiary, Restoration Fuels, LLC ("RF"). The purpose of RF is to advance forest health through production of environmentally-friendly fuel for energy. RF became operational in January 2018 and its activity has been consolidated in the consolidated financial statements for the years ended December 31, 2022 and 2021.

The U.S. Endowment for Forestry and Communities, Inc. has a wholly owned subsidiary, Timberhauling.com ("TH"). The purpose of TH is to provide a technology platform for Timber Haulers. TH became operational in June 2019 and its activity has been consolidated in the consolidated financial statements for the years ended December 31, 2022 and 2021.

The U.S. Endowment for Forestry and Communities, Inc. has a wholly owned subsidiary, ForesTrust, LLC ("FT"). The purpose of FT is to provide a cost-effective network to accurately and efficiently track wood and wood fiber from the forest to the consumer. FT became operational in September 2020 and its activity has been consolidated in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Principles of Consolidation

The consolidated financial statements include the accounts of the U.S. Endowment for Forestry and Communities, Inc. and the Subsidiaries (collectively, the "Endowment"). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements. Estimates could also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Endowment considers unrestricted highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

At times throughout the year, the Endowment may temporarily maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. Management attempts to minimize this exposure by minimizing un-invested cash balances and monitoring the strength of the financial institutions with which it has accounts.

Restricted Cash

Restricted cash consists of funds received from the Commonwealth of Virginia and Mountain Valley Pipeline, LLC that are to be used to provide mitigation of the forest fragmentation impacts from the Mountain Valley Pipeline project. The Endowment is required to hold the funds, together with any interest and investment returns thereon, in a separate account to be used for funding of the forest mitigation projects.

Grants Receivable

Grants receivable consist of unsecured balances due from grantor agencies for reimbursement of allowable grant expenditures and do not bear interest.

Notes Receivable

Notes receivable are due primarily from for-profit organizations that are working on various projects related to the Endowment's purpose and are recorded at estimated net realizable value. Credit is extended to the for-profit organizations and collateral is not required in some cases. Notes are due between fiscal years of 2023 to 2034. Interest rates on the notes vary based on the terms of the note. Management reviews the receivables periodically and provides an allowance for uncollectible accounts at a level which, in management's judgment, is adequate to absorb potential losses inherent in uncollectible notes receivables.

Investments

The Endowment's investments are recorded at fair value.

The fair values of investments in publicly traded money market funds which are valued at $1,532,515 and $628,531 at December 31, 2022 and 2021, respectively, are determined based upon quoted market prices.

Investments in equity, fixed income and real asset common and commingled trust funds, directional hedge funds, and certain limited partnerships which are valued at $173,262,125 and $215,302,130 at December 31, 2022 and 2021, respectively, do not have quoted market prices. The fair value of such investments is based upon the net asset value of the respective funds, which are based upon the estimated fair values of the underlying investments. The fair values of the underlying investments are based upon quoted market prices, where applicable, or upon estimated fair values determined by the respective fund managers and are subject to review by the Endowment and independent annual financial statement audits.

The consolidated statements of financial position also include investments in certain private limited partnerships valued at $71,600,653 and $67,952,792 at December 31, 2022 and 2021, respectively. The recorded market price for such investments is estimated by the individual investment manager of the funds taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent arm's-length transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio. The fair value of such investments is subject to review by the Endowment and independent annual financial statement audits.

See Note 4 for further discussion of the measurements and methodology used by the Endowment to determine the fair value of investments.

Investment securities are exposed to several risks, such as changes in interest rates, market fluctuations, and credit risks. Due to the risks 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 such changes could materially affect the amounts reported in the Endowment's consolidated financial statements.

Operating lease right-of-use assets

Lease assets are recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service.

Property and Equipment

Property and equipment are reported at cost, if purchased, or fair value at the date of donation. The Endowment's policy is to capitalize property and equipment with value greater than $5,000. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. Depreciation expense was $642,295 and $520,463 for the years ended December 31, 2022 and 2021, respectively.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Endowment and changes therein are classified and reported as follows:

> *Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by the Endowment or may otherwise be limited by contractual agreements with outside parties.
>
> *With Donor Restrictions* - Net assets whose use by the Endowment is subject to donor-imposed stipulations that can be fulfilled by actions of the Endowment pursuant to those stipulations or that expire by the passage of time, as well as net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Endowment.

Revenue and Support

Contributions received are recorded as without donor restrictions revenue and support or with donor restrictions revenue and support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions.

