

*TREESCHARLOTTE*  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2017*

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***TreesCharlotte***  
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**June 30, 2017**

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# ***C. DEWITT FOARD & COMPANY, P.A.***

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*PHILLIP G. WILSON  
TERRY W. LANCASTER*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
TreesCharlotte  
Charlotte, North Carolina

We have audited the accompanying financial statements of TreesCharlotte (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of TreesCharlotte, as of June 30, 2017 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 of America.

### *Report on Summarized Comparative Information*

We have previously audited the Organization's 2016 financial statements, and our report dated October 3, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. DeWitt Foard & Company, P.A.*  
November 21, 2017

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**TreesCharlotte****Statement of Financial Position****June 30, 2017, with prior year comparative totals**

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	June 30,	
	2017	2016
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 81,558	\$ 139,264
Beneficial interest in assets held in trust	467,850	527,740
Pledges receivable, current	155,505	300,381
<b><i>Total Current Assets</i></b>	<b>704,913</b>	<b>967,385</b>
Fixed Assets:		
Property and equipment	57,395	57,395
Less - accumulated depreciation	(17,219)	(11,479)
<b><i>Total Property and Equipment (net)</i></b>	<b>40,176</b>	<b>45,916</b>
Long-Term Assets:		
Beneficial interest in assets held in trust	1,219,348	111,686
Pledges receivable:		
Operating pledges	92,515	-
Endowment pledges	2,101,872	300,386
<b><i>Total Long-Term Assets</i></b>	<b>3,413,735</b>	<b>412,072</b>
<b><i>TOTAL ASSETS</i></b>	<b>\$ 4,158,824</b>	<b>\$ 1,425,373</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 20,610	\$ 32,693
Net Assets:		
Unrestricted	633,963	624,269
Temporarily restricted	291,575	435,492
Permanently restricted	3,212,676	332,919
<b><i>Total Net Assets</i></b>	<b>4,138,214</b>	<b>1,392,680</b>
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b>\$ 4,158,824</b>	<b>\$ 1,425,373</b>

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**TreesCharlotte****Statement of Activities****Year Ended June 30, 2017, with prior year comparative totals**

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	Year Ended June 30, 2017			TOTALS	Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b><u>SUPPORT AND REVENUE</u></b>					
Contributions	\$ 419,469	\$ 249,010	\$ 2,879,757	\$ 3,548,236	\$ 930,087
In-kind contributions	9,280	-	-	9,280	9,280
Investment income	48,200	53,892	-	102,092	52,746
Program revenue	4,770	-	-	4,770	2,025
Memberships	650	-	-	650	-
Net assets released from time restrictions	446,819	(446,819)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>929,188</b>	<b>(143,917)</b>	<b>2,879,757</b>	<b>3,665,028</b>	<b>994,138</b>
<b><u>EXPENSES</u></b>					
Program services	763,818	-	-	763,818	677,688
Management and general	52,454	-	-	52,454	53,912
Fundraising	103,222	-	-	103,222	84,070
<b>TOTAL EXPENSES</b>	<b>919,494</b>	<b>-</b>	<b>-</b>	<b>919,494</b>	<b>815,670</b>
<b>CHANGE IN NET ASSETS</b>	<b>9,694</b>	<b>(143,917)</b>	<b>2,879,757</b>	<b>2,745,534</b>	<b>178,468</b>
<b>NET ASSETS, BEGINNING</b>	<b>624,269</b>	<b>435,492</b>	<b>332,919</b>	<b>1,392,680</b>	<b>1,214,212</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 633,963</b>	<b>\$ 291,575</b>	<b>\$ 3,212,676</b>	<b>\$ 4,138,214</b>	<b>\$ 1,392,680</b>

