

Northern Forest Center, Inc. and Supporting Organizations

Consolidated Financial Statements and
Supplementary Information

Year Ended April 30, 2023



WIPFLI

Independent Auditor's Report

To the Board of Directors
Northern Forest Center, Inc. and Supporting Organizations
Concord, New Hampshire

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Northern Forest Center, Inc. and its Supporting Organizations, Sustainable Forest Futures, Inc. and 101 Main Street, Inc. (nonprofit organizations collectively referred to as the "Center"), which comprise the statement of financial position as of April 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Center as of April 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States ("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 Northern Forest Center, Inc. and Supporting Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, 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 Center's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit. The financial statements of Sustainable Forest Futures and 101 Main Street were not audited in accordance with *Government Auditing Standards* as both entities did not obtain federal funding above the threshold.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. The 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We previously audited Northern Forest Center, Inc. and Supporting Organizations' 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023 on our consideration of the Northern Forest Center'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 solely 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 the effectiveness of the Northern Forest Center's 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 Northern Forest Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Bedford, New Hampshire
October 2, 2023

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidated Statement of Financial Position

April 30, 2023 (with Comparative Totals for 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 8,198,223	\$ 6,615,418
Investments, at fair value	3,795,259	-
Grants receivable	498,367	834,592
Contributions receivable	518,500	491,564
Other receivables	2,200	-
Prepaid expenses	9,209	8,483
Investment in LLC	-	86,607
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Total current assets	13,021,758	8,036,664
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Property and equipment, net	7,023,189	4,150,712
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Other assets:		
Designated cash	510,539	658,960
Deposits	380	7,380
Grants receivable, less current portion	33,817	139,122
Contributions receivable, less current portion	738,339	1,123,592
Note receivable	2,316,355	2,316,355
Beneficial interest in assets held by others	55,941	59,443
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Total other assets	3,655,371	4,304,852
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Total assets	\$ 23,700,318	\$ 16,492,228
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See accompanying notes to consolidated financial statements.

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidated Statement of Financial Position

April 30, 2023 (with Comparative Totals for 2022)

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	\$ 224,172	\$ 171,504
Accrued payroll and related expenses	70,855	41,247
Grants payable	5,388	89,994
Notes payable, current portion	270,072	759,940
Deferred rent	4,600	450
Interest payable	78,498	32,018
Security deposits	18,345	7,645
Retainage payable	-	123,875
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Total current liabilities	<u>671,930</u>	<u>1,226,673</u>
Long-term liabilities:		
Notes payable, net of current portion and discount	<u>14,936,236</u>	<u>8,393,052</u>
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Total long-term liabilities	<u>14,936,236</u>	<u>8,393,052</u>
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Total liabilities	<u>15,608,166</u>	<u>9,619,725</u>
Net assets:		
Without donor restrictions	4,747,321	3,473,661
With donor restrictions	<u>3,344,831</u>	<u>3,398,842</u>
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Total net assets	<u>8,092,152</u>	<u>6,872,503</u>
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Total liabilities and net assets	<u>\$ 23,700,318</u>	<u>\$ 16,492,228</u>

See accompanying notes to consolidated financial statements.

NORTHERN FOREST AND SUPPORTING ORGANIZATIONS

Consolidated Statement of Activities

For the Year Ended April 30, 2023 (with Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Revenues:				
Contributions	\$ 1,190,835	\$ 1,243,729	\$ 2,434,564	\$ 2,931,082
Corporate contributions	104,907	-	104,907	26,475
Foundation grants	550,919	449,355	1,000,274	2,294,656
Government grants	1,185,481	-	1,185,481	1,318,750
Programs and fees	86,134	-	86,134	86,060
Investment income	142,797	-	142,797	28,052
Rental income	209,639	-	209,639	96,755
Other support (loss)	303	(3,502)	(3,199)	3,353
Total revenues	3,471,015	1,689,582	5,160,597	6,785,183
Net assets released from restrictions:				
For satisfaction of time restrictions	1,005,680	(1,005,680)	-	-
For satisfaction of purpose restrictions	737,913	(737,913)	-	-
Total revenues and net assets released from restrictions	5,214,608	(54,011)	5,160,597	6,785,183
Expenses:				
Program services	3,113,772	-	3,113,772	2,245,785
General and administrative	377,371	-	377,371	367,571
Fundraising	449,805	-	449,805	339,900
Total expenses	3,940,948	-	3,940,948	2,953,256
Change in net assets	1,273,660	(54,011)	1,219,649	3,831,927
Net assets at beginning	3,473,661	3,398,842	6,872,503	3,040,576
Net assets at end	\$ 4,747,321	\$ 3,344,831	\$ 8,092,152	\$ 6,872,503

See accompanying notes to consolidated financial statements.

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Statement of Functional Expenses

For the Year Ended April 30, 2023 (with Comparative Totals for 2022)

	Program	General and Administration	Fundraising	Total 2023	Total 2022
Personnel Expenses:					
Salaries	\$ 1,030,953	\$ 181,945	\$ 299,517	\$ 1,512,415	\$ 1,188,617
Benefits	127,190	35,955	25,793	188,938	160,120
Payroll taxes	76,023	13,264	21,908	111,195	91,430
	<u>1,234,166</u>	<u>231,164</u>	<u>347,218</u>	<u>1,812,548</u>	<u>1,440,167</u>
Non-Personnel Expenses:					
Grants to partner organizations	677,244	7,339	18,990	703,573	762,504
Depreciation and amortization	144,267	32,928	-	177,195	63,144
Other program expenses	538,262	-	25,779	564,041	232,993
Occupancy	43,588	3,798	6,432	53,818	50,518
Travel	47,377	2,194	8,873	58,444	26,122
Printing and publications	539	1,610	20,566	22,715	21,816
Office equipment and supplies	5,406	1,598	818	7,822	27,594
Board development and meetings	11	14,909	3,073	17,993	11,473
Professional fees	37,342	25,694	10	63,046	56,563
Telephone	6,441	563	953	7,957	9,157
Staff training	897	18,521	1,985	21,403	11,471
Insurance	-	8,750	-	8,750	19,070
Repairs and maintenance	5,087	441	747	6,275	1,951
Building assessments	47,448	-	-	47,448	11,600
Meetings and seminars	9,692	214	7,097	17,003	12,280
Rental utilities	65,687	-	-	65,687	37,444
Rental insurance	10,693	-	-	10,693	19,002
Rental taxes	21,955	-	-	21,955	13,666
Rental cleaning and yard care	17,914	-	-	17,914	6,000
Rental expenses- other	19,652	-	-	19,652	16,709
Interest	177,060	-	-	177,060	77,623
Miscellaneous	3,044	27,648	7,264	37,956	24,389
	<u>3,113,772</u>	<u>377,371</u>	<u>449,805</u>	<u>3,940,948</u>	<u>2,953,256</u>
Total functional expenses	\$ 3,113,772	\$ 377,371	\$ 449,805	\$ 3,940,948	\$ 2,953,256

See accompanying notes to consolidated financial statements.

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidated Statement of Cash Flows

For the Year Ended April 30, 2023 (with Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,219,649	\$ 3,831,927
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	177,195	63,144
Imputed interest on debt issuance costs	7,849	8,300
Amortization of loan discount	16,381	-
Forgiveness of investor loan	-	(50,000)
Gifts restricted for permanent capital	(50,000)	(550,000)
(Increase) decrease in:		
Grants receivable	441,530	(361,664)
Contributions receivable	358,317	(1,500,159)
Other receivables	(2,200)	-
Prepaid expenses and deposits	6,274	(13,262)
Beneficial interest in assets held by others	3,502	(2,693)
(Decrease) increase in:		
Accounts payable	52,668	43,250
Accrued payroll and related expenses	29,608	10,102
Grants payable	(84,606)	50,224
Interest payable	46,480	17,552
Deferred rent	4,150	450
Security deposits	10,700	(625)
Net cash from operating activities	2,237,497	1,546,546
Cash flows from investing activities:		
Purchases of property and equipment	(3,173,547)	(1,453,833)
Proceeds from return of investment in LLC	86,607	-
Purchases of investments	(3,795,259)	-
Net cash from investing activities	(6,882,199)	(1,453,833)
Cash flows from financing activities:		
Gifts restricted for permanent capital	50,000	550,000
Proceeds from notes payable	7,135,000	3,947,000
Discount on notes payable	(307,747)	-
Principal payments on notes payable	(798,167)	(1,058,164)
Net cash from financing activities	6,079,086	3,438,836
Net change in cash and cash equivalents	1,434,384	3,531,549
Cash and cash equivalents at beginning	7,274,378	3,742,829
Cash and cash equivalents at end	\$ 8,708,762	\$ 7,274,378

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidated Statement of Cash Flows

For the Year Ended April 30, 2023 (with Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<u>SUPPLEMENTAL INFORMATION:</u>		
Interest paid	<u>\$ 106,350</u>	<u>\$ 75,104</u>

Non-cash investing activities:

Upon completion of the construction project, the retainage payable of \$123,875 was paid and included in purchases of property and equipment during the year ended April 30, 2023.