Functional Expenses

The cost of providing various programs and supporting services has been reported on a functional basis on the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Some expenses, including supplies and materials, are directly identifiable and are charged to accordingly. Allocations of significant costs, including compensation and related expenses, contractors, and professional and consultant fees, are based on estimates of time and effort and other reasonable methods.

Fair Value of Financial Instruments

The fair value of the financial instruments of the Endowment are set forth as follows:

Cash and cash equivalents, restricted cash, grants and others receivables, other assets, accounts payable and other accrual, and other liabilities - The carrying amounts approximate fair value due to the immediate or short-term maturity of these instruments.

Notes receivable - Notes receivable amount to approximately $1,847,000 and $1,153,000 as of December 31, 2022 and 2021, respectively. The fair value of notes receivable is estimated to be approximately $1,663,000 and $1,101,000 as of December 31, 2022 and 2021, respectively. The fair value was estimated using discounted cash flow analyses, using interest rates for corporate bonds with similar maturities for borrowers of similar credit quality.

Investments - Investments are carried at fair value as determined by quoted market prices or other available information (see Note 4).

Income Taxes

The Endowment has obtained tax exempt status under Internal Revenue Code Section 501(c)(3), and as such, is exempt from income taxes except on unrelated business income. Accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for Federal and state income taxes. The Endowment has determined that there are no material unrecognized tax benefits or obligations as of December 31, 2022.

RF is a limited liability company under the Internal Revenue Code. RF reported a net loss for the years ended December 31, 2022 and 2021, therefore, there was no tax expense. Accordingly, no provision has been made for Federal or state income taxes.

TH is a limited liability company under the Internal Revenue Code. TH reported a net loss for the years ended December 31, 2022 and 2021, therefore, there was no tax expense. Accordingly, no provision has been made for Federal or state income taxes.

FT is a limited liability company under the Internal Revenue Code. FT reported a net loss for the years ended December 31, 2022 and 2021, therefore, there was no tax expense. Accordingly, no provision has been made for Federal or state income taxes.

Adoption of New Accounting Standard

Effective January 1, 2022, the Endowment adopted the requirements of Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance, *(Topic 840)*, is the recognition of a right-of-use asset (ROU) and lease liability on the consolidated statement of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Endowment elected to use the alternative transition method to measure and recognize leases that existed at January 1, 2022. For leases existing at the effective date, the Endowment elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. The Endowment elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all and to use the risk-free discount rate. Also, the Endowment has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term and any variable lease payments are recognized in the period the payments occur. The adoption did not have an impact on net assets.

The most significant impact of adoption was the recognition of approximately $730,000 of ROU assets and operating lease liabilities at January 1, 2022.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

Financial assets at December 31:

	2022	2021
Cash and cash equivalents	**$ 4,058,454**	$ 2,492,761
Grants receivable	**3,061,582**	3,251,478
Other receivable	**851,986**	520,888
	$ 7,972,022	$ 6,265,127

As noted in Note 11, the endowment funds consist of donor-restricted endowments specified for a variety of purposes. Income from donor-restricted endowments is restricted for specified purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the Endowment's liquidity management plan, cash in excess of daily requirements is invested in short-term investments.

3. Investments

The estimated fair values of investments at December 31 follows:

	2022	2021
Cash held in brokerage accounts	**$ 1,240,000**	$ 541,906
Money market funds	**1,532,515**	628,531
Equity common and commingled trust funds	**89,360,947**	117,076,463
Fixed income common and commingled trust funds	**39,348,550**	45,200,645
Real asset common and commingled trust funds	**12,562,669**	21,075,314
Directional hedge funds	**25,336,821**	26,401,494
Limited partnerships	**6,653,138**	5,548,214
Private limited partnerships	**71,600,653**	67,952,792
Total investments	**$ 247,635,293**	$ 284,425,359

The investments detailed above represent all investments held by the investment manager at December 31, 2022 and 2021, and do not include programmatic investments.

Other investment fees incurred for the direct sales and purchases of investments are recorded as transaction costs and are netted with interest and dividend income.

4. Fair Value of Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Endowment has the ability to access.

Level 2 – Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All assets reported at fair value have been valued using a market approach, except for Level 3 assets.

