

AMERICAN FOREST FOUNDATION

Financial Statements
for the Years Ended
December 31, 2007 and 2006
and
Report Thereon

Reports Required in Accordance with
Office of Management and Budget Circular A-133
For the Year Ended December 31, 2007

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LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
American Forest Foundation

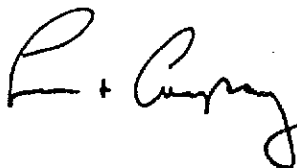
We have audited the accompanying statement of financial position of American Forest Foundation (AFF), a non-profit organization, for the years ended December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of AFF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of American Forest Foundation as of December 31, 2007 and 2006, and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 2008 on our consideration of AFF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of AFF taken as a whole. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The supplementary information included in the Schedules of Functional Revenue and Expense is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in all these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Washington, D.C.
April 23, 2008

AMERICAN FOREST FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 475,964	\$ 18,689
Contributions and grants receivable from the Government of Canada	--	150,000,000
Other grants and contributions	275,212	118,720
Accounts receivable	61,946	35,731
Other assets	<u>224,645</u>	<u>19,399</u>
Total Current Assets	1,037,767	150,192,539
Investments	154,958,847	3,466,795
Property, furniture and equipment, net	<u>111,095</u>	<u>29,982</u>
Total Assets	<u>\$ 156,107,709</u>	<u>\$ 153,689,316</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 546,974	\$ 155,472
Due to AF & PA	--	192,988
Deferred revenue	<u>2,604</u>	<u>15,806</u>
Total Current Liabilities	<u>549,578</u>	<u>364,266</u>
Note payable to AF & PA	--	260,000
Net Assets		
Unrestricted	155,360,381	152,916,842
Temporarily restricted	<u>197,750</u>	<u>148,208</u>
Total Net Assets	<u>155,558,131</u>	<u>153,065,050</u>
Total Liabilities and Net Assets	<u>\$ 156,107,709</u>	<u>\$ 153,689,316</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN FOREST FOUNDATION
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in unrestricted net assets		
Support and revenue		
Contributions	\$ 1,280,322	\$ 2,214,434
Investment income	5,041,196	329,836
Sales of educational material	437,961	388,594
Meeting and other revenue	<u>194,736</u>	<u>251,067</u>
Total Support and Revenue	6,954,215	3,183,931
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,051,628</u>	<u>774,477</u>
Total Unrestricted Revenue and Other Support	8,005,843	3,958,408
Expenses		
Program services	3,905,658	2,971,550
Management and general	1,444,544	720,844
Fund-raising	<u>212,102</u>	<u>194,914</u>
Total Expenses	<u>5,562,304</u>	<u>3,887,308</u>
Change in Unrestricted Net Assets from Continuing Operations	2,443,539	71,100
Extraordinary Item - Grant from the Government of Canada (See Note 8)	<u>--</u>	<u>150,000,000</u>
Change in Unrestricted Net Assets	<u>2,443,539</u>	<u>150,071,100</u>
Changes in temporarily restricted net assets		
Contributions	412,500	199,500
Federal grants	688,670	528,423
Net assets released from restrictions	<u>(1,051,628)</u>	<u>(774,477)</u>
Change in Temporarily Restricted Net Assets	<u>49,542</u>	<u>(46,554)</u>
Change in Net Assets	2,493,081	150,024,546
Net Assets, Beginning of Year	<u>153,065,050</u>	<u>3,040,504</u>
Net Assets, End of Year	<u>\$ 155,558,131</u>	<u>\$ 153,065,050</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN FOREST FOUNDATION
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,493,081	\$ 150,024,546
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Depreciation and amortization	25,652	14,339
Realized and unrealized losses/(gains)	3,623,737	(219,962)
Changes in assets and liabilities		
Grant from the Government of Canada	150,000,000	(150,000,000)
Other grants and contributions receivable	(156,492)	214,620
Other assets	(231,461)	28,842
Accounts payable	391,502	(128,223)
Deferred revenue	(13,202)	(53,754)
Due to AF & PA	<u>(452,988)</u>	<u>108,103</u>
Net Cash provided by/(used in)		
Operating Activities	<u>155,679,829</u>	<u>(11,489)</u>
Cash Flows used in Investing Activities		
Purchases of investments	(266,677,934)	(2,261,175)
Proceeds from sale of investments	111,562,145	2,226,390
Purchase of furniture and equipment	<u>(106,765)</u>	<u>(5,863)</u>
Net Cash Used in Investing Activities	<u>(155,222,554)</u>	<u>(40,648)</u>
Net Change in Cash	457,275	(52,137)
Cash, Beginning of Year	<u>18,689</u>	<u>70,826</u>
Cash, End of Year	<u>\$ 475,964</u>	<u>\$ 18,689</u>
Supplemental disclosure of cash flow information		
Cash payments for interest	<u>\$ --</u>	<u>\$ 16,158</u>

