

# Frequently Asked Questions (FAQ) about the U.S. Endowment for Forestry and Communities

---

## **How did the Endowment come into being?**

As part of the 2006 Softwood Lumber Agreement (SLA or Agreement) between the U.S. and Canadian governments, \$450 million was designated to advance “meritorious initiatives” in the U.S. The Endowment was the only newly-created entity to be chosen for funding (\$200 million). The other two entities gaining funding were the American Forest Foundation (\$150 million) and Habitat for Humanity U.S. (\$100 million).

## **Are funds designated for specific purposes?**

Yes, the SLA designated three purposes for use of the funds. In the case of the Endowment, we were charged to advance two of those:

- Educational and charitable causes in timber-reliant communities; and
- Educational and public interest projects addressing;
  - Forest management issues that affect timber-reliant communities; or,
  - The sustainability of forests as sources of building materials, wildlife habitat, bio-energy, recreation, and other values.

## **How has the Endowment chosen to focus its work within that broad set of purposes?**

We’ve come to shorthand our approach by stating that we work to:

- Keep working forests as forests; and,
- Advance family-wage jobs in rural, forest-rich communities.

In seeking to advance our purposes, we have an over-arching commitment stipulated in side letters to the Agreement which states that we are to go about our work “*in ways that ultimately support the North American forest industry.*”

## **How do you ensure that you address and balance that broad range of forest sector outcomes?**

In recruiting for both the Board and staff we seek diversity in its most inclusive sense. Yes, we have people with different racial and ethnic backgrounds as well as gender. But more, we seek those with a wide range of life and work experiences -- forest industry, grass roots rural economic development, conservation, investment, and much more.

## **Does the Endowment operate only in the U.S.?**

While we are a U.S.-based entity, we take very seriously the side letter charge that we “*support the North American forest industry.*” We believe we can be most effective when we help grow markets for the full range of forest outputs from wood fiber to water to wildlife on both sides of the border.

## **How are funds to be managed?**

The Endowment is unique among the three funded organizations in that it is the only entity whose funds were directed to be managed as a perpetual or “true” endowment. Thus, we can only use annual interest and earnings to advance our purposes.



### **Is the Endowment part of the Government?**

The United States (U.S.) in our name denotes the primary target of the organization's work. While we were "created" at the requests of two sovereign governments, the Endowment is a not-for-profit that operates under U.S. tax law as a public charity. We have no formal administrative or reporting relationships with the government at any level.

### **How is the organization governed/directed?**

The Endowment is led by a thirteen-member Board of Directors each of whom can serve up to two, three-year terms. With the exception of a single member who is chosen by the Government of Canada as a liaison, all members are nominated by the Endowment's Governance & Nominating Committee and voted upon by the full Board. Board members serve without compensation. They are eligible only for reimbursement of necessary travel expenses for Board or Committee meetings.

### **How does the organization decide its programmatic focus?**

We continually reach out through formal and informal means to forest sector stakeholders for input on areas of need/interest. The Board has engaged a deeply-experienced professional staff to help develop and implement the program of work necessary to best advance the mission. The staff is now comprised of nine full-time positions and remains the most leanly staffed organizations of its peer group.

It is critical that the Endowment carefully target its funds. Among the things we use as filters are these characteristics:

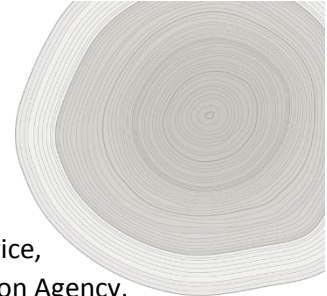
- We seek to advance **systemic, transformative, and sustainable change** – we invest deep and long for lasting change;
- We attempt to **do what others can't or won't** – in short we seek to move the needle on seemingly intractable problems where few others will engage;
- We are **bridge builders** – we seek to bring together coalitions of interested parties to address areas of concern; and,
- We are **risk takers** – we are open to trying creative solutions that will advance our mission.

### **How does the Endowment fund its work?**

As a perpetual endowment, we have invested our \$200 million corpus in the broad financial markets. If we depend only on funds generated from our corpus on an annual basis, we have at most \$8-10 million/year to advance our purposes. We work hard to leverage our programmatic capital. Since our outset we've been very successful in generating greater than a dollar-for-dollar match against Endowment funds that then are leveraged again with others as we invest in specific projects. To date we've had a nearly 10-fold financial impact for every dollar invested.