# ***TreesCharlotte***

## **Statement of Functional Expenses**

**Year Ended June 30, 2017, with prior year comparative totals**

	Year Ended June 30, 2017				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<b><u>PERSONNEL</u></b>					
Salaries	\$ 105,060	\$ 27,055	\$ 44,856	\$ 176,971	\$ 41,740
Payroll taxes	8,042	2,071	3,433	13,546	3,193
<b><i>Total Personnel</i></b>	<b><i>113,102</i></b>	<b><i>29,126</i></b>	<b><i>48,289</i></b>	<b><i>190,517</i></b>	<b><i>44,933</i></b>
<b><u>OTHER EXPENSES</u></b>					
Reforestation	430,334	-	-	430,334	399,944
Contract services	40,061	5,307	7,700	53,068	132,560
Marketing	74,424	-	18,606	93,030	127,343
Professional fees	-	12,331	9,904	22,235	40,147
Occupancy	7,702	650	928	9,280	9,280
Conferences and meetings	72,090	1,897	1,897	75,884	8,489
Supplies	4,360	702	11,850	16,912	14,904
Insurance	2,886	743	1,232	4,861	4,569
Travel	906	233	387	1,526	5,651
Technology	4,800	1,236	2,050	8,086	5,894
Miscellaneous	426	109	180	715	882
Education	5,180	-	-	5,180	6,584
Vehicle	1,341	-	-	1,341	785
Bad debts	-	-	-	-	7,700
Membership	466	120	199	785	265
<b><i>Total Other Expenses</i></b>	<b><i>644,976</i></b>	<b><i>23,328</i></b>	<b><i>54,933</i></b>	<b><i>723,237</i></b>	<b><i>764,997</i></b>
<b>TOTAL EXPENSES BEFORE</b>					
<b><i>DEPRECIATION EXPENSE</i></b>	<b><i>758,078</i></b>	<b><i>52,454</i></b>	<b><i>103,222</i></b>	<b><i>913,754</i></b>	<b><i>809,930</i></b>
Depreciation expense	5,740	-	-	5,740	5,740
<b><i>TOTAL EXPENSES</i></b>	<b><i>\$ 763,818</i></b>	<b><i>\$ 52,454</i></b>	<b><i>\$ 103,222</i></b>	<b><i>\$ 919,494</i></b>	<b><i>\$ 815,670</i></b>

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**TreesCharlotte****Statement of Cash Flows****Year Ended June 30, 2017, with prior year comparative totals**

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	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 2,745,534	\$ 178,468
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	5,740	5,740
Increase in value of beneficial interest	(102,092)	(52,746)
Contributions restricted for long term purposes	(2,879,757)	(332,919)
(Increase) decrease in operating assets:		
Promises to give	130,827	107,110
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(12,083)	22,197
<b><i>Cash Flows From Operating Activities</i></b>	<b><i>(111,831)</i></b>	<b><i>(72,150)</i></b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of investments	(1,245,680)	(434,947)
Proceeds from the sale of investments	300,000	477,193
<b><i>Cash Flows from Investing Activities</i></b>	<b><i>(945,680)</i></b>	<b><i>42,246</i></b>
<b><u>FINANCING ACTIVITIES</u></b>		
Increase in endowment campaign pledges	(1,879,952)	(221,920)
Contributions restricted for long-term purposes	2,879,757	332,919
<b><i>Cash Flows from Financing Activities</i></b>	<b><i>999,805</i></b>	<b><i>110,999</i></b>
<b>NET CHANGE IN CASH</b>	<b>(57,706)</b>	<b>81,095</b>
<b>CASH, BEGINNING</b>	<b>139,264</b>	<b>58,169</b>
<b>CASH, ENDING</b>	<b>\$ 81,558</b>	<b>\$ 139,264</b>

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# ***TreesCharlotte***

## **Notes to Financial Statements**

**June 30, 2017**

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### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of activities*

TreesCharlotte (the Organization) was created as a public/private collaboration dedicated to planting trees, primarily through volunteer efforts. The Organization also educates Charlotte's residents on the importance of the canopy and ways to plant and preserve trees. The Organization is supported primarily through contributions and grants from individuals, businesses, and foundations.