See accompanying notes to consolidated financial statements.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Center is a regional innovation and investment partner creating rural vibrancy by connecting people, economy and the forested landscape across the 30-million-acre Northern Forest of northern Maine, New Hampshire, Vermont and New York. We bring collaborative leadership, new ideas, program delivery, investment and public policy expertise to renew the pride, purpose and vitality of the region's communities while advancing a forest stewardship ethic.

The Center focuses much of its programming in specific geographic areas to create the conditions that attract and retain young people and entrepreneurs. Our programs strengthen communities, enhance destination appeal for visitors and residents, drive regional innovation in key sectors of the forest-based economy, including wood products, outdoor recreation, and Automated Wood Heat, and provide regional leadership. Our integrated approach is rooted in a strong land ethic that benefits both people and place.

Impact and Core Beliefs

Since 2005, the Center's programs:

- Have benefited more than 7,900 jobs in the forest economy through direct business assistance and skills training;
- Helped conserve 258,773 acres of forestland for community benefit through community-based programs and financing; and
- Secured and leveraged \$243 million for projects that benefit the region's communities, economy and forest stewardship.

Program Accomplishments (unaudited)

I. The Center strengthens the vitality of rural Northern Forest communities and their ability to attract new residents and entrepreneurs. In FY23, the Center: invested \$3.1 million in creating new housing attainable by middle-income residents in Tupper Lake, NY, St., Johnsbury, VT, Bethel, ME, and Lancaster, NH, and continuing improvements to properties in Millinocket, ME; supported a resident-led initiative to create a new 646-acre Community Forest in Woodstock, ME, and continued supporting Community Forests in Milan, NH, and Bethel, ME; assisted communities in the Northeast Kingdom of Vermont, Coos County, NH, and Oxford County, ME to manage for sustainable tourism and quality of life for residents through the Rural Tourism Academy, including development of a new wayfinding system for Newport, VT; managed Maine West, a collaborative of diverse non-profits in Bethel, Rumford, South Paris, and Norway, ME, implementing projects to secure economic, education, health and conservation benefits; managed the Adirondack Community Recreation Alliance to support local recreation projects; implemented the second year of the *Attracting New Residents Strategy* in the Adirondacks by engaging citizens on downtown revitalization, community-based recreation, community marketing, and middle-market housing, and supporting projects in Tupper Lake, Elizabethtown, Keene, and Chester, NY; and facilitated the Borderlands collaborative to create quality mountain biking experiences for residents and visitors in Gorham, Franconia, Littleton, and Bethlehem, NH; Bethel and Carrabassett Valley, ME; East Burke and Craftsbury, VT; and East Hereford, Quebec, while stewarding the natural landscape and securing economic benefits for North Country communities.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

II. The Center helps create and improve jobs and build local wealth through opportunities that advance a regional land ethic and sustainable use of the forest. The Center and partners completed the Future Forest Economy Initiative (FFEI), investing \$3 million in market development for the region's forest products. This year, FFEI invested in regional initiatives to certify Northern Forest wood for use in cross-laminated timber products, expand markets to sustain the region's forest supply chain, and assess markets for wood-based textiles. Previous investments include regional marketing to expand wood heat; engineering for a wood-fired district heating system in Burlington, VT; certified logger programs in NY, VT and NH; new product development in Orono, Ashland, Bingham, and East Millinocket, ME; and a feasibility assessment of using domestic hardwoods in military vehicles. FFEI investments leveraged an additional \$3-million investment in the region's wood products economy. The Center provided custom business and marketing assistance to 37 wood products businesses; provided 9 wood products CEOs from ME and VT with business coaching throughout the year through the Northern Forest Board Forum; and launched "Telling Your Forest Story," an online workshop series that guided 8 businesses through incorporating their wood-origin stories into their business philosophy and marketing. The Feel Good Heat marketing and consumer education campaign earned 22.4 million consumer impressions, including 3.9 million video views, leading to 155,000 website clicks and 736 referrals to wood heat businesses. Since inception, Feel Good Heat has reduced greenhouse gas impact by 10,800 tons by substituting wood pellets for more than 1.7 million gallons of fossil fuels, generating \$10.2 million in positive economic impact for the region.

III. The Center provides regional leadership, advocates for and supports thriving communities and healthy forests by increasing federal investment in the region, developing funding opportunities that meet emerging needs, and collaborating with national partners to increase attention to the needs of rural communities. The Center advocated for changes to make it easier for rural communities to access federal support, and for funding for USDA, Forest Service and EDA programs that serve the region. To increase connectivity, knowledge, and collaboration among communities, the Center delivered 10 webinars viewed by 1,500 people and compiled the bi-monthly Northern Forest News Digest for 3,500 subscribers.

The accompanying consolidated financial statements reflect the application of the accounting policies described in this note.

Principles of Consolidation

These consolidated financial statements include the accounts of the Northern Forest Center, Inc. (NFC) and its supporting organizations Sustainable Forest Futures, Inc. (SFF) and 101 Main Street, Inc. (101 Main), collectively referred to as the "Center". All material intercompany accounts and transactions have been eliminated in consolidation.

Comparative Financial Information

The consolidated financial statements of the Center include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's audited consolidating financial statements for the year ended April 30, 2022, from which the summarized information was derived.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The consolidated financial statements of the Center have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (GAAP). Under the accrual basis, revenues and gains are recognized when earned and losses are recognized when incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Center has its cash accounts at various banks, and occasionally maintains balances in excess of insurance coverage limits provided by the Federal Deposit Insurance Corporation (FDIC).

Cash and cash equivalents consist of the following:

<i>April 30,</i>	2023
Construction escrow account	\$ 298,324
Fee reserve account	79,320
Construction funds account	15,639
Contingency reserve	117,256
Unrestricted cash and cash equivalents	8,198,223
Total cash and cash equivalents as reported on the consolidated statement of cash flows	\$ 8,708,762

Several accounts were created with restrictions as a result of the NMTC arrangement (Note 10).

Construction escrow account: The Center does not have access to the account until the issuance of the certificate of occupancy for the PJ Noyes facility. The Center has granted a first security interest to the Community Development Entity (CDE).

Fee reserve account: The Center does not have access to the account. The Center has granted a first security interest to the CDE. The account contains the asset management fees for the next 7 years with \$16,370 to be paid annually to the CDE. Upon completion of the NMTC guaranty, the account will be released from restriction.

Construction funds account: The Center does not have access to the account. Construction costs are submitted to the CDE for release from this account. The Center has granted a first security interest to the CDE.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Contingency reserve account: The Center, as a matter of good faith toward MHIC, set aside 5% of the construction contract for the PJ Noyes facility as a contingency reserve to be used for additional project costs.

Grants and Contributions Receivable

The Center estimates the allowance for uncollectible grants and contributions receivable based upon specific review, current economic conditions and historical loss factors, if applicable. Grants and contributions receivable are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary at April 30, 2023.

Unconditional grants and contributions receivable are reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Unconditional contributions and grants receivable that are expected to be collected in future years are initially recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in the which the promises were received. In subsequent years, the amortization of the discount on unconditional contributions and grants receivable is reported in contribution or grant revenue, as applicable, in the consolidated statement of activities.

Investment in LLC

The Center had an investment without a readily determinable fair value in a limited liability company and elected to account for this investment at cost less any impairment. The Center recognized dividend income received in programs and fees revenue in the accompanying consolidated statement of activities.

Investments

The Center carries investments in debt securities at their fair values based on quoted market prices. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Note Receivable

The note receivable is stated at the unpaid principal balance. The Center analyzes the note receivable and records an allowance for those amounts that management will reserve for possible losses. The evaluation takes into consideration such factors as changes in the borrower's creditworthiness, evaluations of the collectability, prior loss experience, and current economic conditions. Any write-offs would be recorded against the allowance. Management has determined that no allowance for the note receivable is necessary at April 30, 2023.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Note Receivable (Continued)

A note is considered impaired when, based on current information and events, it is probable that the Center will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

At such time when a note is determined to be past due, the interest-bearing note is placed on nonaccrual status. The determination of past due notes receivable for purposes of placing on nonaccrual status is made on a case-by-case basis. Interest accrued, but not collected for a note receivable that is placed on nonaccrual status, is reversed against interest income. As of April 30, 2023, management determined that the note receivable is not impaired.

