

TREESCHARLOTTE

FINANCIAL STATEMENTS
JUNE 30, 2019

TreesCharlotte
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June 30, 2019

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C. DEWITT FOARD & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
817 EAST MOREHEAD STREET SUITE 100
CHARLOTTE, NORTH CAROLINA 28202
TELEPHONE: 704-372-1515 FACSIMILE: 704-372-6066

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, 2019, 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, 2019 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 2018 financial statements, and our report dated September 20, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.

September 16, 2019

TreesCharlotte**Statement of Financial Position****June 30, 2019, with prior year comparative totals**

	June 30,	
	2019	2018
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 261,163	\$ 60,568
Beneficial interest in assets held in trust	806,261	657,945
Pledges receivable, net	54,885	220,467
<i>Total Current Assets</i>	<i>1,122,309</i>	<i>938,980</i>
Fixed Assets:		
Property and equipment	57,395	57,395
Less - accumulated depreciation	(28,698)	(22,958)
<i>Total Property and Equipment (net)</i>	<i>28,697</i>	<i>34,437</i>
Long-Term Assets:		
Beneficial interest in assets held in trust	2,940,039	2,269,819
Pledges receivable:		
Operating pledges, net	22,680	56,157
Endowment pledges, net	1,170,238	1,527,026
<i>Total Long-Term Assets</i>	<i>4,132,957</i>	<i>3,853,002</i>
<i>TOTAL ASSETS</i>	<i>\$ 5,283,963</i>	<i>\$ 4,826,419</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,734	\$ 9,155
<i>Total Current Liabilities</i>	<i>7,734</i>	<i>9,155</i>
Net Assets:		
Without donor restrictions	1,206,438	810,897
With donor restrictions	4,069,791	4,006,367
<i>Total Net Assets</i>	<i>5,276,229</i>	<i>4,817,264</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 5,283,963</i>	<i>\$ 4,826,419</i>

TreesCharlotte**Statement of Activities****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30, 2019			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 656,821	\$ 421,166	\$ 1,077,987	\$ 1,223,870
In-kind contributions	9,280	-	9,280	9,280
Investment income	32,225	-	32,225	136,835
Program revenue	3,500	-	3,500	4,500
Net assets released from restriction:				
By payment	72,402	(72,402)	-	-
By time	285,340	(285,340)	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>1,059,568</u>	<u>63,424</u>	<u>1,122,992</u>	<u>1,374,485</u>
<u>EXPENSES</u>				
Program services	553,634	-	553,634	558,200
Management and general	55,541	-	55,541	45,887
Fundraising	54,852	-	54,852	91,348
<u>TOTAL EXPENSES</u>	<u>664,027</u>	<u>-</u>	<u>664,027</u>	<u>695,435</u>
<u>CHANGE IN NET ASSETS</u>	<u>395,541</u>	<u>63,424</u>	<u>458,965</u>	<u>679,050</u>
<u>NET ASSETS, BEGINNING</u>	<u>810,897</u>	<u>4,006,367</u>	<u>4,817,264</u>	<u>4,138,214</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 1,206,438</u>	<u>\$ 4,069,791</u>	<u>\$ 5,276,229</u>	<u>\$ 4,817,264</u>