#### *Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Organization.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

#### *Grants and contributions*

The Organization reports contributions and grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### *Cash*

Cash consists of cash on hand, cash in banks, and money market funds.

#### *Property and equipment*

Property and equipment with a value of \$2,500 or more is recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which is assumed to be ten years for the vehicles and equipment.



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# ***TreesCharlotte***

## **Notes to Financial Statements**

**June 30, 2017**

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### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

#### *Use of estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Prior-year comparative totals*

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with TreesCharlotte's 2016 financial statements, from which the summarized information was derived.

#### *Donated services and goods*

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Organization recorded no contributed services or donated goods.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as they do not meet the criteria for recognition described above.

#### *Donated facilities and utilities*

Donated facilities and utilities are recorded as contributions at the estimated fair rental value. For the year ended June 30, 2017, the fair value of the donated rent and utilities has been calculated at \$9,280, which is included in occupancy expense.

#### *Functional allocation of expenses*

Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

#### *Income tax status*

The Organization is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income. The Organization is not a private Organization as defined by Section 509(a) of the Internal Revenue Code.

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# ***TreesCharlotte***

## **Notes to Financial Statements**

**June 30, 2017**

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### **NOTE B – BENEFICIAL INTEREST IN ASSETS HELD IN TRUST**

#### *Endowment, Quasi-Endowment and Non-Endowment*

TreesCharlotte has established the TreesCharlotte Endowment Fund (Endowment Fund), TreesCharlotte Quasi-Endowment Fund (Quasi-Endowment Fund) and the TreesCharlotte Fund (Non-Endowment Fund) with the Foundation for the Carolinas (the Foundation). While TreesCharlotte has discretion over which investment pool to place the funds, the Foundation makes all investment decisions within the individual investment pool. Investment income from the Endowment Fund and Quasi-Endowment Fund is available for distribution on an annual basis based on the Foundation's spending policy, which is currently 5% of the average value of the Fund for the prior three calendar years. TreesCharlotte's Non-Endowment Fund is fully available for distribution at any time. Ultimately the funds are repayable to TreesCharlotte and the Foundation has no variance power to distribute any portion of these funds to another not-for-profit entity. The accounts at year-end are comprised of the following

Current:			
<i>Non-Endowed Advised</i> pool		\$	467,850
Long-term:			
<i>Quasi-Endowed Designated</i> pool	\$	260,296	
<i>Endowed-Designated</i> pool		959,052	1,219,348
<b>TOTAL</b>		\$	<b>1,687,198</b>

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#### *Investments and investments income*

Investments are reported at fair value in accordance with generally accepted accounting principles. Investment income of \$102,092 consists of the increase in value of the beneficial interest.

### **NOTE C - FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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# *TreesCharlotte*

## Notes to Financial Statements

June 30, 2017

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### NOTE C - FAIR VALUE MEASUREMENTS, continued

The Organization's investments are all classified as Level 3 assets. The Level 3 assets are valued based on the fair value of the underlying securities, which consists of investments that are both publicly-traded and not publicly traded. The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2017.

Balance, beginning of year	\$	639,426
Net increase in value		102,092
Purchases		1,245,680
Sales		(300,000)
<hr/>		
Balance, end of year	\$	1,687,198

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### NOTE D - PLEDGES RECEIVABLE

#### Operating pledges

Unconditional promises to give for operations are presented net of an estimated allowance for doubtful accounts of \$5,139. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$3,798 discount for present value is computed using an interest rate of 1.47 percent based on the weighted average of the U.S. Treasury rates at June 30, 2017. At June 30, 2017, there were four pledges totaling \$116,667, or 45% of the gross pledges received, which represents a substantial concentration of risk. Amortization of discounts is included in the contribution revenue.