### **What do you mean by leverage?**

In addition to the funds generated from the Endowment's corpus we often have partners – other foundations, federal agencies, etc. – that provide funds directly to the Endowment for support of a specific Initiative or Program. We call that "internal leverage" – funds that come directly to the Endowment. Then, when we use Endowment and partner dollars to invest in a project, we are often joined by others who invest directly in the project adding what we call "external leverage."



### **Who are your programmatic partners?**

We are fortunate to have partners at many levels. Often a federal agency – USDA Forest Service, Natural Resources Conservation Service, Department of Defense, and Environmental Protection Agency, among them – will join us in a specific program investment. In many cases we then identify partners on the ground – a state forest or wildlife agency, university, corporation, or non-profit – to lead implementation in the field.

### **In what specific topical areas does the Endowment choose to invest?**

We have chosen to concentrate our work in seven focal initiatives using a market-based approach:

- Retaining and growing traditional markets (lumber, paper)
- Advancing non-traditional markets (e.g. water)
- Innovation (new markets such as mass timbers and nanotechnology)
- Wood-to-energy (finding new markets for mill residuals and low-value, dying and dead trees)
- Forest Retention (keeping working forests as forests)
- Forest Health (addressing wildfire, pests, and diseases)
- Asset Creation (working with disadvantaged populations to broaden the forestry tent)

### **What tools does the Endowment use to advance its programs?**

We are less and less frequently using traditional grants as a primary tool. Instead we are testing the full suite of means to advance our mission including:

- Program-related investments – low-interest loans;
- Mission-related investments – market-rate loans or equity investments; and,
- Loan guarantees.

### **How much money does the Endowment award in a typical year?**

As a young organization that survived significant losses in the Great Recession when our corpus sank below \$140 million, we have been in both a recovery and ramp-up mode for the last several years. We approached \$10 million in programmatic investments in 2014 and grew by another 50% to nearly \$15 million in 2016.

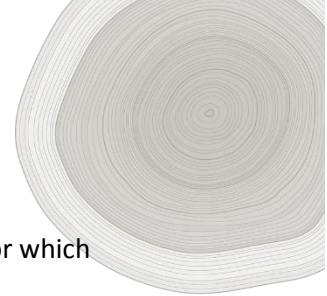
### **How can my organization determine if we are eligible for a grant or other investment?**

The Endowment typically announces open funding opportunities via our website –

[www.usendowment.org](http://www.usendowment.org)

### **What is an example that exemplifies the mission of the Endowment?**

Perhaps one of our most notable home runs comes in the establishment of two industry research and promotion programs that are seeing sizable investments in market retention and growth – the Softwood Lumber Board (generating \$15M/year) and the Paper & Paper-based Packaging Board (generating \$25M/year). One of the Endowment's earliest investments was a study of USDA "check-off" programs that have been very successful in growing markets for ag products from beef to blueberries. The Endowment not only funded the assessment but then worked and co-funded, with the two segments of the sector, effort that led to successful votes and creation of the first-ever check-offs for forest products.



### **Some in the forest sector have been critical of the Endowment. Why is that?**

We believe most of the criticism comes as a result of lack of understanding of the purposes for which the Endowment was created as well as how our structure differs from that of more familiar organizations like trade associations. Among the more frequent complaints we've heard:

#### Why is the Endowment just sitting on its \$200M?

Under the terms of the trade agreement and law we are a perpetual "endowment." We can *only* use annual interest and earnings to advance our purposes.

#### Why aren't you helping the industry address things like the endangered species act and forestland taxation?

The Endowment is a public charity that focuses its efforts on addressing systemic, transformative, and sustainable change. In short, near-term regulatory, legislative, and operational issues are akin to the "weather" and thus are the purview of individual companies and trade associations. The Endowment, on the other hand, is working to address the operating "climate" – those long-term needs and cross-sector issues that individual companies and trade organizations are not well positioned to address.

#### When I attend conferences and industry events I don't see the Endowment listed as a sponsor?

Among the things the Endowment doesn't do is sponsor conferences and events. We get literally dozens of requests for such every year. The addition of a few of our dollars and having our name listed in promotional materials wouldn't make any difference in the success or failure of any of these otherwise worthy events. We've noted that among our mantras is "we do what others can't or won't."

#### Why don't we see the Endowment's name on more things that you are doing?

We are very open about the things we invest in but we rarely seek publicity. We are at our best as a catalytic funder working behind the scenes. We've taken to explaining our role a bit like a take-off from the old ad campaign by German chemical giant BASF – "*We don't make a lot of the things you know. We make a lot of the things you know possible.*"

