

AMERICAN FOREST FOUNDATION

Financial Statements
for the Years Ended
December 31, 2010 and 2009
and
Report Thereon

Reports Required in Accordance with
Office of Management and Budget Circular A-133
For the Year Ended December 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-9
Schedule of Functional Expenses for the Year Ended December 31, 2010 (With Comparative Totals for 2009).....	10
Schedule of Expenditures of Federal Awards.....	11
Notes to Schedule of Expenditures of Federal Awards.....	12
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.....	13-14
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	15-16
Schedule of Findings and Questioned Costs.....	17-18
Summary Schedule of Prior Audit Findings.....	19

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
—
1920 N STREET, N.W.
SUITE 320
WASHINGTON, D.C. 20036
—
TEL (202) 463-6500
FAX (202) 463-6501

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
American Forest Foundation

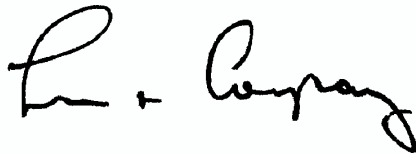
We have audited the accompanying statements of financial position of the American Forest Foundation (AFF), a nonprofit organization, as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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, the financial statements referred to above present fairly, in all material respects, the financial position of the American Forest Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its 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 July 1, 2011 on our consideration of the AFF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of AFF taken as a whole. The accompanying schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures 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 information in 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.

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

July 1, 2011

AMERICAN FOREST FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 413,014	\$ 250,478
Grants receivable	309,949	418,473
Accounts receivable	147,399	55,197
Inventory	170,685	71,350
Other assets	<u>21,713</u>	<u>38,530</u>
Total Current Assets	1,062,760	834,028
Investments	133,661,667	124,737,528
Equipment, net	543,598	440,991
Leasehold improvements, net	<u>138,813</u>	<u>182,244</u>
Total Assets	<u>\$ 135,406,838</u>	<u>\$ 126,194,791</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 1,219,699	\$ 2,004,621
Deferred revenue	<u>85,436</u>	<u>71,681</u>
Total Current Liabilities	<u>1,305,135</u>	<u>2,076,302</u>
Net Assets		
Unrestricted	134,093,857	124,054,842
Temporarily restricted	<u>7,846</u>	<u>63,647</u>
Total Net Assets	<u>134,101,703</u>	<u>124,118,489</u>
Total Liabilities and Net Assets	<u>\$ 135,406,838</u>	<u>\$ 126,194,791</u>

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

AMERICAN FOREST FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets		
Support and revenue		
Contributions	\$ 993,083	\$ 796,440
Investment income	15,659,068	26,205,183
Sales of educational material	560,409	311,173
Meeting and other revenue	<u>347,672</u>	<u>276,844</u>
Total Support and Revenue	17,560,232	27,589,640
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,056,199</u>	<u>1,084,247</u>
Total Unrestricted Revenue and Other Support	18,616,431	28,673,887
Expenses		
Program services	7,499,658	8,601,785
Management and general	602,156	1,040,556
Fund-raising	<u>594,383</u>	<u>598,282</u>
Total Expenses	<u>8,696,197</u>	<u>10,240,623</u>
Change in Unrestricted Net Assets	9,920,234	18,433,264
Changes in temporarily restricted net assets		
Contributions	240,280	129,000
Federal grants	878,899	933,134
Net assets released from restrictions	<u>(1,056,199)</u>	<u>(1,084,247)</u>
Change in Temporarily Restricted Net Assets	<u>62,980</u>	<u>(22,113)</u>
Change in Net Assets	9,983,214	18,411,151
Net Assets, Beginning of Year	<u>124,118,489</u>	<u>105,707,338</u>
Net Assets, End of Year	<u>\$ 134,101,703</u>	<u>\$ 124,118,489</u>

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

AMERICAN FOREST FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 9,983,214	\$ 18,411,151
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities		
Depreciation and amortization	254,904	189,741
Realized and unrealized (gains)/losses	(12,422,130)	(23,117,297)
Changes in assets and liabilities		
Grants receivable	108,524	(270,063)
Accounts receivable	(92,202)	293,980
Inventory	(99,335)	57,129
Other assets	16,817	651
Accounts payable	(784,922)	934,428
Deferred revenue	<u>13,755</u>	<u>69,368</u>
Net Cash (Used in)/Provided by Operating Activities	<u>(3,021,375)</u>	<u>(3,430,912)</u>
Cash Flows Provided by Investing Activities		
Purchases of investments	(3,437,123)	(3,085,439)
Proceeds from sale of investments	6,935,114	6,828,228
Purchase of furniture and equipment	<u>(314,080)</u>	<u>(270,334)</u>
Net Cash Provided by Investing Activities	<u>3,183,911</u>	<u>3,472,455</u>
Net Change in Cash	162,536	41,543
Cash, Beginning of Year	<u>250,478</u>	<u>208,935</u>
Cash, End of Year	<u>\$ 413,014</u>	<u>\$ 250,478</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 \$250,000. As of December 31, 2010 cash exceeded this limit by \$601,252.