TreesCharlotte

Statement of Functional Expenses

Year Ended June 30, 2019, with prior year comparative totals

	Year Ended June 30, 2019				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 166,260	\$ 36,900	\$ 33,600	\$ 236,760	\$ 238,817
Payroll taxes	12,719	2,823	2,570	18,112	18,270
<i>Total Personnel</i>	<i>178,979</i>	<i>39,723</i>	<i>36,170</i>	<i>254,872</i>	<i>257,087</i>
<u>OTHER EXPENSES</u>					
Reforestation	259,150	-	-	259,150	272,650
Marketing	41,582	-	10,395	51,977	71,636
Professional fees	-	10,244	-	10,244	10,400
Occupancy	7,702	650	928	9,280	9,280
Conferences and meetings	31,547	830	830	33,207	23,810
Supplies	9,346	2,074	4,689	16,109	16,852
Insurance	2,142	475	433	3,050	5,071
Travel	997	221	202	1,420	257
Technology	4,345	964	878	6,187	3,383
Miscellaneous	1,361	301	274	1,936	3,089
Education	7,347	-	-	7,347	13,637
Vehicle	3,133	-	-	3,133	1,668
Membership	263	59	53	375	875
<i>Total Other Expenses</i>	<i>368,915</i>	<i>15,818</i>	<i>18,682</i>	<i>403,415</i>	<i>432,608</i>
<i>TOTAL EXPENSES BEFORE DEPRECIATION EXPENSE</i>	<i>547,894</i>	<i>55,541</i>	<i>54,852</i>	<i>658,287</i>	<i>689,695</i>
Depreciation expense	5,740	-	-	5,740	5,740
<i>TOTAL EXPENSES</i>	<i>\$ 553,634</i>	<i>\$ 55,541</i>	<i>\$ 54,852</i>	<i>\$ 664,027</i>	<i>\$ 695,435</i>

TreesCharlotte**Statement of Cash Flows****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30,	
	2019	2018
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 458,965	\$ 679,050
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	(32,183)	(136,835)
Contributions restricted for long term purposes	(421,166)	(373,458)
(Increase) decrease in operating assets:		
Promises to give	199,059	(28,604)
(Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,421)	(11,455)
<i>Cash Flows From Operating Activities</i>	<i>208,994</i>	<i>134,438</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(861,353)	(1,203,731)
Proceeds from the sale of investments	75,000	100,000
<i>Cash Flows from Investing Activities</i>	<i>(786,353)</i>	<i>(1,103,731)</i>
<u>FINANCING ACTIVITIES</u>		
Decrease in endowment campaign pledges	356,788	574,845
Contributions restricted for long-term purposes	421,166	373,458
<i>Cash Flows from Financing Activities</i>	<i>777,954</i>	<i>948,303</i>
NET CHANGE IN CASH	200,595	(20,990)
CASH, BEGINNING	60,568	81,558
CASH, ENDING	\$ 261,163	\$ 60,568

TreesCharlotte

Notes to Financial Statements

June 30, 2019

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:

Net assets without donor restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of the Organization and those resources invested in fixed assets. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization. Such amounts, if any, are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

Net assets with donor restrictions – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization.

Conditional promises to give

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.

TreesCharlotte

Notes to Financial Statements

June 30, 2019

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 2018 financial statements, from which the summarized information was derived. Certain amounts shown as prior-year comparative totals have been reclassified to conform to the current-year presentation.

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, 2019, 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 that are inherently program, management and general, or fundraising, are charged directly to those functions. The major expenses that are allocated are personnel expenses, communications and marketing, supplies, conferences and meetings, and other various expenses. Personnel expenses are allocated based on an estimate of time and effort. Marketing are based on the actual expenditures. Supplies were based on an estimate of usage. Conferences and meetings are based on the type of event or meeting. All other expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent.

TreesCharlotte

Notes to Financial Statements

June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 in, 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		\$	806,261
Long-term:			
<i>Quasi-Endowed Designated</i> pool	\$	816,397	
<i>Endowed-Designated</i> pool		2,123,642	2,940,039
TOTAL			\$ 3,746,300

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.

TreesCharlotte

Notes to Financial Statements

June 30, 2019

NOTE C - FAIR VALUE MEASUREMENTS, continued

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.

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, 2019.

