

Hardwood Forestry Fund
Financial Statements
December 31, 2010

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Kelly Kelly & Company LLC
Certified Public Accountants
1960 Gallows Road
Tysons Corner, VA 22182

To The Board of Directors
Hardwood Forestry Fund
Reston, Virginia

We have audited the accompanying statement of financial position of the Hardwood Forestry Fund (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harwood Forestry Fund as of December 31, 2010, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KellyKelly & Company, LLC

January 31, 2011

Hardwood Forestry Fund
Statement of Financial Position
December 31, 2010

Assets

Current assets

Cash & cash equivalents	\$ 352,744
Grants receivable	9,450
Total current assets	<u>362,194</u>

Property and equipment - at cost

Office equipment	1,584
Less accumulated depreciation	<u>(1,584)</u>
	<u>-</u>

Other asset

Other asset	<u>333</u>
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Total assets	<u>\$ 362,527</u>
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Liabilities and Net Assets

Current liabilities

Grants payable	138,996
Due to HPVA	4,407
Total liabilities	<u>143,404</u>

Net assets

Unrestricted	<u>219,123</u>
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Total net assets	<u>219,123</u>
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Total liabilities & net assets	<u>\$ 362,527</u>
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Hardwood Forestry Fund
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total All Funds
Support and revenue			
Grants & contributions	\$ 66,827		\$ 66,827
Interest income	764		764
Total	<u>67,591</u>	<u>- 0 -</u>	<u>67,591</u>
Expenses			
Program	53,518		53,518
Operating	35,822		35,822
Total	<u>89,340</u>	<u>- 0 -</u>	<u>89,340</u>
Change in net assets	(21,749)		(21,749)
Net assets - beginning of year	<u>240,872</u>	<u>- 0 -</u>	<u>240,872</u>
Net assets - end of year	<u>\$ 219,123</u>	<u>- 0 -</u>	<u>\$ 219,123</u>

Hardwood Forestry Fund
Statement of Functional Expenses
For the Year Ended December 31, 2010

	<u>Program</u>	<u>Operating</u>	<u>Total</u>
Replanting & research grants	\$ 53,518		\$ 53,518
Contract services		19,535	19,535
Education		2,413	2,413
Professional fees		8,753	8,753
Communication		1,186	1,186
Telephone		1,088	1,088
Office expenses		255	255
Supplies		220	220
Postage & delivery		148	148
Website expenses		240	240
Recognition		797	797
Statutory representation		278	278
Travel		860	860
Bank service charges		50	50
	<u>\$ 53,518</u>	<u>\$ 35,822</u>	<u>\$ 89,340</u>

Hardwood Forestry Fund
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities:

Change in net assets	\$ (21,749)
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets & liabilities:	
Accounts receivable	8,502
Grants payable	(841)
Due to HPVA	1,719
Net cash used in operating activities	<u>(12,368)</u>
Net decrease in cash	(12,368)
Cash at beginning of year	<u>365,112</u>
Cash at end of year	<u><u>\$ 352,744</u></u>
Supplemental information:	
Interest paid	\$ -
Income taxes paid	\$ -

A. ORGANIZATION AND NATURE OF ACTIVITIES

The Hardwood Forestry Fund (the Forestry Fund) was created by members of the Hardwood Plywood & Veneer Association in October 1990, formally incorporated in June, 1993. The Forestry Fund was created for the purpose of promoting hardwood timber growth, management, education, and environmentally-sound uses of renewable forest resources. Since 1990, the Forestry Fund sponsors numerous tree planting campaigns, management and hardwood research projects through out the United States and abroad.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting and presentation

The financial statements of the Forestry Fund are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Nonprofit Organizations*. Under SAS No. 117, the Fund is required to present net assets and revenues, expenses, gains, and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Forestry Fund and changes there in are classified and reported as follows:

Unrestricted net assets - net assets that re not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the Forestry Fund and/or passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that are to be maintained permanently buy the Forestry Fund.

The Forestry Funds recognizes all unconditional contributed support in the period in which the commitments are made. When a donor restriction expires (i.e. when a stipulated time restriction ends or purposed restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the statement of activities as net assets released from restriction. Donor contributions that are temporarily restricted are reported as unrestricted support if the restrictions are met in the same accounting periods in which the contribution was originally pledged.

2. Cash and cash equivalents

For cash flow purposes, all highly liquid investments purchased with an original maturity of three months or less is considered to be cash equivalents.

3. Accounts Receivable

The accounts receivable account is primarily composed of grants receivable from donors. Management evaluates the collectibility on a regular basis. As of December 31, 2010 management has estimated that all receivables are fully collectible, accordingly they have not made any provision for uncollectible accounts.

4. Use of Estimates

The Forestry Fund prepares its financial statements in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

5. Income Taxes

The Forestry Fund is exempt from income taxes as a non-profit organization under section 501(c) (3) of the Internal Revenue Code, except for unrelated business income taxes.

6. Property and Equipments

Property and equipment are carried at cost, net of accumulated depreciation, which is computed on a straight line method over the estimated useful lives of 3 to 5 years.

7. Concentration of Credit Risk

The Forestry Fund maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Forestry Fund has not experienced any losses in such amounts and managements believes it is not exposes to any significant credit risk on its cash balances.

C. RELATED PARTY

The Forestry Fund maintains a relationship with the Hardwood Plywood Veneer Association (HPVA). The Forestry Fund periodically receives some contributions through HPVA from the Association's members and other donors. These contributions are remitted to the Forestry Funds on a regular basis throughout the year. The Forestry Fund records the gross proceeds as revenue and the related expenses as fundraising expense. HPVA also provides administrative and bookkeeping support. The charges for the year were \$2,400.

At December 31, 2010 the Fund was indebted to HPVA in the amount of \$4,407.

D. GRANTS PAYABLE

The Forestry Fund makes promises to grant awards of financial support to various undertakings that are in-line with its purpose. These promises vary in amount and period covered and may be adjusted periodically by the Forestry Fund. Total grant awards approved by the Forestry Fund's Boards was \$ 65,205 for the year.

At December 31, 2010 the Forestry Fund had a grants payable balance of \$138,996 due to grant recipients.

F. TEMPOPARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets available for tree planting and research projects at December 31, 2010.

G. SUBSEQUENT EVENTS

The management of the Association has analyzed subsequent events through January 31, 2011, the date on which the financial statements were available to be issued. No events have occurred since the balance sheet date that would have a material impact on the financial statements.