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.

Equipment and Leasehold Improvements

Equipment and leasehold improvements 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 and direct costs charged to the program.

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, 2010 and 2009 no provision was made as AFF had no net taxable unrelated business income.

4. Investments

At December 31 investments consisted of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds				
Bonds	\$ 34,067,776	\$ 35,582,870	\$ 32,429,253	\$ 33,138,140
Equity – Domestic	88,097,578	78,968,500	93,824,631	73,434,182
Equity - International	<u>22,568,694</u>	<u>19,110,297</u>	<u>23,724,768</u>	<u>18,165,206</u>
Total	<u>\$ 144,734,048</u>	<u>\$ 133,661,667</u>	<u>\$ 149,978,652</u>	<u>\$ 124,737,528</u>

Continued

AMERICAN FOREST FOUNDATION
Notes to Financial Statements

4. Investments (continued)

Investment income was as follows:	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 3,236,939	\$ 3,087,886
Net realized and unrealized gains on investments	<u>12,422,130</u>	<u>23,117,297</u>
Total	<u>\$ 15,659,069</u>	<u>\$ 26,205,183</u>

AFF implemented FASB Statement No. 157, Fair Value Measurements (FAS 157), as of December 31, 2009. Implementation of FAS 157 did not affect AFF's change in net assets or statement of financial position and had no effect on AFF's existing fair-value measurement practices.

However, FAS 157 requires disclosure of a fair-value hierarchy of inputs AFF uses to value an asset or liability. The three levels of the fair-value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace;

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments, recorded at fair value, consist of the following at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2010	\$ 133,661,667	\$ --	\$ --	\$ 133,661,667
2009	\$ 124,737,528	\$ --	\$ --	\$ 124,737,528

5. Equipment and Leasehold Improvements

At December 31 equipment and leasehold improvements consisted of the following:

Equipment	\$ <u>953,231</u>	\$ <u>644,037</u>
Leasehold improvements	290,302	290,302
Accumulated depreciation/amortization	<u>(561,122)</u>	<u>(311,104)</u>
Property, furniture & equipment, net	<u>\$ 682,411</u>	<u>\$ 623,235</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$254,904 and \$189,741, respectively

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, 2010 and 2009 inventory was valued at \$170,685 and \$71,350, respectively.

7. Temporarily Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Education	\$ - -	\$ 6,240
Woodlands	<u>7,846</u>	<u>57,407</u>
Total	<u>\$ 7,846</u>	<u>\$ 63,647</u>

8. Savings Plan

AFF maintains a defined contribution 401(k) plan that covers substantially all employees. Contributions to the plan were \$193,072 and \$220,059 in 2010 and 2009, respectively.

9. Commitments

AFF has an agreement to rent office space expiring November 30, 2013. Future payments under this agreement are as follows:

2011	383,368
2012	392,952
2013	<u>402,776</u>
Total	<u>\$ 1,179,096</u>

10. Subsequent Event

In preparing these financial statements, AFF has evaluated events and transactions for potential recognition through July 1, 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