Property and Equipment

Property and equipment are capitalized at cost, if purchased, or at their estimated fair value, if the assets are donated. Assets with a useful life in excess of one year and costing over \$2,500 are capitalized. Lesser amounts are charged to operations. Depreciation is provided for on the straight-line method, by charges to income in amounts estimated to amortize the cost or donated value of the assets over their estimated useful lives.

Gifts of capital assets, such as land, buildings, or equipment, are reported as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire capital assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those capital assets must be maintained, expirations of donor restrictions are reported when the donated or acquired capital assets are placed in service.

The Center periodically evaluates whether events and circumstances have occurred that may affect the carrying value of property and equipment. If such events or circumstances indicate the carrying value may not be recoverable, impairment is determined by comparing the carrying value with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Center would recognize an impairment loss.

Website development costs are included in property and equipment and amortized on a straight-line method over 3 years when the asset is placed in service.

Depreciation expense for the year ended April 30, 2023 was \$149,112. Amortization for the website design costs for the year ended April 30, 2023 was \$28,083. Total depreciation and amortization was \$177,195 for the year ended April 30, 2023.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

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

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and designated net assets which are revenues not restricted by outside sources and revenue designated by the Board of Directors for special purposes and their related expenses.

Net Assets with Donor Restrictions: Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Restricted contributions that are received and utilized in accordance with donor stipulations in the same year are reported as contributions without donor restrictions.

Grants Payable

The Center works with many local entities and organizations as a project facilitator and collaborator. Projects, under which promises have been made and contracts have been signed, are classified as grants payable. Substantially all of the grants payable are payable within one year.

Deferred Debt Issuance Costs

The Center incurred financing costs related to the New Markets Tax Credit transaction. Unamortized debt issuance costs have been recorded as a reduction to the related notes payable obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement.

Revenues

Contribution Revenue:

Contributions are recognized as revenue when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue when the barriers to entitlement are met and overcome.

Grant Revenue:

The Center has several agency, state and Federal grant awards. Grants awarded are evaluated for appropriate recognition as an exchange transaction or a contribution and, if a contribution, further evaluated for a barrier or a right of return to establish whether the contribution is conditional. In the event grant funds are reclaimed by the grantor, such amounts are adjusted in future periods as adjustments become known.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenues (Continued)

Grant awards that are contributions: Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions: Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when the promised goods or services are transferred to the customer (grantor). There was approximately \$205,000 in grant awards that were considered exchange transactions and recognized in accordance with the policy for programs and fees revenue during the year ended April 30, 2023.

At April 30, 2023, sixteen grants had been awarded to the Center which were not yet recognized as revenue due to the barrier and right of return requirements. The total future amount of grant revenue under these grant agreements is approximately \$2,419,000.

Programs and Fees Revenue:

The Center follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended, which applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Programs and fees revenue consist of various revenues earned as a result of the facilitation of symposiums, strategic planning and other consulting-type engagements. The Center recognizes program and fees revenue at the amount of consideration to which the Center expects to be entitled to in exchange for providing the services to its customers. The services are considered to be one performance obligation, which is to provide consulting-type services in accordance with an agreed upon work plan. Revenue is recognized at the time the project is completed as that is considered the point at which the customer receives the benefit. The Center bills for the services provided at the end of the project and payment is due no later than 30 business days upon receipt of the invoice.

Rental Income:

As part of the Community Revitalization Program, Sustainable Forest Futures has purchased and renovated several properties that are held for rent. Rental income is recognized on a straight-line basis over the term of the lease. Rent revenue is recognized in the period in which it is earned. Any amounts received for future periods are reported as deferred income.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain categories of expenses are attributed to more than one program or supporting function and require allocation on a reasonable and consistent basis. The expenses that are allocated include salaries, benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Rent, repairs, supplies and office expenses are allocated based on a ratio of total direct costs charged to each functional category in relation to total costs.

Tax Status

Northern Forest Center, Sustainable Forest Futures and 101 Main Street are each exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The entities must, however, pay income taxes on the net profit from its unrelated business activities, if any.

The Center recognizes the tax benefit of an uncertain tax position only if management determines that it is more likely than not that the tax position would be sustained upon examination by taxing authorities based on the technical merit of the position. Management has determined that through April 30, 2023, the Center did not take any material tax positions which do not meet the criteria for recognition.

New Accounting Pronouncement

Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments, will require the Center to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. This accounting standard will be effective for financial statements issued for interim and annual periods beginning after December 15, 2022. The Center is evaluating what impact this new standard will have on its consolidated financial statements.

Changes in Accounting Principles

As of January 1, 2022, the Center adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets (Topic 958). The amendment in this update requires entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The impact of adoption was not significant to the consolidated financial statements of the Center.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases in the consolidated statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Center adopted the guidance for this year effective May 1, 2022. The impact of adoption was not significant to the consolidated financial statements of the Center.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Leases

For all underlying classes of assets, the Center has elected to not recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Center is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Center recognizes short-term lease cost on a straight-line basis over the lease term.

For all underlying classes of assets, the Center separates lease and non-lease components to determine the lease payment.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Note 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 statement of financial position date, comprise the following:

<i>April 30,</i>	2023
Cash and cash equivalents	\$ 8,198,223
Grants receivable	532,184
Other receivables	2,200
Contributions receivable	1,256,839
Investments, at fair value	3,795,259
Subtract: Donor restricted assets including short-term and long-term receivables and excluding beneficial interest in assets held by others and implied contributions from below-market interest rate loans	(2,997,524)
Financial assets available to meet cash needs for general expenditure within one year	\$ 10,787,181

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability (Continued)

The Center's working capital and cash flow have seasonal variations during the year. These are attributable to the cash contributions from individuals and corporations received throughout the year, payments made on grants receivable, and grants awarded to the Center from foundations and the government. The Center considers all expenditures related to its ongoing activities to create and retain quality jobs, leverage investment and retain dollars in the region, and conserve managed forests for community benefit to be general expenditures. To manage liquidity and monitor the availability of resources to meet these operating needs, the Center produces an annual budget which outlines the anticipated financial needs to maintain the Center within the next fiscal year. The budget is analyzed and compared to actual results throughout the year to manage current cash flow needs. The Center has also implemented a policy to maintain an operating reserve of at least three months of ongoing personnel and operating expenses or \$800,000.

Note 3: Related Parties

The Northern Forest Center provides substantive operational, fundraising and program support to Sustainable Forest Futures and to 101 Main Street. As supporting organizations, Sustainable Forest Futures and 101 Main Street exist to support the Northern Forest Center and they are aligned strategically, programmatically, and operationally to advance the collective mission of the organizations.

Transactions among the three organizations primarily relate to pass through and/or contractual relationships for grant funding. At April 30, 2023, there were no amounts included in the consolidated statement of financial position representing grant funding due to Sustainable Forest Futures or 101 Main Street from the Northern Forest Center under a sub grant agreement.

Note 4: Contributions and Grants Receivable

Unconditional contributions and grants receivable expected to be received beyond one year are recognized initially at present value using a discount rate of 4%.

Contributions receivable as of April 30, 2023 are summarized below:

	2023
Amounts to be received in one year or less	\$ 518,500
Amounts to be received in one to five years	769,103
	1,287,603
Less: Discount to present value	(30,764)
Total	1,256,839
Less: current portion	518,500
Total long-term portion	\$ 738,339

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 4: Contributions and Grants Receivable (Continued)

Grants receivable as of April 30, 2023 are summarized below:

	2023
Amounts to be received in one year or less	\$ 498,367
Amounts to be received in one to five years	35,000
	533,367
Less: Discount to present value	(1,183)
	532,184
Less: current portion	498,367
	Total long-term portion
	\$ 33,817

Note 5: Property and Equipment

Property and equipment (including buildings rented to third-parties) consist of the following:

<i>As of April 30,</i>	2023
Office equipment	\$ 12,180
Buildings and improvements	4,568,767
Construction in process	2,655,877
Vehicles	43,429
Website design costs	84,248
	Total property and equipment
	7,364,501
Less: accumulated depreciation and amortization	341,312
	Total property and equipment, net
	\$ 7,023,189

Construction-in-process consists of costs incurred for the purchase and renovation of five properties not yet placed in service as of April 30, 2023.