For level 3 assets, management consults with its investment committee and a third-party investment advisory firm, to establish fair value measurement valuation policies and procedures. At least annually, management and the investment committee determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts unobservable inputs used in the fair value measurements based on current market conditions and third-party information. There were no changes in the valuation techniques during 2022.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Endowment believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level within the fair value hierarchy the Endowment's assets accounted for at fair value on a recurring basis as of December 31, 2022 and 2021:

		Fair value measurements at December 31, 2022 using:		
	Fair value at December 31, 2022	Quoted prices In active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant Unobservable inputs (Level 3 inputs)
Assets measured at fair value:				
Money market funds	$ 1,532,515	$ 1,532,515	$ -	$ -
Private limited partnerships	71,600,653	-	-	71,600,653
Total investments included in the fair value hierarchy	73,133,168	$ 1,532,515	$ -	$ 71,600,653
Investments at net asset value	173,262,125			
Total investments	$ 246,395,293			

Investments, described in Note 3, are held at fair value and included in the table above except cash held in brokerage accounts totaling $1,240,000.

		Fair value measurements at December 31, 2021 using:		
	Fair value at December 31, 2021	Quoted prices In active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant Unobservable inputs (Level 3 inputs)
Assets measured at fair value:				
Money market funds	$ 628,531	$ 628,531	$ -	$ -
Private limited partnerships	67,952,792	-	-	67,952,792
Total investments included in the fair value hierarchy	68,581,323	$ 628,531	$ -	$ 67,952,792
Investments at net asset value	215,302,130			
Total investments	$ 283,883,453			

Investments, described in Note 3, are held at fair value and included in the table above except cash held in brokerage accounts totaling approximately $542,000.

The following table sets forth a summary of the Endowment's investments with a reported estimated fair value using net asset value per share at December 31, 2022 and 2021:

	Fair value at December 31, 2022	Fair value at December 30, 2021	Redemption Frequency	Redemption Notice Period	Redemption Terms
Equity common and commingled trust funds (a)	**$ 89,360,947**	$ 117,076,463	monthly, daily	5 – 30 days, 1 day	none
Fixed income common and commingled trust funds (b)	**39,348,550**	45,200,645	monthly, daily	5 – 30 days, 5 – 90 days, 1 day	none
Real asset common and commingled trust funds (c)	**12,562,669**	21,075,314	daily, monthly	1 day, 5 days	none
Diversifying (d)	**25,336,821**	26,401,494	quarterly	120 days	Redeem 25% of shares
Partnerships measured at NAV:					
Private equity (e)	**6,653,138**	5,548,214	manager's discretion	N/A	10-year maturity with potential 2 one-year extensions
Total investments at net asset value	**$ 173,262,125**	$ 215,302,130			

(a) The funds include various U.S domestic large, mid and small cap securities and international equity securities including equity securities of companies located in the less developed countries of the world.
(b) The funds include various fixed income investments in the sovereign bonds and other fixed income securities in the U.S and worldwide in an attempt to outperform both the broad U.S. bond market and the broad worldwide bond market. These funds also invest in investment grade inflation-indexed securities, including U.S. Treasury inflation indexed securities and non-U.S. dollar denominated inflation-indexed securities.
(c) The funds include various assets across a broad spectrum of commodity and natural resource-oriented asset categories pursuing a multi-strategy approach to investing in the commodities and natural resource markets, which include futures, options on futures and forward contracts on exchange traded agricultural goods, metals, minerals, energy products, natural resources and foreign currencies.
(d) The funds seek to provide investors with a marketable alternative strategies investment program capable of producing consistently positive returns regardless of the direction of the broader markets. The long-term return objective is to outperform 3-month Treasury bills by more than 400 basis points annually, net of fees and expenses. The goal of the Fund is to offer access to a moderate volatility investment program with little or no net market exposure, yielding consistent returns independent of market direction. The Fund allocates assets to investment funds managed by third party investment managers ("Third Party Investment Funds") in four broad investment categories: event-driven, credit, equity market neutral and absolute return multi-strategy managers. Some or all of the marketable alternative strategies may be deployed across U.S. and non-U.S. markets.
(e) The fund's investment objective is to generate long-term capital appreciation across management buyouts, leveraged acquisitions, build-ups, recapitalizations, control restructurings growth equity transactions, and pre-public offering opportunities.

The fair values of investments in money market funds are determined based upon market closing process, using a market approach.

