

TREESCHARLOTTE

FINANCIAL STATEMENTS
JUNE 30, 2020

TreesCharlotte
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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, 2020, 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, 2020 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 2019 financial statements, and our report dated September 16, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
August 24, 2020

TreesCharlotte**Statement of Financial Position****June 30, 2020, with prior year comparative totals**

	June 30,	
	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 227,119	\$ 261,163
Beneficial interest in assets held in trust	809,456	806,261
Accounts receivable	2,540	-
Pledges receivable, net	217,305	54,885
<i>Total Current Assets</i>	<i>1,256,420</i>	<i>1,122,309</i>
Fixed Assets:		
Property and equipment	57,395	57,395
Less - accumulated depreciation	(34,437)	(28,698)
<i>Total Property and Equipment (net)</i>	<i>22,958</i>	<i>28,697</i>
Long-Term Assets:		
Beneficial interest in assets held in trust	3,582,754	2,940,039
Pledges Receivable:		
Operating pledges, net	6,930	22,680
Endowment pledges, net	677,314	1,170,238
<i>Total Long-Term Assets</i>	<i>4,266,998</i>	<i>4,132,957</i>
<i>TOTAL ASSETS</i>	<i>\$ 5,546,376</i>	<i>\$ 5,283,963</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 7,380	\$ 7,734
Refundable advance	14,436	-
<i>Total Current Liabilities</i>	<i>21,816</i>	<i>7,734</i>
Net Assets:		
Without donor restrictions	1,032,524	1,206,438
With donor restrictions	4,492,036	4,069,791
<i>Total Net Assets</i>	<i>5,524,560</i>	<i>5,276,229</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 5,546,376</i>	<i>\$ 5,283,963</i>

TreesCharlotte**Statement of Activities****Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30, 2020			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 396,862	\$ 838,960	\$ 1,235,822	\$ 1,077,987
In-kind contributions	9,280	-	9,280	9,280
Investment income	(98,985)	(206,807)	(305,792)	32,225
Program revenue	-	-	-	3,500
Other income	38,291	-	38,291	-
Net assets released from restriction:				
By payment	209,908	(209,908)	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>555,356</u>	<u>422,245</u>	<u>977,601</u>	<u>1,122,992</u>
<u>EXPENSES</u>				
Program services	590,745	-	590,745	553,634
Management and general	61,826	-	61,826	55,541
Fundraising	76,699	-	76,699	54,852
<u>TOTAL EXPENSES</u>	<u>729,270</u>	<u>-</u>	<u>729,270</u>	<u>664,027</u>
<u>CHANGE IN NET ASSETS</u>	<u>(173,914)</u>	<u>422,245</u>	<u>248,331</u>	<u>458,965</u>
<u>NET ASSETS, BEGINNING</u>	<u>1,206,438</u>	<u>4,069,791</u>	<u>5,276,229</u>	<u>4,817,264</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 1,032,524</u>	<u>\$ 4,492,036</u>	<u>\$ 5,524,560</u>	<u>\$ 5,276,229</u>

TreesCharlotte**Statement of Functional Expenses****Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30, 2020				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 183,365	\$ 40,008	\$ 49,558	\$ 272,931	\$ 236,760
Payroll taxes	14,027	3,061	3,791	20,879	18,112
<i>Total Personnel</i>	<i>197,392</i>	<i>43,069</i>	<i>53,349</i>	<i>293,810</i>	<i>254,872</i>
<u>OTHER EXPENSES</u>					
Reforestation	296,549	-	-	296,549	259,150
Marketing	39,415	-	9,854	49,269	51,977
Professional fees	-	13,406	-	13,406	10,244
Occupancy	7,702	650	928	9,280	9,280
Conferences and meetings	13,322	351	351	14,024	33,207
Supplies	5,474	1,033	8,106	14,613	16,109
Insurance	2,178	475	589	3,242	3,050
Travel	1,690	369	457	2,516	1,420
Technology	5,839	1,274	1,578	8,691	6,187
Miscellaneous	3,078	672	833	4,583	1,936
Education	7,600	-	-	7,600	7,347
Vehicle	2,349	-	-	2,349	3,133
Staff development	2,063	450	558	3,071	-
Membership	354	77	96	527	375
<i>Total Other Expenses</i>	<i>387,613</i>	<i>18,757</i>	<i>23,350</i>	<i>429,720</i>	<i>403,415</i>
<i>TOTAL EXPENSES BEFORE DEPRECIATION EXPENSE</i>	<i>585,005</i>	<i>61,826</i>	<i>76,699</i>	<i>723,530</i>	<i>658,287</i>
Depreciation expense	5,740	-	-	5,740	5,740
<i>TOTAL EXPENSES</i>	<i>\$ 590,745</i>	<i>\$ 61,826</i>	<i>\$ 76,699</i>	<i>\$ 729,270</i>	<i>\$ 664,027</i>

TreesCharlotte**Statement of Cash Flows****Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30,	
	2020	2019
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 248,331	\$ 458,965
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	5,740	5,740
Increase (decrease) in value of beneficial interest	305,792	(32,183)
Contributions restricted for long term purposes	(838,960)	(421,166)
(Increase) decrease in operating assets:		
Accounts receivable	(2,540)	-
Promises to give	(146,670)	199,059
(Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(354)	(1,421)
<u>Cash Flows From Operating Activities</u>	<u>(428,661)</u>	<u>208,994</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(951,702)	(861,353)
Proceeds from the sale of investments	-	75,000
<u>Cash Flows from Investing Activities</u>	<u>(951,702)</u>	<u>(786,353)</u>
<u>FINANCING ACTIVITIES</u>		
Decrease in endowment campaign pledges	492,923	356,788
Proceeds from refundable advance	52,727	-
Refundable advance utilized	(38,291)	-
Contributions restricted for long-term purposes	838,960	421,166
<u>Cash Flows from Financing Activities</u>	<u>1,346,319</u>	<u>777,954</u>
NET CHANGE IN CASH	(34,044)	200,595
CASH, BEGINNING	261,163	60,568
CASH, ENDING	\$ 227,119	\$ 261,163

TreesCharlotte

Notes to Financial Statements

June 30, 2020

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.