AMERICAN FOREST FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>Woodlands</u>	<u>Education</u>	<u>Communication</u>	<u>Policy</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>2010 Totals</u>	<u>2009 Totals</u>
Salaries	\$ 833,491	\$ 560,526	\$ 262,676	\$ 236,878	\$ 1,893,571	\$ 310,443	\$ 190,819	\$ 2,394,833	\$ 2,690,289
Retirement	63,737	58,774	19,761	14,711	156,983	27,740	8,349	193,072	220,059
Benefits	48,474	32,628	23,137	23,622	127,861	14,922	20,444	163,227	236,445
Payroll Taxes	49,243	36,218	20,707	15,760	121,928	19,318	12,550	153,796	166,059
Accounting	--	--	--	--	--	43,550	--	43,550	40,650
Legal	1,070	--	--	--	1,070	4,551	--	5,621	50,856
Postage & Shipping	113,651	41,993	1,216	329	157,189	2,099	47,211	206,499	188,752
Rent	--	--	--	--	--	374,214	--	374,214	366,628
Printing & Publications	201,957	199,158	8,117	16,864	426,096	18,551	65,097	509,744	415,362
Travel	184,130	159,748	13,831	60,964	418,673	79,182	101,931	599,786	480,873
Meetings	208,642	135,773	67	10,710	355,192	9,332	1,027	365,551	370,795
Office Expense	45,121	22,450	3,595	7,864	79,030	15,108	3,200	97,338	95,975
Depreciation	--	--	--	--	--	254,904	--	254,904	189,741
Design/Production	32,615	33,952	42,174	6,835	115,576	--	8,080	123,656	141,963
Research/Evaluation	--	7,450	300	--	7,750	--	--	7,750	10,978
Consultants	636,689	71,169	65,554	43,281	816,693	361,513	34,125	1,212,331	1,254,387
Promotion	8,830	7,390	117,084	13,437	146,741	--	10,357	157,098	78,855
Grants	993,570	418,020	--	--	1,411,590	--	--	1,411,590	2,924,300
Materials	34,366	45,743	--	--	80,109	--	--	80,109	87,861
Insurance	--	--	--	--	--	60,797	--	60,797	57,145
Information Technology	--	--	135,513	--	135,513	113,748	--	249,261	98,129
Miscellaneous	12,258	3,121	950	--	16,329	15,137	4	31,470	74,521
Allocation of \$1,122,953 indirect cost	<u>548,532</u>	<u>294,895</u>	<u>115,078</u>	<u>73,259</u>	<u>1,031,764</u>	<u>(1,122,953)</u>	<u>91,189</u>	<u>--</u>	<u>--</u>
Total Expenses	<u>\$ 4,016,376</u>	<u>\$ 2,129,008</u>	<u>\$ 829,760</u>	<u>\$ 524,514</u>	<u>\$ 7,499,658</u>	<u>\$ 602,156</u>	<u>\$ 594,383</u>	<u>\$ 8,696,197</u>	
2009 Totals	<u>\$ 5,644,522</u>	<u>\$ 1,992,808</u>	<u>\$ 627,297</u>	<u>\$ 337,158</u>	<u>\$ 8,601,785</u>	<u>\$ 1,040,556</u>	<u>\$ 598,282</u>		<u>\$ 10,240,623</u>

AMERICAN FOREST FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2010

<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-83272501-4	\$ 171,923
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	401516G050	59,123
United States Department of Agriculture - Forest Service			
Forest Stewardship	10.664	09-CA-11132544-296	150,000
Increase awareness of environmental issues in underserved school populations	N/A	08-PA-11132564-223	152,247
United States Department of Agriculture - Natural Resource Conservation Service			
Gopher Tortoise Habitat Credit Bank	10.912	2008-0116-002	57,500
Environmental Quality Incentives Program	10.679	69-3A75-9-149	118,583
Corporation for National and Community Service			
Development for GreenSchools	N/A	08KSHDC001	<u>169,523</u>
Total			<u>\$ 878,899</u>

AMERICAN FOREST FOUNDATION
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the American Forest Foundation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
—
1920 N STREET, N.W.
SUITE 320
WASHINGTON, D.C. 20036
—
TEL (202) 463-6500
FAX (202) 463-6501

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 of the
American Forest Foundation

We have audited the financial statements of the American Forest Foundation (AFF), a non-profit organization, as of and for the year ended December 31, 2010 and have issued our report thereon dated July 1, 2011. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AFF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AFF's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

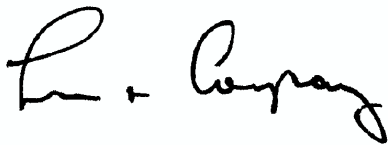
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

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

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, noncompliance 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 did not disclose any 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 audit committee, management, Board of Directors, 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., USA
July 1, 2011

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
—
1920 N STREET, N.W.
SUITE 320
WASHINGTON, D.C. 20036
—
TEL (202) 463-6500
FAX (202) 463-6501

**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 Directors of the
American Forest Foundation

Compliance

We have audited the compliance of the 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, 2010. AFF's major federal programs are identified on 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 on 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 its major federal program for the year ended December 31, 2010.

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

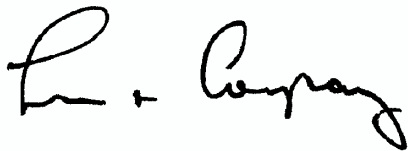
Internal Control Over Compliance

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AFF's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and as not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management Board of Directors, 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.

A handwritten signature in black ink, appearing to read "L. + Company".

Washington, D.C., USA
July 1, 2011

AMERICAN FOREST FOUNDATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2010

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

08-PA-11132564-223	Increase awareness of environmental issues in underserved school populations
09-CA-11132544-296	Forest Stewardship
2008-0116-002	Gopher Tootoise Habitat Credit Bank
69-3A75-9-149	Environmental Quality Incentives Program

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, 2010

Section II - Federal Award Findings and Questioned Costs

Nothing is reportable.

AMERICAN FOREST FOUNDATION
PRIOR YEAR FINDINGS
For the Year Ended December 31, 2010

Nothing is reportable