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from December 31, 2021 to December 31, 2022:

Fair Value Measurements Using Unobservable Inputs (Level 3)

	Private Credit Fund	Real Estate Opportunity Fund	Natural Resources Partnerships	Private Equity Partnerships	Venture Capital Partnership	Distressed Debt Partnership	Offshore Limited Partnership	Environmental Sustainability Partnership	Secondary Partnership	Total
Beginning balance, December 31, 2021	$ 5,581,977	$ 20,473,249	$ 2,876,999	$ 16,262,537	$ 18,255,663	$ 102,068	$ 1,984,088	$ 306,135	$ 2,110,076	$ 67,952,792
Total gains or losses included in changes in net assets:										
Unrealized gains (losses)	322,433	2,974,371	664,071	(870,520)	(3,857,939)	8,270	(7,878)	185,265	41,809	(540,118)
Purchases, issuances/subscriptions, and sales:										
Purchases	85,784	1,987,080	532,000	4,416,250	2,406,250	-	-	1,710,000	480,000	11,617,364
Sales/distributions	-	(4,867,711)	(458,639)	(1,600,470)	(336,734)	(27,549)	-	(138,282)	-	(7,429,385)
Ending balance, December 31, 2022	$ 5,990,194	$ 20,566,989	$ 3,614,431	$ 18,207,797	$ 16,467,240	$ 82,789	$ 1,976,210	$ 2,063,118	$ 2,631,885	$ 71,600,653

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from December 31, 2020 to December 31, 2021:

Fair Value Measurements Using Unobservable Inputs (Level 3)

	Private Credit Fund	Real Estate Opportunity Fund	Natural Resources Partnerships	Private Equity Partnerships	Venture Capital Partnership	Distressed Debt Partnership	Offshore Limited Partnership	Environmental Sustainability Partnership	Secondary Partnership	Total
Beginning balance, December 31, 2020	$ 2,542,224	$ 13,558,183	$ 1,823,791	$ 11,034,009	$ 9,928,284	$ 131,630	$ 3,501,568	$ -	$ -	$ 42,519,689
Total gains or losses included in changes in net assets:										
Unrealized gains	440,284	4,355,381	609,617	4,683,680	6,117,887	6,331	135,341	216,135	750,076	17,314,732
Purchases, issuances/subscriptions, and sales:										
Purchases	2,633,238	2,591,457	530,000	3,286,250	3,552,500	-	-	90,000	1,360,000	14,043,445
Sales/distributions	(33,769)	(31,772)	(86,409)	(2,741,402)	(1,343,008)	(35,893)	(1,652,821)	-	-	(5,925,074)
Ending balance, December 31, 2021	$ 5,581,977	$ 20,473,249	$ 2,876,999	$ 16,262,537	$ 18,255,663	$ 102,068	$ 1,984,088	$ 306,135	$ 2,110,076	$ 67,952,792

Alternative investments include all investments for which a readily determinable fair value does not exist. For the Endowment, alternative investments whose fair values are estimated using net asset value per share include its investments in common and commingled equity, fixed income common and comingled, and real asset common and comingled trust funds, diversifying funds, and private equity partnerships. In accordance with accounting principles generally accepted in the United States, the Endowment estimates the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Unless it is possible that all or a portion of the investments will be sold for an amount different from net asset value, the Endowment applies a practical expedient and concludes that the net asset value reported by the underlying funds approximates the fair value of these investments.

Level 3 alternative investments whose fair values are estimated using unobservable inputs include private credit and real estate opportunity funds, and natural resources, private equity, venture capital, distressed debt, offshore limited partnerships, environmental sustainability partnerships, and secondary partnerships. The Endowment has estimated the fair value of its alternative investments, such as partners’ capital per share, without adjustment. The following are descriptions of each alternative investment:

The Endowment has an investment in a private credit fund of $5,990,194 and $5,581,977 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $12,000,000 and has unfunded commitments of $7,183,230 and $7,269,014 as of December 31, 2022 and 2021, respectively. These funds are ineligible for redemption and the typical lives of the partnerships are 9 years and 10 years from the date of formation but can be extended under certain circumstances. The partnership invests primarily in U.S. corporate middle market direct lending, with some exposure to non-U.S. corporate middle market direct lending, real estate lending and private credit opportunities.

The Endowment has an investment in a real estate opportunity fund of $20,566,989 and $20,473,249 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $30,000,000 and has unfunded commitments of $12,450,721 and $14,437,801 as of December 31, 2022 and 2021, respectively. These funds can be redeemed quarterly with 120 days advance notice prior to the last business day of the calendar quarter. The partnership invests primarily in non-core private real estate funds. The objective of the fund is to deliver non-core real estate exposure primarily through external real estate managers.