The accompanying notes are an integral
part of these financial statements.

AMERICAN FOREST FOUNDATION
Notes to Financial Statements

1. Organization

American Forest Foundation (AFF) is a publicly supported non-profit organization established to conduct charitable, educational, research and scientific programs aimed at the responsible use and conservation of renewable resources. AFF is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of AFF have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash

AFF maintains cash in one financial institution in Washington D.C. Account balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Investments

AFF carries investments in marketable and debt securities at fair market value in the statement of financial position. Investment income consists of interest, dividends and realized and unrealized gains and losses. See Note 4 for more information on the carrying value of investment securities.

Property, Furniture & Equipment

Fixed assets are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful life of the asset. Major additions and improvements are capitalized while maintenance and repairs are expensed in the year incurred.

Continued

AMERICAN FOREST FOUNDATION
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Net Assets

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

Unrestricted net assets - Unrestricted net assets result from revenues and other inflows of assets whose use by AFF is not limited by donor-imposed restrictions.

Temporarily restricted net assets - Temporarily restricted net assets result from contributions and other inflows of assets whose use by AFF is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of AFF pursuant to those stipulations.

Functional Allocation of Expenses

Overhead costs which cannot be specifically identified with a program or supporting service are allocated to the programs and supporting services based on salaries.

3. Taxes

Under Section 501(c)(3) of the Internal Revenue Code, AFF is exempt from federal taxes on income other than unrelated business income. At December 31, 2007 and 2006 no provision was made as AFF had no net taxable unrelated business income.

Continued

AMERICAN FOREST FOUNDATION
Notes to Financial Statements

4. Investments

At December 31 investments consisted of the following:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash	\$ --	\$ --	\$ 139,855	\$ 139,855
Mutual funds				
Bonds	47,389,732	48,160,972	--	--
Equity – Domestic	88,636,074	84,881,470	800,256	815,010
Equity - International	22,656,215	21,916,405	--	--
Corporate debt securities	--	--	62,972	60,982
Common stock	--	--	1,559,045	1,977,360
Government obligations	--	--	473,032	473,588
Total	<u>\$158,677,306</u>	<u>\$154,958,847</u>	<u>\$3,035,160</u>	<u>\$3,466,795</u>

Investment income was as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 8,664,933	\$ 109,874
Net realized and unrealized (losses) and gains on investments	<u>(3,623,737)</u>	<u>219,962</u>
Total	<u>\$ 5,041,196</u>	<u>\$ 329,836</u>

5. Property, Furniture and Equipment

At December 31 property, furniture and equipment consisted of the following:

	<u>2007</u>	<u>2006</u>
Property, furniture & equipment	\$ 361,624	\$ 278,785
Leasehold improvements	120,682	97,294
Accumulated depreciation	<u>(371,211)</u>	<u>(346,097)</u>
Property, furniture & equipment, net	<u>\$ 111,095</u>	<u>\$ 29,982</u>

Continued

AMERICAN FOREST FOUNDATION
Notes to Financial Statements

6. Inventory

Inventory is stated at cost and consists of various publications and merchandise that is used to educate AFF's stakeholders and the general public on various environmental issues. At December 31, 2007 inventory was valued at \$196,329 and is included in other assets on the Statement of Financial Position.

7. Due to AF & PA

In 2006 American Forest & Paper Association (AF&PA) performed certain administrative functions for, and leased office space to, AFF under the terms of a management and service agreement. At December 31, 2006, \$452,988 was due to AF&PA for these services. The total amount due to AF&PA consisted of a long-term note of \$260,000, and a current payable of \$192,988. AFF paid AF&PA interest at 4.5% annually, applied quarterly, on the note payable.