Note 6: Investment

During the year ended April 30, 2016, to assist in the facilitation of the New Markets Tax Credit financing relating to the Appalachian Mountain Club's Maine Wood Initiative, the Center invested in AMC Maine Woods Funding, LLC, a Maine limited liability company (the "LLC"). According to the operating agreement, the Center is a 5% owner of the LLC, and the LLC shall make annual distributions to its members equal to 1% of the members' capital contributions. Furthermore, the Center may exercise a put option to redeem its capital contributions by providing a written request to the LLC after November 1, 2022 but prior to December 1, 2022. In such event, the LLC shall repurchase the Center's membership interests at their original cost on or prior to December 31, 2022, but after November 18, 2022. The Center utilized the put option during the fiscal year ended April 30, 2023, and the original investment in the LLC of \$86,607 was returned during the year.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 7: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

Investment Securities

The fair value of investment securities is the value based on quoted prices of similar assets in active markets or identical assets not in active markets.

Beneficial Interests in Assets Held by Others

The beneficial interest in assets held by others is valued at fair value using the Center's calculated share of the pooled fund and the underlying value of the funds' assets at April 30.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Center 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. There have been no changes in the valuation techniques and related inputs during the year ended April 30, 2023.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at April 30, 2023:

<i>Year Ended April 30, 2023</i>	Level 1	Level 2	Level 3
US Treasury Bills	\$ -	\$ 3,795,259	\$ -
Beneficial interests in assets held by others	-	-	55,941
Total	\$ -	\$ 3,795,259	\$ 55,941

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 8: Beneficial Interest in Assets Held by Others

The Northern Forest Center is a beneficiary of an agency endowment fund at the New Hampshire Charitable Foundation (NHCF). Pursuant to the terms of the resolution establishing the Northern Forest Center Fund, assets contributed to the NHCF are held as a separate fund designated for the benefit of the Northern Forest Center. In accordance with its spending policy, the NHCF makes distributions (4% during the year ended April 30, 2023) of the fair value of the fund each year. These distributions have been retained in the fund by NHCF for the Center.

The Center created a nonprofit reserve fund at the Vermont Community Foundation (VCF). Pursuant to the terms of the resolution establishing the Northern Forest Center Fund, assets contributed to the VCF are held as a separate fund designated for the benefit of the Northern Forest Center. In accordance with its spending policy, the VCF makes distributions (5% for the year ended April 30, 2023) of the fair value of the fund each year. These distributions have been retained in the fund by VCF for the Center.

The estimated value of the underlying assets, as reported by the NHCF and the VCF, are included in the consolidated statement of financial position as beneficial interests in assets held by others and the Center recorded the change in value of these funds, net of fees, amounting to a loss of \$3,502 for the year ended April 30, 2023 in the consolidated statement of activities. The fair value of the funds' assets was \$55,941 at April 30, 2023.

Note 9: Notes Payable

On July 1, 2017, Sustainable Forest Futures released a Confidential Private Placement Memorandum and Subscription Agreement to offer (the "Offering") up to \$1 million of promissory notes to certain persons or entities who are "accredited" investors to support the Millinocket Real Estate Initiative (Millinocket).

On July 1, 2018, Sustainable Forest Futures released a Confidential Private Placement Memorandum and Subscription Agreement to offer (the "Offering") up to \$1,500,000 of promissory notes to certain persons or entities who are "accredited" investors to support the Lancaster Main Street Fund (Lancaster).

On May 1, 2021, Sustainable Forest Futures released a Confidential Private Placement Memorandum and Subscription Agreement to offer (the "Offering") up to \$20,000,000 of promissory notes to certain persons or entities who are "accredited" investors to support the Northern Forest Fund (NFF).

The expiration dates of the Millinocket, Lancaster, and NFF Offerings are June 30, 2019, June 30 2023, and December 31, 2024, respectively. At the discretion of Sustainable Forest Futures, the expiration dates of the Offerings may be extended for additional 90-day periods. The Millinocket Offering was fully subscribed at \$1 million as of February of 2019 and has not been extended. Sustainable Forest Futures intends to use the net proceeds from the Offerings to pay for the needs as set forth by the Business Plans for Millinocket, Lancaster, and the Northern Forest Fund.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 9: Notes Payable (Continued)

Details of the notes payable are, as follows:

Millinocket Real Estate Initiative

Notes payable, Elliotsville Plantation, Inc., interest of 1% annum, payable annually beginning December 31, 2018, with \$50,000 due October 2022 and \$50,000 due May 2023.	\$ 50,000
Note payable, individual, interest of 2% annum, payable annually beginning December 31, 2018, due November 2024.	250,000
Note payable, Maine Community Foundation, interest of 2% annum, payable annually beginning December 31, 2018, due November 2024.	150,000
Note payable, individual, interest of 1% annum, payable annually beginning December 31, 2019, due October 2023.	25,000
Note payable, individual, interest of 2% annum, payable annually beginning December 31, 2019, due November 2025.	100,000
Note payable, individual, interest of 2% annum, payable annually beginning December 31, 2019, due January 2026.	50,000
Note payable, trust, interest of 2% annum, payable annually beginning December 31, 2019, due February 2026.	100,000
Subtotal Millinocket Real Estate Initiative Offering	\$ 725,000

Lancaster Main Street Fund

Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2019, due July 2025.	\$ 150,000
Note payable, Town of Lancaster and Cloutier Lancaster Development, LLC, interest of 2.0% annum, payable annually beginning December 31, 2019, due January 2026.	21,578
Notes payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2019, with \$25,000 due October 2025 and \$25,000 due February 2026.	50,000
Note payable, individual, interest of 2.0% annum, payable annually, beginning December 31, 2019, due December 2025.	100,000
Note payable, individual, interest of 1.5% annum, payable annually beginning December 31, 2019, due January 2024.	50,000

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 9: Notes Payable (Continued)

Lancaster Main Street Fund (Continued)

Note payable, Emily Landecker Foundation, interest of 1.5% annum, payable annually beginning December 31, 2019, due February 2024.	\$ 100,000
Note payable, Emily Landecker Foundation, interest of 1.5% annum, payable annually beginning December 31, 2020, due January 2025.	50,000
Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2020, due May 2026.	25,000
Note payable, J.M. Hopwood Charitable Trust, interest of 1.5% annum, payable annually beginning December 31, 2020, due September 2024.	50,000
Note payable, individual, interest of 1.5% annum, payable annually beginning December 31, 2020, due September 2024.	35,000
Note payable, individual, interest of 1.5% annum, payable annually beginning December 31, 2020, due February 2025.	25,000
Note payable, Weeks Medical Center, interest of 2% annum, payable annually beginning December 31, 2021, due June 2028.	100,000
Subtotal Lancaster Main Street Fund Offering	\$ 756,578

Northern Forest Fund

Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2021, due August 2028.	\$ 50,000
Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2021, due August 2028.	50,000
Note payable, New Hampshire Charitable Foundation, interest of 1.0% annum, payable annually beginning December 31, 2021, due September 2026.	500,000
Note payable, Onion Family Foundation, interest of 2.0% annum, payable annually beginning December 31, 2021, due September 2028.	250,000
Note payable, trust, interest at applicable federal rate at time of advance (0.9% annum with contingent interest), payable annually beginning December 31, 2021, due October 2030.	500,000
Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2021, due October 2028.	100,000

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 9: Notes Payable (Continued)

Northern Forest Fund (Continued)