The Endowment has an investment in a natural resources partnership of $3,614,431 and $2,876,999 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $4,000,000 and has unfunded commitments of $740,000 and $1,272,000 as of December 31, 2022 and 2021, respectively. These funds are ineligible for redemption and the typical life of the partnership is 12 years from the date of formation but can be extended under certain circumstances. The partnership invests primarily in limited partnerships, which in turn, make oil, gas, and other natural resource-related investments with the objective of obtaining long-term growth of capital.

The Endowment has investments in international and domestic private equity partnerships of $18,207,797 and $16,262,537 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $35,500,000 and has unfunded commitments of $16,472,500 and $20,888,750 as of December 31, 2022 and 2021, respectively. These funds are ineligible for redemption and the typical life of the partnerships are 12 years from the date of formation but can be extended under certain circumstances. These partnerships generally seek to generate higher returns over the long-term than those generally available on the foreign and domestic securities exchanges through investments in a diversified portfolio of international and domestic private capital funds.

The Endowment has an investment in a venture capital partnership of $16,467,240 and $18,255,663 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $21,500,000 and has unfunded commitments of $8,488,250 and $10,894,500 as of December 31, 2022 and 2021, respectively. These funds are ineligible for redemption and the typical life of the partnership is 12 years from the date of formation but can be extended under certain circumstances. This partnership seeks to earn returns above those on publicly traded stocks by investing in early stage, high growth private companies, principally in the information technology and life sciences/healthcare fields.

The Endowment has an investment in a distressed debt partnership of $82,789 and $102,068 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $2,000,000 and has unfunded commitments of $305,200 as of December 31, 2022 and 2021. The Endowment may redeem certain portions of its investment on each December 31, provided the fund has not commenced a general liquidation; however, interests in the fund with respect to longer-term investments as defined by the offering memorandum, are not redeemable by the Endowment until the corresponding longer-term investments are realized. The partnership seeks to pursue an investment program comprised of performing restructured debt, stressed debt, distressed debt and mezzanine debt investments that seeks to provide a net internal rate of return in the mid-teens.

The Endowment has an investment in an offshore limited partnership fund of $1,976,210 and $1,984,088 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $5,000,000 and has unfunded commitments of $948,838 as of December 31, 2022 and 2021. The Endowment may not withdraw capital from the fund during the investment period (3 years) and the post-investment period (3 years with two 1 year extensions). The partnership seeks to acquire secured debt assets to provide 6% annual cash distributions paid quarterly

The Endowment has an investment in an environmental sustainability partnership fund of $2,063,118 and $306,135 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $4,500,000 and has unfunded commitments of $2,700,000 and $4,410,000 as of December 31, 2022 and 2021, respectively. The Endowment may not withdraw capital from the fund during the investment period except under certain limited circumstances. The partnership seeks to provide investors the opportunity to invest in target funds, which in turn, make investments that provide environmental and sustainability benefits to society.

The Endowment has an investment in a secondary partnership fund of $2,631,885 and $2,110,076 at December 31, 2022 and 2021, respectively. The Endowment has committed a total of $4,000,000 and has unfunded commitments of $2,160,000 and $2,640,000 as of December 31, 2022 and 2021, respectively. The Endowment may not withdraw capital from the fund during the investment period except under certain limited circumstances. The partnership seeks to acquire investments principally in secondary market transactions in leveraged buyout, growth equity, distressed securities, mezzanine financing, natural resources, and venture capital investment funds on a global basis.

Total net gains or losses for level 3 assets for the periods above are included in net realized and unrealized gains on investments and other investment income on the consolidated statements of activities. There were no transfers in or out of Level 3 for the years ended December 31, 2022 and 2021.

5. Leases

The Endowment leases certain buildings under the terms of non-cancellable operating leases. Operating lease expense is recognized in operations on a straight-line basis over the lease term. In determining lease asset values, the Endowment considers fixed payment terms, incentives, and options to extend or terminate. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. Variable payments, such as variable common area maintenance, are expensed in the period incurred and not included in the lease asset or liability values.

As noted in Note 1, the Endowment adopted ASC 842, *Leases,* effective January 1, 2022, using the alternative transition method, under which the prior period consolidated financial statements were not restated for the new guidance.