8. Temporarily Restricted Net Assets

At December 31 temporarily restricted net assets are available for the following programs:

	<u>2007</u>	<u>2006</u>
PLT Curriculum	\$ 153,403	\$ 126,514
Tree Farm Programs	19,974	10,000
Conservation Programs	<u>24,373</u>	<u>11,694</u>
Total	<u>\$ 197,750</u>	<u>\$ 148,208</u>

9. Grant from the Government of Canada

In 2006 the governments of the United States and Canada signed the Softwood Lumber Agreement. As part of this agreement the Government of Canada agreed to support meritorious initiatives in the United States, including: A) educational and charitable causes in timber-reliant communities; and B) educational and public-interest projects addressing (i) forest management issues that affect timber-reliant communities, or (ii) the sustainability of forests as sources of building materials, wildlife habitat, bio-energy, recreation, and other values.

As part of this agreement, AFF received an unconditional promise to give of \$150,000,000 from the Canadian Government to further these meritorious initiatives. At December 31, 2006 this amount was recorded as a grant receivable and an unrestricted contribution.

AMERICAN FOREST FOUNDATION
Notes to Financial Statements

10. Savings Plan

AFF maintains a defined contribution 401(k) plan that covers substantially all employees. Contributions to the plan were \$152,921 and \$136,266 in 2007 and 2006, respectively.

11. Commitments

On November 20, 2007 AFF entered an agreement to rent office space with a lease term of January 1, 2008 to November 30, 2013. Future payments under this agreement are as follows:

2008	\$ 304,637
2009	364,895
2010	374,017
2011	383,368
2012	392,952
Thereafter	<u>402,776</u>
Total	<u>\$ 2,222,645</u>

AMERICAN FOREST FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2007

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
United States Environmental Protection Agency			
Cooperative agreement with University of Wisconsin - Stevens Point Environmental Education and Training Program	N/A	NT-83272501-0	\$ 179,000
United States Department of the Interior - Fish and Wildlife Service			
Restore Longleaf & Southern Pine Forest Habitat for Endangered and Rare Species on Private Lands	N/A	401813G133 401516G050	11,325 128,606
Sub-grant from National Fish and Wildlife Foundation Forested Flyways: Increasing Bird Habitat	N/A	2002-0369-010	20,465
Forest Ecosystem Conservation for Rare and Declining Species on Family Forestlands in South Carolina	N/A	401815J005	99,815
United States Department of Agriculture - Forest Service			
Forest Stewardship	10.664	02-DG-11244225-402	92,700
Forest Stewardship	10.664	07-dg-11242300-094	35,000
Oak Management on Family Forestlands in the Willamette Valley		NRCS 68-3A75-6-152	46,936
National Aeronautics and Space Administration			
Earth Care	N/A	NNOG5597G	<u>46,098</u>
Total			<u>\$ 659,945</u>

This schedule was prepared on the accrual basis of accounting.

AMERICAN FOREST FOUNDATION
Statement of Functional Revenue and Expense
For the Year Ended December 31, 2007