Balance, beginning of year	\$	2,927,764
Net increase in value		32,183
Purchases		861,353
Sales		(75,000)
<hr/>		
Balance, end of year	\$	3,746,300

NOTE D - PLEDGES RECEIVABLE

Operating pledges

Unconditional promises to give for operations are presented net of an estimated allowance for doubtful accounts of \$1,610. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$1,325 discount for present value is computed using an interest rate of 1.75 percent based on the weighted average of the U.S. Treasury rates at June 30, 2019. Amortization of discounts is included in the contribution revenue.

Pledges receivable at June 30, 2019, are summarized as follows:

Pledges receivable	\$	80,500
Present value discount	\$	1,325
Allowance for uncollectible pledges receivable	1,610	2,935
<hr/>		
Net pledges receivable		77,565
Pledges receivable – current		54,885
<hr/>		
Pledges receivable – long term	\$	22,680

TreesCharlotte
Notes to Financial Statements
June 30, 2019

NOTE D - PLEDGES RECEIVABLE, continued

Gross operating pledges receivable are scheduled to be received as follows:

Year Ended June 30,		
2020	\$	56,500
2021		14,000
2022		8,000
2023		1,000
2024		1,000
TOTAL	\$	80,500

Endowment campaign

Unconditional promises to give for the Endowment campaign are presented net of an estimated allowance for doubtful accounts of \$24,480. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The \$28,292 discount for present value is computed using an interest rate of 1.75 percent based on the weighted average of the U.S. Treasury rates at June 30, 2019. At June 30, 2019, there were two pledges totaling \$700,000 which represented 57% of the gross pledges received, which represents a substantial concentration of risk. Amortization of discounts is included in the contribution revenue.

Pledges receivable at June 30, 2019, are summarized as follows:

Pledges receivable		\$	1,223,010
Present value discount	\$	24,480	
Allowance for uncollectible pledges receivable	28,292		52,772
Net pledges receivable			1,170,238
Pledges receivable – current			517,079
Pledges receivable – long term		\$	653,159

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

TreesCharlotte

Notes to Financial Statements

June 30, 2019

NOTE D - PLEDGES RECEIVABLE, continued

Gross Endowment pledges receivable are scheduled to be received as follows:

Year Ended June 30,		
2020	\$	531,289
2021		454,723
2022		190,029
2023		14,970
2024		12,000
Thereafter		20,000
TOTAL	\$	1,223,011

Conditional promises to give

The Organization also has two material conditional promises to give. The City of Charlotte conditionally pledged \$250,000 for the year ending June 30, 2020. 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, 2019:

Vehicles	\$	54,550
Tools and equipment		2,845
<u>Total</u>		<u>57,395</u>
Less – accumulated depreciation		28,698
TOTAL	\$	28,697

NOTE F – CONTINGENT LIABILITY

The City of Charlotte paid the Organization \$250,000 during the year and, as noted in Note D, conditionally pledged \$250,000 for the year ending June 30, 2020. 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.

TreesCharlotte

Notes to Financial Statements

June 30, 2019

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted

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

Pledge campaign	\$	77,565
Salary support grant		34,209
Beneficial interest in investments held in trust by third party:		
Accumulated income on Endowment Fund		16,863
Accumulated income on Quasi-Endowment Fund		49,900
TOTAL	\$	178,537

Permanently restricted

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

Endowment pledges receivable campaign – net	\$	1,170,238
Beneficial interest in investments held in trust by third party:		
Corpus on Endowment Fund		1,971,016
Corpus on Quasi-Endowment Fund		750,000
TOTAL	\$	3,891,254

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,274,567 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$261,163, short-term investments of \$806,261, spendable portion of the long-term investments of \$152,258, and current pledge receivables of \$54,885. Of the financial assets available, \$34,209 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE I - CONCENTRATIONS OF RISK

Geographic area

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

Cash in excess of insured limits

Cash and certificates of deposit held in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash and certificates of deposit held by the Organization at June 30, 2019 includes \$18,606 in excess of insured limits covered by FDIC.

TreesCharlotte**Notes to Financial Statements****June 30, 2019**

NOTE J - 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.