The components of lease expense and related classification in the accompanying consolidated statement of activities was as follows during 2022:

Operating lease cost (contract services):		
Fixed lease cost	$	126,183
Short-term lease cost		10,587
Variable lease cost		32,364
Total operating lease cost	$	169,134

Cash paid for amounts included in the measurement of lease liabilities for the year ended December 31, 2022, is as follows:

Operating cash flows from operating leases	$	97,743

The following table presents operating lease-related assets and liabilities at December 31, 2022:

Operating leases:	
Right-of-use assets	$ 640,061
Current portion of operating lease liabilities	91,523
Long-term operating lease liabilities	547,339
Total operating lease liabilities	$ 638,862

Operating lease liability maturities are as follows:

2023	$ 120,786
2024	105,000
2025	105,000
2026	105,000
2027	105,000
Thereafter	212,352
Total	753,138
Less: Interest	(114,276)
Operating lease liabilities	$ 638,862

Other information:

Weighted-average remaining lease term – operating leases	6.95 years
Weighted-average discount rate – operating leases	5.0%

6. Property and Equipment

Property and equipment at December 31, 2022 and 2021 consists of the following:

	2022	2021
Land	**$ 621,858**	$ 621,858
Building	**332,368**	324,101
Machinery and equipment	**7,444,257**	7,444,257
Construction in progress	**13,063,084**	12,357,376
Total property and equipment	**21,461,567**	20,747,592
Less: accumulated depreciation	**(1,505,685)**	(863,390)
	$ 19,955,882	$ 19,884,202

7. Line of Credit

In February 2017, the Endowment entered into a line of credit with a financial institution. The principal amount of the line of credit is $5,000,000 with monthly interest payments; interest rate is Term Secured Overnight Financing Rate (“SOFR”) market index plus 1.60%. The balance on the line of credit was $3,150,000 and $- as of December 31, 2022 and 2021, respectively. The line of credit was renewed in October 2022 and expires on November 1, 2024. The line of credit is secured by investments.

8. Other Liabilities

In January 2018, the Endowment received $5 million as the custodial partner attendant to an impact directed environmental agreement in connection to the Endowment's mission to support forestry in North America. The Endowment acts as custodian of the funds; the funds will be reflected as an asset and liability on the consolidated statements of financial position and investment income is recorded as both an asset and liability when earned. Management fees are earned by the Endowment in connection with the agreed level of custodial activities. As of December 31, 2022 and 2021, approximately $4,658,000 and $5,070,000, respectively, was recorded within other liabilities on the consolidated statements of financial position, with an offsetting asset recorded in restricted cash.

9. Employee Benefit Plan

The Endowment sponsors a Simplified Pension Plan whereby deposits in an amount equal to 11% of each employee's gross pay is deposited into a self-directed individual retirement account. Employees are eligible to participate in the plan from the first day of employment and are fully vested in all funds deposited into their accounts. The Endowment's contribution totaled approximately $245,000 and $197,000 for the years ended December 31, 2022 and 2021, respectively.

In March 2014, the Endowment began sponsoring a 457(b) Deferred Compensation Plan for certain of its management employees. Contributions are based on agreements between individual employees and the Endowment and may not exceed the lesser of $17,500 or 100% of employee compensation. Amounts accrued on deferred compensation are payable to plan participants upon separation from employment or attaining age 70 ½. The market value of investments and the related obligation to covered employees was approximately $38,000 and $84,000 at December 31, 2022 and 2021, respectively.

10. Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022 and 2021:

	2022	2021
Cellulosic Nanofibrils GRAS Study	**$ 36,656**	$ 224,896
NRCS – DoD Forest Conservation	**27,500**	27,500
Endowment earnings to support ongoing programs (See Note 11)	**47,635,293**	84,425,359
Forest Conservation Fund	**725,583**	387,756
Forest Resilience Bonds	**166,666**	166,667
Savannah River Project	**44,915**	21,347
Sustainable Forestry and Land Retention	**553,845**	493,333
Other	**103,907**	91,994
	$ 49,294,365	$ 85,838,852

Net assets with donor restrictions that are endowed consists of a $200,000,000 endowment received as a result of the SLA to be invested in perpetuity with the investments gains and investment earnings to be used for the Endowment's set purpose as described in Note 1.

11. Endowment Funds

The Endowment was organized to support educational and charitable causes in timber-reliant communities and educational and public interest projects addressing forest management issues that affect timber-reliant communities, or the sustainability of forests as sources of building materials, wildlife habitat, bio-energy, recreation, and other values. The Endowment's funds include donor-restricted endowment funds classified as net assets with donor restrictions.