	<u>CFF</u>	<u>CEL</u>	<u>CCS</u>	<u>CSLA</u>	<u>M&G</u>	<u>Fundraising</u>	<u>Total</u>
Contributions	\$ 137,368	\$ 2,793	\$ 2,247	\$ --	\$ --	\$ 1,159,877	\$ 1,302,285
Grants	94,500	475,644	431,526	--	--	80,306	1,081,976
Subscriptions	55,826	--	--	--	--	--	55,826
Advertising	103,123	--	--	--	--	--	103,123
Meeting Revenues	93,648	40,778	1,715	--	--	--	136,141
Sales	18,213	316,625	--	--	--	--	334,838
Interest & Dividends	--	--	--	8,469,729	195,204	--	8,664,933
Realized Gain(Loss)	--	--	--	1,053	93,669	--	94,722
Unrealized Gain(Loss)	--	--	--	(3,776,513)	58,054	--	(3,718,459)
Other Revenue	--	--	--	--	--	--	--
Total Revenue	\$ 502,678	\$ 835,840	\$ 435,488	\$ 4,694,270	\$ 346,926	\$ 1,240,183	\$ 8,055,385
Salaries	\$ 390,836	\$ 484,236	\$ 171,499	\$ --	\$ 583,919	\$ 115,269	\$ 1,745,759
Temporary Staff	--	--	13,316	--	--	--	13,316
Retirement	35,521	41,914	15,245	--	50,512	9,730	152,921
Benefits	68,428	29,859	15,682	--	51,327	9,734	175,030
Payroll Taxes	24,743	30,737	10,743	--	37,798	7,151	111,171
Accounting	12,557	16,059	5,265	--	16,180	2,734	52,795
Legal	21,824	27,910	9,150	--	28,119	4,752	91,755
Supplies	835	1,188	37	--	7,918	--	9,978
Telephone	7,107	4,101	1,161	--	7,012	919	20,300
Postage & Shipping	78,998	40,207	1,573	--	6,429	16,424	143,631
Rent	40,167	49,816	17,402	--	64,362	11,638	183,385
Equipment Rental/Repair	--	465	9,386	--	8,314	--	18,165
Printing & Publications	189,529	53,261	32,049	--	12,858	485	288,182
Travel	172,461	85,869	35,897	--	62,845	8,584	365,656
Meetings	207,053	94,254	9,711	--	43,704	--	354,722
Interest	--	--	--	--	--	--	--
Depreciation	5,819	7,202	2,563	--	8,407	1,660	25,651
Design/Production	58,677	14,260	63,005	--	4,000	4,770	144,712
Research/Evaluation	--	3,054	--	--	1,531	--	4,585
Consultants	97,025	84,394	10,332	--	280,752	15,857	488,360
Fulfillment	24,102	8,379	450	--	14,086	--	47,017
Promotion	3,913	10,674	--	--	4,695	--	19,282
Pass Through Funding	191,765	166,707	151,832	--	--	--	510,304
Awards	18,185	664	500	--	--	--	19,349
Grants	84,188	136,424	--	--	20,000	--	240,612
Materials	28,177	7,550	--	--	20	--	35,747
Special Projects	79,884	10,000	--	--	96,195	--	186,079
Investment Expense	--	--	--	23,652	--	--	23,652
Bank Charges/Credit Card Fees	--	--	--	--	10,049	--	10,049
Insurance	8,258	10,251	3,561	--	12,309	2,396	36,775
IT Expense	9,943	21,344	331	--	2,960	--	34,578
Miscellaneous	306	71	166	--	8,244	--	8,787
Total Expenses	\$ 1,860,300	\$ 1,440,850	\$ 580,856	\$ 23,652	\$ 1,444,544	\$ 212,102	\$ 5,562,304
Change in Net Assets	\$ (1,357,622)	\$ (605,010)	\$ (145,368)	\$ 4,670,618	\$ (1,097,618)	\$ 1,028,081	\$ 2,493,081

AMERICAN FOREST FOUNDATION
Statement of Functional Revenue and Expense
For the Year Ended December 31, 2006