Note payable, individual, interest at applicable federal rate at time of advance (0.9% annum with contingent interest), payable annually beginning December 31, 2021, due October 2030.	\$ 17,000
Note payable, private foundation, interest of 2.0% annum, payable annually beginning December 31, 2021, due November 2028.	700,000
Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2021, due November 2028.	50,000
Note payable, Emily Landecker Foundation, interest of 2.0% annum, payable annually beginning December 31, 2021, due December 2028.	100,000
Note payable, individual, interest of 2.0% annum, payable annually beginning December 31, 2021, due December 2028.	10,000
Note payable, Adirondack Foundation, interest of 2.0% annum, payable annually beginning December 31, 2021, due December 2028.	150,000
Note payable, Adirondack Foundation, interest at applicable federal rate at time of advance (1.26% annum with contingent interest), payable annually beginning December 31, 2021, due December 2030.	150,000
Note payable, individual, interest at applicable federal rate at time of advance (1.26% annum with contingent interest), payable annually beginning December 31, 2021, due January 2031.	25,000
Note payable, Elliotsville Foundation, interest of 1% annum, payable annually beginning December 31, 2022, due January 2027.	250,000
Note payable, Onion Family Foundation, interest of 2.0% annum, payable annually beginning December 31, 2022, due November 2029.	250,000
Note payable, Buck Foundation, interest of 2% annum, payable annually beginning December 31, 2022, due December 2030.	2,000,000
Note payable, Bangor Savings Bank, interest of 2% annum, payable annually beginning December 31, 2022, due October 2029.	1,000,000
Note payable, Vermont Community Foundation, interest of 2% annum, payable annually beginning December 31, 2023, due March 2030.	500,000
Note payable, Peter Vandermark Trust, interest of 2% annum, payable annually beginning December 31, 2022, due September 2029.	50,000

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 9: Notes Payable (Continued)

Northern Forest Fund (Continued)

Note payable, Ananda Fund, interest of 1% annum, payable annually beginning December 31, 2023, due February 2028.	\$ 400,000
Note payable, Betterment Fund, interest of 2% annum, payable annually beginning December 31, 2023, due April 2030.	300,000
Note payable, Elliottsville Foundation, interest of 1% annum, payable annually beginning December 31, 2022, due December 2027.	250,000
Note payable, Elliottsville Foundation, interest of 1% annum, payable annually beginning December 31, 2022, due October 2027.	50,000
Note payable, Adirondack Foundation, interest of 2% annum, payable annually beginning December 31, 2022, due October 2029.	130,000
Note payable, Individual, interest of 2% annum, payable annually beginning December 31, 2023, due April 2030.	50,000
Note payable, Individual, interest at applicable federal rate at time of advance (1.9% annum with contingent interest), payable annually beginning December 31, 2023, due April 2031.	100,000
Note payable, Individual, interest at applicable federal rate at time of advance (3.2% annum with contingent interest), payable annually beginning December 31, 2023, due June 2031.	100,000
Note payable, Individual, interest of 1% annum, payable beginning December 31, 2022, due September 2027.	100,000
Note payable, Individual, interest of 2% annum, payable annually beginning December 31, 2022, due November 2029.	50,000
Note payable, Individual, interest at applicable federal rate at time of advance (2.5% annum with contingent interest), payable annually beginning December 31, 2022, due May 2031.	10,000
Note payable, Individual, interest of 2% annum, payable annually beginning December 31, 2022, due September 2029.	10,000
Note payable, Individual, interest of 2% annum, payable annually beginning December 31, 2022, due August 2029.	5,000
Note payable, Individual, interest at applicable federal rate at time of advance (2.9% annum with contingent interest), payable annually beginning December 31, 2023, due February 2032.	100,000

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 9: Notes Payable (Continued)

Northern Forest Fund (Continued)

Note payable, Impact Projects, interest of 1% annum, payable annually beginning December 31, 2022, due December 2027.	\$ 1,000,000
Note payable, White Mountains Capital, LLC, interest of 2% annum, payable annually beginning December 31, 2023, due February 2030.	400,000
Note payable, Emily Landecker Foundation, interest of 2% annum, payable annually beginning December 31, 2023, due December 2029.	100,000
Note payable, Individual, interest at applicable federal rate at time of advance (2% annum with contingent interest), payable annually beginning December 31, 2022, due November 2031.	150,000
Note payable, Individual, interest of 2% annum, payable annually beginning December 31, 2023, due January 2030.	25,000
Subtotal Northern Forest Fund Offering	\$ 10,032,000

Other Notes Payable

Note payable dated November 20, 2020, MHIC NE CDE Subsidiary 62, LLC (Note A), interest rate of 0.713% and a maturity date of December 2054. Interest is payable monthly in arrears through December 1, 2027. Monthly principal and interest payments together of approximately \$5,600 will begin January 1, 2028 through 2034 and increase to approximately \$8,600 thereafter through the maturity date. The note is secured by the mortgage on certain real and personal property located at 101 Main Street.	\$ 2,316,355
Note payable dated November 20, 2020, MHIC NE CDE Subsidiary 62, LLC (Note B), interest rate of 0.713% and a maturity date of December 2054. Interest is payable monthly in arrears through December 1, 2027 at which point a principal payment of \$32,740 is due. Then monthly principal and interest payments together of approximately \$2,200 will begin in 2028 and increase to approximately \$3,400 in 2034 through the maturity date. The note is secured by the mortgage on certain real and personal property located at 101 Main Street.	957,645
Note payable with a \$300,000 borrowing limit dated November 20, 2020, Community Development Finance Authority, interest rate of 3.5% and a maturity date of August 15, 2031. Interest accrues daily with the first interest payment due May 2022 and monthly thereafter during the construction phase. After 10 payments of interest only, monthly principal and interest payments of approximately \$1,089 are due until payment in full in January 2032. This loan is collateralized by the principal loan amount of \$2,316,355 made by Sustainable Forest Futures to MHIC Leverage Lender LLC.	85,161

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 9: Notes Payable (Continued)

Other Notes Payable (Continued)

Note payable dated December 10, 2021, Richard King Mellon Foundation, interest rate of 2% and a maturity date of December 2028. Interest accrues annually, with the full amount of principal and any accrued interest thereon due December 2028. \$ 850,000

Total notes payable	15,722,739
Less: unamortized debt issuance costs	225,065
Less: current portion	270,072
Less: unamortized discount	291,366

Long-term portion of notes payable, net	\$ 14,936,236
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Total interest expense, including the imputed interest on debt issuance costs, was \$177,060 for the year ended April 30, 2023.

The 9-year notes in the Northern Forest Fund initiative may bear interest at 5% less the applicable federal rate due upon the expiration of the note, contingent upon Sustainable Forest Futures achieving net revenue targets, as defined, over the 9-year term of the notes.

Several of the loans entered into for the Northern Forest Fund were deemed at below-market interest. The net present value of the loans using discount rates ranging from 1.4% to 3.3% is \$4,262,253. The discount is amortized using the effective interest rate method with current year amortization of \$16,381.

Approximate principal payments due on the foregoing notes and loans for the next five years and thereafter are, as follows:

April 30,

2024	\$ 270,072
2025	606,566
2026	565,101
2027	775,000
2028	1,856,394
Thereafter	11,649,606

Total	\$ 15,722,739
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Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 10: New Markets Tax Credit - Note Receivable and Notes Payable

On November 19, 2020, the Center entered into a financing arrangement utilizing the Federal New Markets Tax Credit ("NMTC") program administered by the U.S. Department of the Treasury to finance the purchase and renovation of the historic PJ Noyes building in Lancaster, New Hampshire.

In order to accommodate the structure of financing the project, Chase Community Equity, LLC created and owns 100% of the Chase NMTC MHIC Fund 2020 Investment Fund, LLC (the "Investment Fund"). The Investment Fund was created to own 99.99% of the established community development entity (CDE) and provide a qualified equity investment (QEI) in that CDE. The Investment Fund contributed QEI funds to MHIC NE CDE II Subsidiary 62, LLC (CDE). The CDE made two separate Qualified Low-Income Community Investments ("QLICIs") in the form of loans to 101 Main Street, the QALICB. 101 Main Street does not control or have an interest in any of the entities or in the CDE and, accordingly, none of these entities are consolidated in the Center's financial statements.

Sustainable Forest Futures was designated as a leveraged lender as part of the NMTC transaction and made a leverage loan in the form of a note receivable to MHIC Leverage Lender, LLC which then loaned the funds to the Investment Fund. The date of the note receivable was November 20, 2020, with a principal balance of \$2,316,355. The maturity date of the loan is February 1, 2051, and the note accrues interest at 1.0%. Interest payments are due starting December 14, 2020, and monthly thereafter. Total interest received and earned for the fiscal year ended April 30, 2023 was \$23,164. Monthly principal and interest payments of \$7,450 begin January 1, 2028. There is no principal due in 2020 through 2027 and \$2,316,355 is due thereafter.

The funds loaned together with other capital contributions made by unrelated parties were used by the borrower to make qualified equity contributions to the CDE and to pay a suballocation fee to Massachusetts Housing Investment Corporation during the year of inception.

101 Main Street is designated as a qualified low-income community business (QLICB). As such, the CDE provided the following qualified low-income community investment loans (QLICI) to 101 Main Street:

MHIC Note A (QLICI Loan A) - Loan date of November 20, 2020, with interest at 0.713% and a maturity date of December 11, 2054. Loan amount \$2,316,355.