The investment objectives of the donor-restricted endowment funds have been established in conjunction with a comprehensive review of the current and projected financial requirements. The investment objectives are:

- To achieve a favorable long term, real rate of return primarily through capital appreciation.
- To preserve principal through reasonable efforts, but preservation of principal shall not be imposed as a requirement on each individual investment.
- To produce current income, but only as a secondary consideration.
- To reduce risk by diversifying among markets, managers and time frames.

Interpretation of Relevant Law

The Board of Directors of the Endowment has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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. The Endowment follows the laws of UPMIFA in Delaware, the incorporation state, and South Carolina, the state in which the Endowment is headquartered. The Endowment has classified as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the required accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, in perpetuity is classified as net assets with donor restrictions, if positive, until those amounts are appropriated for expenditure by the Endowment in a manner consistent with the standard of prudence prescribed by UPMIFA.

Donor-restricted endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Net Assets With Donor Restrictions- Time Restricted	Net Assets With Donor Restrictions- In Perpetuity	Total
Donor-restricted endowment funds	$ 47,635,293	$ 200,000,000	$ 247,635,293

Changes in donor-restricted endowment net asset for the year ended December 31, 2022 are as follows:

	Net Assets With Donor Restrictions- Time Restricted	**Net Assets With Donor Restrictions- In Perpetuity**	**Total**
Endowment net assets, December 31, 2021	**$ 84,425,359**	**$ 200,000,000**	**$ 284,425,359**
Investment return:			
Investment fees, net	**(451,296)**	**-**	**(451,296)**
Net unrealized and realized investment losses	**(25,623,770)**	**-**	**(25,623,770)**
Total investment return	**(26,075,066)**	**-**	**(26,075,066)**
Appropriation of assets for expenditures	**(10,715,000)**	**-**	**(10,715,000)**
Endowment net assets, December 31, 2022	**$ 47,635,293**	**$ 200,000,000**	**$ 247,635,293**

Donor-restricted endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Net Assets With Donor Restrictions- Time Restricted	**Net Assets With Donor Restrictions- In Perpetuity**	**Total**
Donor-restricted endowment funds	$ 84,425,359	$ 200,000,000	$ 284,425,359

Changes in donor-restricted endowment net asset for the year ended December 31, 2021 are as follows:

	Net Assets With Donor Restrictions- Time Restricted	**Net Assets With Donor Restrictions- In Perpetuity**	**Total**
Endowment net assets, December 31, 2020	$ 47,828,142	$ 200,000,000	$ 247,828,142
Investment return:			
Investment fees, net	(268,757)	-	(268,757)
Net unrealized and realized investment gains	44,516,974	-	44,516,974
Total investment return	44,248,217	-	44,248,217
Appropriation of assets for expenditures	(7,651,000)	-	(7,651,000)
Endowment net assets, December 31, 2021	$ 84,425,359	$ 200,000,000	$ 284,425,359

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Endowment to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in net assets without donor restrictions as of December 31, 2022 and 2021.

Return Objectives and Risk Parameters

The Endowment has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding of the Endowment's set mission. Endowment assets include those assets of donor-restricted funds that the Endowment must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Endowment 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). The Endowment targets a diversified asset allocation that places a greater emphasis on equity and fixed income-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Endowment's Board of Directors seeks to address twin objectives of deploying resources to achieve its mission and operating as prudent fiduciaries. The Endowment's Board of Directors adopted changes to its investment and spending policies in July 2017. Under the policies the near-term target is to distribute grants or program investments of up to 3.5% and provide for operating expenses of .375% of the investment corpus annually against an overall expected return of 6.5%. Beginning in the third quarter of 2022, the spending policy is equal to 5% of the corpus with the target to distribute grants or investments with dollars remaining after covering overhead costs annually against an overall expected return of 6.5%. The amended policy does not supersede a "downside policy" adopted in May 2008 to address significant market declines. Under those circumstances, a spending rate of not more than 2.5% of corpus would go into effect in the event of a decline below the $200 million corpus, and that policy further called for the Board to revisit the policy in the face of "exceptional downturns," defined as declines in the fair value of assets to below $190 million. In April 2022, an additional threshold was established that if the corpus should drop below $220 million, a spending rate of not more than 3% of the corpus would go into effect. The Board will review the policy annually.

12. Commitments

The Endowment makes multi-year commitments to fund specific research and public interest projects with other nonprofit organizations and universities. Committed funds totaled approximately $18,889,000 at December 31, 2022. These contracts are committed for varying dates through 2027.