Contributions receivable at June 30, 2017, are summarized as follows:

Contributions receivable	\$	256,957
Present value discount	\$	3,798
Allowance for uncollectible contributions receivable	5,139	8,937
<hr/>		
Net contributions receivable		248,020
Contributions receivable – current		155,505
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Contributions receivable – long term	\$	92,515

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# *TreesCharlotte*

## Notes to Financial Statements

June 30, 2017

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### NOTE D - PLEDGES RECEIVABLE, continued

Gross contributions receivable are scheduled to be received as follows:

Year Ended June 30,		
2018		\$ 159,853
2019		75,104
2020		10,000
2021		9,000
2022		2,000
Thereafter		1,000
<b>TOTAL</b>		<b>\$ 256,957</b>

#### Endowment campaign

Unconditional promises to give for the Endowment campaign are presented net of an estimated allowance for doubtful accounts of \$44,388. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$68,136 discount for present value is computed using an interest rate of 1.47 percent based on the weighted average of the U.S. Treasury rates at June 30, 2017. At June 30, 2017, there were three pledges totaling \$1,400,000 or 63% of the gross pledges received, which represents a substantial concentration of risk. Amortization of discounts is included in the contribution revenue.

Contributions receivable at June 30, 2017, are summarized as follows:

Contributions receivable		\$ 2,214,396
Present value discount	\$ 68,136	
Allowance for uncollectible contributions receivable	44,388	112,524
<b>Net contributions receivable</b>		<b>\$ 2,101,872</b>

All unconditional promises to give for the Endowment campaign are classified as long-term since the funds will be used for long-term purposes.

Gross contributions receivable are scheduled to be received as follows:

Year Ended June 30,		
2018		\$ 600,167
2019		549,667
2020		461,333
2021		415,229
2022		138,000
Thereafter		50,000
<b>TOTAL</b>		<b>\$ 2,214,396</b>

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# **TreesCharlotte**

## **Notes to Financial Statements**

**June 30, 2017**

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### **NOTE D - PLEDGES RECEIVABLE, continued**

#### Conditional promises to give

The Organization also has two material conditional promises to give. The City of Charlotte conditionally pledged \$750,000 over the next three years. Another donor conditionally pledged \$60,000 as a planned gift of the couple's estate plan.

### **NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment which are used by the Organization in its operations consists of the following at June 30, 2017:

Vehicles	\$	54,550
Tools and equipment		2,845
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Total		57,395
Less – accumulated depreciation		17,219
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TOTAL	\$	40,176

### **NOTE F – CONTINGENT LIABILITY**

The City of Charlotte paid the Organization \$250,000 during the year and, as noted in Note D, conditionally pledged \$750,000 over three years. The funds are permanently restricted and the Organization is only able to spend the earnings. The agreement gives the City of Charlotte the ability to terminate the agreement over the remaining life of the agreement. If the agreement is terminated, the Organization would return a portion of the City's contributions as determined at that time. The funds are currently invested in the Quasi Endowment Fund.

### **NOTE G - RESTRICTED NET ASSETS**

#### Temporarily restricted

Temporarily restricted net assets at year-end are as follows:

Pledge campaign	\$	248,020
Beneficial interest in investments held in trust by third party:		
Accumulated income on Endowment Fund		35,732
Accumulated income on Quasi-Endowment Fund		7,823
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TOTAL	\$	291,575

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# *TreesCharlotte*

## Notes to Financial Statements

June 30, 2017

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### NOTE G - RESTRICTED NET ASSETS, continued

#### *Permanently restricted*

Permanently restricted net assets at year-end are as follows:

Endowment pledges receivable campaign – net	\$ 2,101,872
Beneficial interest in investments held in trust by third party:	
Corpus on Endowment Fund	860,804
Corpus on Quasi-Endowment Fund	250,000
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TOTAL	\$ 3,212,676

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### NOTE H - CONCENTRATIONS OF RISK

#### *Geographic area*

The Organization operates in a small geographic area and, accordingly, is sensitive to changes in the local economy.

### NOTE I - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.