MHIC Note B (QLICI Loan B) - Loan date of November 20, 2020, with interest at 0.713% and a maturity date of December 1, 2054. Loan amount of \$957,645.

The notes payable listed above are guaranteed by the Northern Forest Center and prohibited from being prepaid prior to the NMTC recapture period, which is the seven-year period beginning on November 20, 2020 and ending November 19, 2027. The notes contain restrictive requirements on the use of the property in accordance with the New Markets Tax Credit rules.

Financing fees and legal fees incurred as part of the transaction of \$242,286 were capitalized. Amortization of \$7,126 related to these fees was recognized in the year ended April 30, 2023.

An asset management fee is due and payable annually to the lender for use in paying certain fees due under the CDE fee agreement. The annual fee due in December 2021 through 2027 is \$16,370. The annual fee is included in professional fees in the consolidated statement of functional expenses.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 10: New Markets Tax Credit - Note Receivable and Notes Payable (Continued)

Put-and-Call Option

The financing arrangement includes a put-and-call option between MHIC Leverage Lender, LLC and Chase Community Equity, LLC which allows Chase Community Equity, LLC the option to sell its membership interest in the Investment Fund to MHIC Leverage Lender, LLC for \$1,000, plus any transfer or excise taxes imposed on Chase Community Equity, LLC regarding this transfer. Chase Community Equity, LLC must deliver an election notice to MHIC Leverage Lender, LLC during the put option period (defined as 45 days after the last day of the tax credit investment period, November 20, 2027 through January 3, 2028). If Chase Community Equity, LLC does not deliver an election notice, MHIC Leverage Lender, LLC shall have the right and option, beginning with the lapse of the put option period plus 45 days, to purchase the interest at the call price (defined as the fair market value of the interest).

The Center established a disbursement account and two reserve accounts funded by proceeds from the NMTC transaction (included in cash designated for construction on the statement of financial position) in which the lender has a security interest totaling \$393,283 at April 30, 2023.

Note 11: Net Assets

Net assets without donor restrictions board designated:

The Board of Directors has designated net assets without donor restrictions totaling \$25,000 for program development.

Net assets with donor restrictions:

Net assets subject to donor or certain grantor restrictions consisted of gifts and other unexpended revenues available for the following purposes at April 30, 2023:

	Northern Forest Center	Sustainable Forest Futures	101 Main Street	Total
Beneficial interest in assets held by others	\$ 55,941	\$ -	\$ -	\$ 55,941
Community revitalization	462,808	-	-	462,808
Contributions receivable, time restricted	1,286,838	-	-	1,286,838
Forest economy	432,878	-	-	432,878
Permanent capital Northern Forest Fund	600,000	-	-	600,000
Implied contribution from below-market interest rate loans	-	291,366	-	291,366
Strategy	215,000	-	-	215,000
Total	\$ 3,053,465	\$ 291,366	\$ -	\$ 3,344,831

Net assets released from purpose restrictions consisted of \$594,516 for the forest economy, \$71,397 for community revitalization, and \$72,000 for philanthropic initiatives.

Northern Forest Center, Inc. and Supporting Organizations

Notes to Consolidated Financial Statements

Note 12: Retirement Plan

The Center has a SIMPLE retirement plan covering eligible employees. For the year ended April 30, 2023, a 3% matching contribution up to 3% of eligible salary was made to the plan. Employer contributions for the year ended April 30, 2023 totaled \$34,221.

Note 13: Short-Term Leases

The Center leases various office space in New Hampshire and Maine under month-to-month arrangements. Rent expense totaled \$48,185 for the year ended April 30, 2023.

An arrangement for a master-lease between 101 Main Street and Northern Forest Center and a master-sublease between Northern Forest Center and Sustainable Forest Futures was entered into as part of the New Markets Tax Credit deal (Note 10). Any right-of-use assets or right-of-use liabilities associated with this arrangement were eliminated in the consolidation of the entities.

Note 14: Lease Commitments

Sustainable Forest Futures leases its building to tenants with various one and two year leases that convert to month-to-month tenancy at will. There is commercial space in one building rented on a 20-year agreement beginning in the fiscal year ended April 30, 2023. The cost and carrying amounts for all leased buildings and improvements is approximately \$4,560,866 and \$4,316,029, respectively. Lease income recognized under operating leasing arrangements with third-parties totaled \$209,639 for the year ended April 30, 2023.

Future rent under the forgoing lease agreements by year and in the aggregate is, as follows:

April 30,		
2024	\$	91,220
2025		29,670
2026		29,670
2027		29,670
2028		29,670
Thereafter		425,570
Total	\$	635,470

Note 15: Subsequent Events

The Center has evaluated subsequent events through October 2, 2023, the date which the consolidated financial statements were available to be issued.

Subsequent to year end the Center purchased a building in Millinocket Maine for \$202,000. The Center also brokered a New Markets Tax Credits agreement with a third party and earned \$171,000 in origination fees as part of this agreement.

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Schedule of Financial Position

April 30, 2023

ASSETS

	Northern Forest Center	Sustainable Forest Futures	101 Main Street	Elimination Entries	Consolidated 2023	Consolidated 2022
Current assets:						
Cash and cash equivalents	\$ 3,545,945	\$ 4,592,322	\$ 59,956	\$ -	\$ 8,198,223	\$ 6,615,418
Investments, at fair value	3,795,259	-	-	-	3,795,259	-
Grants receivable	496,367	2,000	-	-	498,367	834,592
Contributions receivable	518,500	-	-	-	518,500	491,564
Other receivables	-	2,200	-	-	2,200	-
Prepaid expenses	9,209	-	-	-	9,209	8,483
Investment in supporting organization and LLC	50,000	-	-	(50,000)	-	86,607
Due from related party	857,809	2,250,000	5,650	(3,113,459)	-	-
	<u>9,273,089</u>	<u>6,846,522</u>	<u>65,606</u>	<u>(3,163,459)</u>	<u>13,021,758</u>	<u>8,036,664</u>
Total current assets						
Property and equipment, net	<u>43,382</u>	<u>3,657,224</u>	<u>3,322,583</u>	<u>-</u>	<u>7,023,189</u>	<u>4,150,712</u>
Other assets:						
Designated cash	117,256	298,324	94,959	-	510,539	658,960
Deposits	380	-	-	-	380	7,380
Grants receivable, less current portion	33,817	-	-	-	33,817	139,122
Contributions receivable, less current portion	738,339	-	-	-	738,339	1,123,592
Right-of-use asset - operating lease	2,014,025	634,998	-	(2,649,023)	-	-
Note receivable	-	2,316,355	-	-	2,316,355	2,316,355
Beneficial interest in assets held by others	55,941	-	-	-	55,941	59,443
	<u>2,959,758</u>	<u>3,249,677</u>	<u>94,959</u>	<u>(2,649,023)</u>	<u>3,655,371</u>	<u>4,304,852</u>
Total other assets						
Total assets	<u>\$ 12,276,229</u>	<u>\$ 13,753,423</u>	<u>\$ 3,483,148</u>	<u>\$ (5,812,482)</u>	<u>\$ 23,700,318</u>	<u>\$ 16,492,228</u>

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Schedule of Financial Position

April 30, 2023

LIABILITIES AND NET ASSETS

	Northern Forest Center	Sustainable Forest Futures	101 Main Street	Elimination Entries	Consolidated 2023	Consolidated 2022
Current liabilities:						
Accounts payable	\$ 144,955	\$ 62,674	\$ 16,543	\$ -	\$ 224,172	\$ 171,504
Accrued payroll and related expenses	70,855	-	-	-	70,855	41,247
Grants payable	5,388	-	-	-	5,388	89,994
Notes payable, current portion	-	270,072	-	-	270,072	759,940
Deferred rent	-	4,600	-	-	4,600	450
Interest payable	-	78,498	-	-	78,498	32,018
Security deposits	-	18,345	-	-	18,345	7,645
Right-of-use liability - operating lease, current portion	20,341	4,872	-	(25,213)	-	-
Retainage payable	-	-	-	-	-	123,875
Due to related party	2,255,650	7,809	-	(2,263,459)	-	-
Total current liabilities	2,497,189	446,870	16,543	(2,288,672)	671,930	1,226,673
Long-term liabilities:						
Right-of-use liability - operating lease, net	1,993,684	630,126	-	(2,623,810)	-	-
Notes payable, net of current portion and discount	850,000	11,937,301	3,048,935	(900,000)	14,936,236	8,393,052
Total long-term liabilities	2,843,684	12,567,427	3,048,935	(3,523,810)	14,936,236	8,393,052
Total liabilities	5,340,873	13,014,297	3,065,478	(5,812,482)	15,608,166	9,619,725
Net assets:						
Without donor restrictions	3,881,891	447,760	417,670	-	4,747,321	3,473,661
With donor restrictions	3,053,465	291,366	-	-	3,344,831	3,398,842
Total net assets	6,935,356	739,126	417,670	-	8,092,152	6,872,503
Total liabilities and net assets	\$ 12,276,229	\$ 13,753,423	\$ 3,483,148	\$ (5,812,482)	\$ 23,700,318	\$ 16,492,228