13. Contingencies

From time to time, the Endowment is a defendant in legal actions involving claims arising in the normal course of business. Management believes that, as a result of legal defenses, none of these activities should have a material adverse effect on its consolidated financial condition. However, the ultimate outcome of these matters cannot be estimated at the present time.

14. Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses.

In April 2020, the Endowment received a PPP loan totaling $253,289 and has elected to account for the funds received in accordance with ASC Topic 470, *Debt*. During 2021, the Endowment spent all funds received under the PPP for qualifying purposes, prepared a forgiveness calculation and submitted an application for forgiveness to its lender. As of December 31, 2021, the Endowment received notification from the lender and Small Business

Administration that the loan had been forgiven and the Endowment had been relieved of its obligation for the liability. As a result, the Endowment recognized the outstanding principal balance plus interest accrued as income within the consolidated statements of activities during the year ended December 31, 2021.

15. Subsequent Events

The Endowment evaluated the effect subsequent events would have on the consolidated financial statements through September 6, 2023, which is the date the consolidated financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries (the "Endowment"), which comprises the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Endowment's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Endowment's internal control. Accordingly, we do not express an opinion on the effectiveness of the Endowment's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Endowment's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Endowment's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Endowment's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Endowment's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
September 6, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Greenville, South Carolina

Report on Compliance for The Major Federal Program

Opinion on the Major Federal Program

We have audited U.S. Endowment for Forestry and Communities, Inc. and Subsidiaries (the "Endowment") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Endowment's major federal program for the year ended December 31, 2022. The Endowment's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Endowment complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Endowment and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Endowment's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Endowment's federal program.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Endowment's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Endowment's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Endowment's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Endowment's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Endowment's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
September 6, 2023

U. S. Endowment for Forestry and Communities, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Expenditures to Subrecipients
U. S. Department of Agriculture Direct Program:			
Cooperative Forestry Assistance	10.664	$ 522,350	$ 151,122
Wood Utilization Assistance	10.674	542,246	327,556
Soil and Water Conservation	10.902	851,643	433,052
Environmental Quality Incentives Program	10.912	40,540	-
Agricultural Conservation Easement Program	10.931	186,774	-
Total U. S. Department of Agriculture		2,143,553	911,730
Environmental Protection Agency Direct Program:			
Healthy Watersheds Consortium Grant Program	66.441	144,980	111,549
Total Environmental Protection Agency		144,980	111,549
U.S. Department of Commerce Direct Program:			
Economic Development Cluster:			
Economic Adjustment Assistance	11.307	770,239	531,816
Total Economic Development Cluster and U.S. Department of Commerce		770,239	531,816
U.S. Department of Defense Direct Program:			
Fort Huachuca Sentinel Landscapes for Military Training	12.004	12,750	-
Readiness and Environmental Protection Integration (REPI) Program	12.017	86,002	-
Legacy Resource Management Program	12.632	982,712	31,935
Total U. S. Department of Defense		1,081,464	31,935
Total expenditures of Federal awards		$ 4,140,236	$ 1,587,030

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the U.S. Endowment for Forestry and Communities, Inc. and Subsidiary (the "Endowment") under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Endowment, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Endowment.

2. Summary of Significant Account Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Endowment has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Contingencies

The Endowment's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect its continued participation in specific programs. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time. However, the Endowment expects such amounts, if any, to be immaterial.

4. Categorization of Expenditures

The categorization of expenditures by program included in the schedule of expenditures of federal awards is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Assistance Listing, which is issued in June and December of each year. The schedule of expenditures of federal awards for the year ended December 31, 2022 reflects Assistance Listing changes issued through April 2022.

Section I—Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued on whether the consolidated financial statements were presented in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	______	Yes	X	None reported
Noncompliance material to consolidated financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiencies identified that are not considered to be material weaknesses?	______	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 200.516 of Uniform Guidance?	______	Yes	X	No

Identification of major programs:

Assistance Listing	*Name of Federal Program or Cluster*
12.632	Legacy Resource Management Program

Dollar threshold used to distinguish between type A and type B programs:			$ 750,000	
Auditee qualified as low-risk auditee?	X	Yes	______	No

Section II— Consolidated Financial Statement Findings

There were none.

Section III— Federal Award Findings and Questioned Costs

There were none.

Reference Number	Summary of finding	Status

None noted.