	<u>CFE</u>	<u>CEL</u>	<u>CCS</u>	<u>CSLA</u>	<u>M&G</u>	<u>Fundraising</u>	<u>Total</u>
Contributions	\$ 233,709	\$ 50	\$ 10,518	\$ --	\$ --	\$ 1,679,345	\$ 1,923,622
Grants	207,030	593,394	218,311	150,000,000	--	--	151,018,735
Subscriptions	74,193	--	--	--	--	--	74,193
Advertising	77,245	--	--	--	--	--	77,245
Meeting Revenues	90,446	78,640	370	--	--	--	169,456
Sales	18,526	292,823	--	--	--	--	311,349
Interest & Dividends	--	--	--	--	109,874	--	109,874
Realized Gain(Loss)	--	--	--	--	277,720	--	277,720
Unrealized Gain(Loss)	--	--	--	--	(57,758)	--	(57,758)
Other Revenue	--	--	--	--	7,418	--	7,418
Total Revenue	\$ 701,149	\$ 964,907	\$ 229,199	\$ 150,000,000	\$ 337,254	\$ 1,679,345	\$ 153,911,854
Salaries	\$ 345,475	\$ 403,299	\$ 151,389	\$ --	\$ 349,793	\$ 101,569	\$ 1,351,525
Temporary Staff	--	4,389	4,146	--	--	--	8,535
Retirement	27,238	31,845	12,038	--	56,999	8,146	136,266
Benefits	58,497	36,794	14,114	--	33,846	13,642	156,893
Payroll Taxes	23,016	27,080	10,202	--	23,741	6,947	90,986
Accounting	8,593	9,229	3,501	--	8,275	2,228	31,825
Legal	2,172	2,333	885	--	2,091	563	8,044
Supplies	1,192	6,828	--	--	6,438	388	14,846
Telephone	5,963	2,962	855	--	2,706	1,412	13,898
Postage & Shipping	57,706	37,144	6,936	--	2,543	1,311	105,640
Rent	41,697	48,950	16,678	--	44,131	12,416	163,872
Equipment Rental/Repair	--	60	8,683	--	1,412	--	10,155
Printing & Publications	162,805	190,646	1,808	--	5,914	938	362,111
Travel	90,655	72,502	22,282	--	32,581	14,117	232,137
Meetings	165,530	68,323	366	--	10,072	13,303	257,594
Interest Expense	--	--	--	--	16,158	--	16,158
Depreciation Expense	3,673	4,270	1,452	--	3,860	1,084	14,339
Design/Production	30,022	27,196	30,144	--	4,470	3,550	95,382
Research/Evaluation	13,288	6,900	--	--	--	--	20,188
Consultants	76,142	77,174	6,395	--	36,465	9,342	205,518
Fulfillment	4,396	7,268	450	--	5,054	--	17,168
Promotion	10,387	805	--	--	4,382	--	15,574
Pass Through Funding	167,825	115,961	9,438	--	--	--	293,224
Awards	13,731	195	--	--	--	--	13,926
Grants	28,149	61,084	--	--	--	--	89,233
Materials	11,843	3,256	--	--	--	--	15,099
Special Projects	12,578	12,033	--	--	2,445	--	27,056
Investment Expense	--	--	--	--	25,088	--	25,088
Bank & Credit Card Fees	--	--	--	--	15,537	--	15,537
Insurance	11,391	11,669	3,987	--	14,515	2,988	44,550
IT Expense	5,251	4,641	10,532	--	4,544	30	24,998
Miscellaneous	6	559	654	--	7,784	940	9,943
Total Expenses	\$ 1,379,221	\$ 1,275,395	\$ 316,935	\$ --	\$ 720,844	\$ 194,914	\$ 3,887,308
Change in Net Assets	\$ (678,072)	\$ (310,488)	\$ (87,736)	\$ 150,000,000	\$ (383,590)	\$ 1,484,431	\$ 150,024,546

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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 Trustees of
American Forest Foundation

We have audited the financial statements of American Forest Foundation (AFF), a non-profit organization, as of and for the year ended December 31, 2007, and have issued our report thereon dated April 23, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AFF's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error and fraud in amounts which could be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AFF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board of trustees, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Washington, D.C.
April 23, 2008

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
American Forest Foundation

Compliance

We have audited the compliance of American Forest Foundation (AFF), a non-profit organization, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2007. Major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of AFF's management. Our responsibility is to express an opinion on AFF's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AFF's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of AFF's compliance with those requirements.

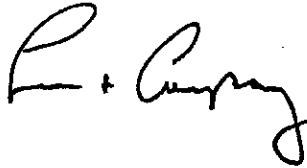
In our opinion, AFF complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of AFF is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered AFF's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in black ink, appearing to read "R. + Company". The signature is written in a cursive, flowing style with a large initial "R" and a plus sign followed by the word "Company".

Washington, D.C.
April 23, 2008

AMERICAN FOREST FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness identified? No

* Reportable conditions identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weakness identified? No

* Reportable conditions identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major program:

Cooperative Agreement Number/Name of Federal Program

NT-83272501-0	U.S. Environmental Protection Agency, Cooperative agreement with the University of Wisconsin, Stevens Point, Environmental Education and Training Program.
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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

AMERICAN FOREST FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section II - Federal Award Findings and Questioned Costs

Nothing is reportable.

AMERICAN FOREST FOUNDATION
PRIOR YEAR FINDINGS
For the Year Ended December 31, 2007

Nothing is reportable