Revenue recognition

The Organization expects to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers*" (ASU 2014-09), for the year ending June 30, 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management believes that the impact of this standard will not be material to the Organization's financial statements.

Conditional promises to give

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

TreesCharlotte

Notes to Financial Statements

June 30, 2020

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.

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 2019 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, 2020, the fair value of the donated rent and utilities has been calculated at \$9,280, which is included in occupancy 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 foundation as defined by Section 509(a) of the Internal Revenue Code.

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Notes to Financial Statements

June 30, 2020

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 is based on 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.

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		\$	809,456
Long-term:			
<i>Quasi-Endowed Designated</i> pool	\$	1,097,846	
<i>Endowed-Designated</i> pool		2,484,908	3,582,754
TOTAL		\$	4,392,210

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.

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Notes to Financial Statements

June 30, 2020

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.

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, 2020.

Balance, beginning of year	\$ 3,746,300
Net decrease in value	(305,792)
Purchases	951,702
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Balance, end of year	\$ 4,392,210

NOTE D - PLEDGES RECEIVABLE

Operating pledges

Unconditional promises to give for operations are presented net of an estimated allowance for doubtful accounts of \$2,265. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. No discount for present value was computed due to it being immaterial to the financial statements.

Pledges receivable at June 30, 2020 are summarized as follows:

Pledges receivable	\$ 226,500
Less: allowance for uncollectible pledges receivable	2,265
<hr/>	
Net pledges receivable	224,235
Pledges receivable – current	217,305
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Pledges receivable – long term	\$ 6,930

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

Year Ended June 30,

2021	\$ 219,500
2022	7,000
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TOTAL	\$ 226,500

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Notes to Financial Statements

June 30, 2020

Endowment campaign

Unconditional promises to give for the Endowment campaign are presented net of an estimated allowance for doubtful accounts of \$35,648. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. No discount for present value was computed due to it being immaterial to the financial statements. At June 30, 2020, there were two pledges totaling \$400,000 which represented 56% 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, 2020 are summarized as follows:

Pledges receivable	\$	712,962
<u>Allowance for uncollectible pledges receivable</u>		<u>35,648</u>
Net pledges receivable		677,314
<u>Pledges receivable – current</u>		<u>469,443</u>
<u>Pledges receivable – long term</u>	<u>\$</u>	<u>207,871</u>

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 Endowment pledges receivable at June 30, 2020 are scheduled to be received as follows:

2021	\$	494,151
2022		164,871
2023		19,940
2024		12,000
<u>2025 and thereafter</u>		<u>22,000</u>
<u>TOTAL</u>	<u>\$</u>	<u>712,962</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment which are used by the Organization in its operations consist of the following at June 30, 2020:

Vehicles	\$	54,550
<u>Tools and equipment</u>		<u>2,845</u>
<u>Total</u>		<u>57,395</u>
<u>Less – accumulated depreciation</u>		<u>34,437</u>
<u>TOTAL</u>	<u>\$</u>	<u>22,958</u>

TreesCharlotte

Notes to Financial Statements

June 30, 2020

NOTE F – REFUNDABLE ADVANCE

The Organization obtained a refundable advance for \$52,727 as part of the Payroll Protection Program (PPP) to, mitigate the effects of the COVID-19 pandemic. The advance is eligible to be forgiven if utilized for allowable expenses as defined by PPP guidelines. The Organization had utilized \$38,291 of the refundable advance as of June 30, 2020, and that amount was recorded as other income in the accompanying financial statements. The remaining balance of \$14,436, was utilized after year-end. Management has utilized the advance since June 30, 2020, and expects the advance to be forgiven in full in the subsequent year.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted

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

Pledge campaign	\$	222,500
Salary support grant		50,000
Beneficial interest in investments held in trust by third party:		
<u>Accumulated income on Quasi-Endowment Fund</u>		<u>57,314</u>
TOTAL	\$	<u>329,814</u>

Permanently restricted

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

Endowment pledges receivable campaign – net	\$	677,314
Beneficial interest in investments held in trust by third party:		
Corpus on Endowment Fund		2,682,265
Corpus on Quasi-Endowment Fund		<u>1,000,000</u>
Total Corpus		<u>3,682,265</u>
Less: Underwater Endowment Fund		<u>197,357</u>
TOTAL	\$	<u>4,162,222</u>

Fund with Deficiency

From time to time, the fair value of assets associated with the Organization's Endowment Fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration. As of June 30, 2020, the fair value of the assets was \$197,357 less than the permanently restricted portion of the Endowment Fund.

TreesCharlotte

Notes to Financial Statements

June 30, 2020

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,256,420 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$227,119, short-term investments of \$809,456, accounts receivable of \$2,540, and current pledges receivable of \$217,305. Of the financial assets available, \$50,000 are subject to donor or other contractual restrictions which 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.

NOTE J – UNCERTAINTY

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on the Organization is unknown, but management believes that it could negatively impact its support and revenue for the foreseeable future.

NOTE K - 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.