See independent auditor's report

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Schedule of Activities

For the Year Ended April 30, 2023

	Northern Forest Center			Sustainable Forest Futures			101 Main Street			Elimination	Consolidated	Consolidated
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Entries	2023	2022
Revenues:												
Contributions	\$ 1,138,078	\$ 952,363	\$ 2,090,441	\$ 52,757	\$ 291,366	\$ 344,123	\$ 459,000	\$ -	\$ 459,000	\$ (459,000)	\$ 2,434,564	\$ 2,931,082
Corporate contributions	104,907	-	104,907	-	-	-	-	-	-	-	104,907	26,475
Foundation grants	550,919	449,355	1,000,274	92,998	-	92,998	-	-	-	(92,998)	1,000,274	2,294,656
Government grants	1,185,481	-	1,185,481	-	-	-	-	-	-	-	1,185,481	1,318,750
Programs and fees	92,266	-	92,266	2,769	-	2,769	-	-	-	(8,901)	86,134	86,060
Investment income	98,792	-	98,792	43,768	-	43,768	237	-	237	-	142,797	28,052
Rental income	-	-	-	209,639	-	209,639	25,425	-	25,425	(25,425)	209,639	96,755
Other support	303	(3,502)	(3,199)	-	-	-	-	-	-	-	(3,199)	3,353
Total revenues	3,170,746	1,398,216	4,568,962	401,931	291,366	693,297	484,662	-	484,662	(586,324)	5,160,597	6,785,183
Net assets released from restrictions:												
For satisfaction of time restrictions	1,005,680	(1,005,680)	-	-	-	-	-	-	-	-	-	-
For satisfaction of purpose restrictions	737,913	(737,913)	-	-	-	-	-	-	-	-	-	-
Total revenues and net assets released from restrictions	4,914,339	(345,377)	4,568,962	401,931	291,366	693,297	484,662	-	484,662	(586,324)	5,160,597	6,785,183
Expenses:												
Program services	2,689,812	-	2,689,812	845,486	-	845,486	164,798	-	164,798	(586,324)	3,113,772	2,245,785
General and administrative	377,371	-	377,371	-	-	-	-	-	-	-	377,371	367,571
Fundraising	449,805	-	449,805	-	-	-	-	-	-	-	449,805	339,900
Total expenses	3,516,988	-	3,516,988	845,486	-	845,486	164,798	-	164,798	(586,324)	3,940,948	2,953,256
Change in net assets	1,397,351	(345,377)	1,051,974	(443,555)	291,366	(152,189)	319,864	-	319,864	-	1,219,649	3,831,927
Net assets at beginning	2,484,540	3,398,842	5,883,382	891,315	-	891,315	97,806	-	97,806	-	6,872,503	3,040,576
Net assets at end	\$ 3,881,891	\$ 3,053,465	\$ 6,935,356	\$ 447,760	\$ 291,366	\$ 739,126	\$ 417,670	\$ -	\$ 417,670	\$ -	\$ 8,092,152	\$ 6,872,503

See independent auditor's report

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Schedule of Functional Expenses

Year Ended April 30, 2023

	<u>Northern Forest Center</u>				<u>Sustainable Forest Futures</u>				<u>101 Main Street</u>				Elimination Entries	Consolidated 2023	Consolidated 2022	
	Program	General and Administration	Fundraising	Total	Program	General and Administration	Fundraising	Total	Program	General and Administration	Fundraising	Total				
Personnel Expenses:																
Salaries	\$ 1,030,953	\$ 181,945	\$ 299,517	\$ 1,512,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,512,415	\$ 1,188,617
Benefits	127,190	35,955	25,793	188,938	-	-	-	-	-	-	-	-	-	-	188,938	160,120
Payroll taxes	76,023	13,264	21,908	111,195	-	-	-	-	-	-	-	-	-	-	111,195	91,430
	<u>1,234,166</u>	<u>231,164</u>	<u>347,218</u>	<u>1,812,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,812,548</u>	<u>1,440,167</u>
Non-Personnel Expenses:																
Grants to partner organizations	677,244	7,339	18,990	703,573	-	-	-	-	-	-	-	-	-	-	703,573	762,504
Depreciation and amortization	-	32,928	-	32,928	39,734	-	-	39,734	104,533	-	-	104,533	-	-	177,195	63,144
Other program expenses	656,685	-	25,779	682,464	459,000	-	-	459,000	-	-	-	-	(577,423)	564,041	232,993	
Occupancy	43,588	3,798	6,432	53,818	-	-	-	-	-	-	-	-	-	53,818	50,518	
Travel	47,377	2,194	8,873	58,444	-	-	-	-	-	-	-	-	-	58,444	26,122	
Printing and publications	539	1,610	20,566	22,715	-	-	-	-	-	-	-	-	-	22,715	21,816	
Office equipment and supplies	5,406	1,598	818	7,822	-	-	-	-	-	-	-	-	-	7,822	27,594	
Board development and meetings	11	14,909	3,073	17,993	-	-	-	-	-	-	-	-	-	17,993	11,473	
Professional fees	246	25,694	10	25,950	11,996	-	-	11,996	25,100	-	-	25,100	-	63,046	56,563	
Telephone	6,441	563	953	7,957	-	-	-	-	-	-	-	-	-	7,957	9,157	
Staff training	897	18,521	1,985	21,403	-	-	-	-	-	-	-	-	-	21,403	11,471	
Insurance	-	8,750	-	8,750	-	-	-	-	-	-	-	-	-	8,750	19,070	
Repairs and maintenance	5,087	441	747	6,275	-	-	-	-	-	-	-	-	-	6,275	1,951	
Building assessments	-	-	-	-	47,448	-	-	47,448	-	-	-	-	-	47,448	11,600	
Meetings and seminars	9,692	214	7,097	17,003	-	-	-	-	-	-	-	-	-	17,003	12,280	
Rental utilities	-	-	-	-	63,040	-	-	63,040	2,647	-	-	2,647	-	65,687	37,444	
Rental insurance	-	-	-	-	10,693	-	-	10,693	-	-	-	-	-	10,693	19,002	
Rental taxes	-	-	-	-	19,991	-	-	19,991	1,964	-	-	1,964	-	21,955	13,666	
Rental cleaning and yard care	-	-	-	-	17,914	-	-	17,914	-	-	-	-	-	17,914	6,000	
Rental expenses- other	-	-	-	-	28,553	-	-	28,553	-	-	-	-	(8,901)	19,652	16,709	
Interest	-	-	-	-	146,581	-	-	146,581	30,479	-	-	30,479	-	177,060	77,623	
Miscellaneous	2,433	27,648	7,264	37,345	536	-	-	536	75	-	-	75	-	37,956	24,389	
Total functional expenses	<u>\$ 2,689,812</u>	<u>\$ 377,371</u>	<u>\$ 449,805</u>	<u>\$ 3,516,988</u>	<u>\$ 845,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 845,486</u>	<u>\$ 164,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,798</u>	<u>\$ (586,324)</u>	<u>\$ 3,940,948</u>	<u>\$ 2,953,256</u>	

See independent auditor's report

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Schedule of Cash Flows

Year Ended April 30, 2023

	Northern Forest Center	Sustainable Forest Futures	101 Main Street	Elimination Entries	Consolidated 2023	Consolidated 2022
Cash flows from operating activities:						
Change in net assets	\$ 1,051,974	\$ (152,189)	\$ 319,864	\$ -	\$ 1,219,649	\$ 3,831,927
Adjustments to reconcile change in net assets to net cash flow from operating activities:						
Depreciation and amortization	32,928	39,734	104,533	-	177,195	63,144
Imputed interest on debt issuance costs	-	723	7,126	-	7,849	8,300
Amortization of loan discount	-	16,381	-	-	16,381	8,300
Forgiveness of investor loan	-	-	-	-	-	(50,000)
Gifts restricted for permanent capital	(50,000)	-	-	-	(50,000)	(550,000)
(Increase) decrease in:						
Grants receivable	415,534	25,996	-	-	441,530	(361,664)
Contributions receivable	358,317	-	-	-	358,317	(1,500,159)
Other receivables	-	(2,200)	-	-	(2,200)	-
Prepaid expenses and deposits	(726)	7,000	-	-	6,274	(13,262)
Due from related party	(4,568)	(2,250,000)	(5,650)	2,260,218	-	-
Beneficial interest in assets held by others	3,502	-	-	-	3,502	(2,693)
(Decrease) increase in:						
Accounts payable	97,186	59,018	(103,536)	-	52,668	43,250
Accrued payroll and related expenses	29,608	-	-	-	29,608	10,102
Grants payable	(84,606)	-	-	-	(84,606)	50,224
Interest payable	-	46,480	-	-	46,480	17,552
Deferred rent	-	4,150	-	-	4,150	450
Security deposits	-	10,700	-	-	10,700	(625)
Paycheck protection program refundable advance liability	-	-	-	-	-	-
Due to related party	2,255,651	7,295	(2,728)	(2,260,218)	-	-
Net cash from operating activities	4,104,800	(2,186,912)	319,609	-	2,237,497	1,554,846
Cash flows from investing activities:						
Purchases of property and equipment	-	(2,707,030)	(466,517)	-	(3,173,547)	(1,453,833)
Proceeds from return of investment in LLC	86,607	-	-	-	86,607	-
Purchases of investments	(3,795,259)	-	-	-	(3,795,259)	-
Net cash from investing activities	(3,708,652)	(2,707,030)	(466,517)	-	(6,882,199)	(1,453,833)

NORTHERN FOREST CENTER AND SUPPORTING ORGANIZATIONS

Consolidating Schedule of Cash Flows

Year Ended April 30, 2023

	Northern Forest Center	Sustainable Forest Futures	101 Main Street	Elimination Entries	Consolidated 2023	Consolidated 2022
Continued						
Cash flows from financing activities:						
Gifts restricted for permanent capital	50,000	-	-	-	50,000	550,000
Proceeds from notes payable	-	7,135,000	-	-	7,135,000	3,947,000
Discount on notes payable	-	(307,747)	-	-	(307,747)	-
Principal payments on notes payable	-	(798,167)	-	-	(798,167)	(1,058,164)
Net cash from financing activities	50,000	6,029,086	-	-	6,079,086	3,438,836
Net change in cash and cash equivalents	446,148	1,135,144	(146,908)	-	1,434,384	3,539,849
Cash and cash equivalents at beginning	3,217,053	3,755,502	301,823	-	7,274,378	3,742,829
Cash and cash equivalents at end	\$ 3,663,201	\$ 4,890,646	\$ 154,915	\$ -	\$ 8,708,762	\$ 7,282,678
<u>SUPPLEMENTAL INFORMATION:</u>						
Interest paid	\$ -	\$ 82,997	\$ 23,353	\$ -	\$ 106,350	\$ 75,104

Non-cash investing activities:

Upon completion of the construction project, the retainage payable of \$123,875 was paid and included in purchases of property and equipment, during the year ended April 30, 2023.

See independent auditor's report

NORTHERN FOREST CENTER
Schedule of Expenditures of Federal Awards

Year Ended April 30, 2023

Federal Grantor/Cluster/Pass-Through Grantor/Program Title	AL Number	Award Number	Federal Expenditures	Passed-Through to Subrecipients
Northern Border Regional Commission:				
Direct Awards Northern Border Regional Development:				
Economic and Infrastructure Development Grant Program: Destination Development	90.601	NBRC19GRF07	\$ 211,462	\$ 55,272
Economic and Infrastructure Development Grant Program: Trail Development	90.601	NBRC22GNH09	1,701	
Economic and Infrastructure Development Grant Program: Northern Forest Fund	90.601	NBRC20GRF03	179,905	92,998
Total AL #90.601 (Audited as major program)			393,068	148,270
U.S. Department of Agriculture:				
Pass-through from Northern Border Regional Commission				
Rural Business Development Grant: Forest Economy NH VT	10.351	NBRC20GUSDANH03	64,028	
Direct Awards:				
Rural Business Development Grant: Lancaster Marketing	10.351	34-007-223458955	21,624	
Rural Business Development Grant: Borderlands	10.351	34-007-223458955	3,327	
Rural Business Development Grant: Katahdin Wayfinding	10.351	34-007-223458955	16,106	
Rural Business Development Grant: Newport Wayfinding	10.351	34-007-223458955	35,594	
Total AL #10.351			140,679	-
Direct Awards:				
Rural Cooperative Development Initiative: Katahdin	10.446	194198027	57,005	41,079
Rural Cooperative Development Initiative: Maine West	10.446	194198027	46,531	22,680
Rural Cooperative Development Initiative: Broadband	10.446	194198027	48,587	25,876
Total AL #10.446			152,123	89,635
Community Facilities Loans and Grants Cluster				
Direct Awards:				
Community Facilities Loans and Grants: TAT	10.766	34-007-194198027	41,531	
U.S. Department of Agriculture - Forest Service:				
Community Project Funds - Congressional Directed Spending	10.723	23-DG-11094200-239	4,790	
U.S. Department of Agriculture - National Resource Conservation Service:				
Soil and Water Conservation: VT Mountain Bike Trails	10.902	NR231644XXXXG001	1,439	
U.S. Department of Commerce:				
Economic Development Cluster				
Pass-through from U.S. Endowment				
Economic Development Agency: Cooperative Agreement	11.307	E18-103	129,105	
Economic Development Agency: Cooperative Agreement Subaward	11.307	E18-103	114,542	
Total AL #11.307			243,647	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 977,277	\$ 237,905

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Federal Awards presents the federal grant expenditures of Northern Forest Center. The information in this schedule is presented in accordance with the compliance requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

Northern Forest Center has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Pass-through to Subrecipients

Included in amounts passed through to subrecipients is \$92,998 for awards passed through to Sustainable Forest Futures, a supporting organization of the Northern Forest Center.

See Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Northern Forest Center, Inc. and Supporting Organizations
Concord, New Hampshire

We have audited, in accordance with 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 Northern Forest Center, Inc. and Supporting Organizations, which comprise the statement of financial position as of April 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 2, 2023. The financial statements of Sustainable Forest Futures and 101 Main Street were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include the reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Northern Forest Center's internal control over financial reporting (internal control) as a basis for designing 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 Northern Forest Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Forest Center'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 reasonable possibility that a material misstatement of the Northern Forest Center's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Forest Center's 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 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 Northern Forest Center'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 Northern Forest Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Bedford, New Hampshire

October 2, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Northern Forest Center, Inc. and Supporting Organizations
Concord, New Hampshire

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Northern Forest Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended April 30, 2023. Northern Forest Center'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, Northern Forest Center 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 April 30, 2023.

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 (*Government Auditing Standards*); 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 Northern Forest Center 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 Northern Forest Center'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 Northern Forest Center's federal program.

Auditor's Responsibility 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 Northern Forest Center'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 Northern Forest Center's compliance with the requirements of the 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 Northern Forest Center'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 Northern Forest Center'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 Northern Forest Center'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.

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.

Wipfli LLP

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Bedford, New Hampshire

October 2, 2023

NORTHERN FOREST CENTER
Schedule of Findings and Questioned Costs
Year Ended April 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
<u>Internal control over major programs:</u>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

<u>Assistance Listing Number(s) (AL)</u>	<u>Name of Federal Program or Cluster</u>
90.601	Northern Border Regional Commission

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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NORTHERN FOREST CENTER
Schedule of Findings and Questioned Costs
Year Ended April 30, 2023

Section II – Financial Statement Findings

None identified

Section III – Federal Award Findings and Questioned Costs

None identified

Section IV - Summary Schedule of Prior Year Findings and Questioned Costs

Financial Statement Finding 2022-001

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with accounting principles generally accepted in the United States.

Condition: The Center's internal control over financial reporting does not end at the general ledger but extends to the financial statements and notes. As part of our professional services for the year ended April 30, 2022, Wipfli LLP assisted in drafting the financial statements and notes. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Center relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and notes, a significant deficiency exists in the Center's internal controls.

Status: Resolved