

TREESCHARLOTTE

FINANCIAL STATEMENTS
JUNE 30, 2021

TreesCharlotte
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June 30, 2021

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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, 2021, 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, 2021, 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 2020 financial statements, and our report dated August 24, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
September 7, 2021

TreesCharlotte

Statement of Financial Position

June 30, 2021, with prior year comparative totals

	June 30,	
	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 459,777	\$ 227,119
Beneficial interest in assets held in trust	1,025,961	809,456
Accounts receivable	-	2,540
Pledges receivable, net	30,000	217,305
<i>Total Current Assets</i>	<i>1,515,738</i>	<i>1,256,420</i>
Fixed Assets:		
Property and equipment	57,395	57,395
Less - accumulated depreciation	(40,177)	(34,437)
<i>Total Property and Equipment (net)</i>	<i>17,218</i>	<i>22,958</i>
Long-Term Assets:		
Beneficial interest in assets held in trust	4,628,158	3,582,754
Pledges Receivable:		
Operating pledges, net	-	6,930
Endowment pledges, net	255,493	677,314
<i>Total Long-Term Assets</i>	<i>4,883,651</i>	<i>4,266,998</i>
<i>TOTAL ASSETS</i>	<i>\$ 6,416,607</i>	<i>\$ 5,546,376</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,830	\$ 7,380
Refundable advance	-	14,436
<i>Total Current Liabilities</i>	<i>2,830</i>	<i>21,816</i>
Net Assets:		
Without donor restrictions	1,500,125	1,032,524
With donor restrictions	4,913,652	4,492,036
<i>Total Net Assets</i>	<i>6,413,777</i>	<i>5,524,560</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 6,416,607</i>	<i>\$ 5,546,376</i>

TreesCharlotte

Statement of Activities

Year Ended June 30, 2021, with prior year comparative totals

	Year Ended June 30, 2021			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 514,922	\$ 142,730	\$ 657,652	\$ 1,274,113
In-kind contributions	9,280	-	9,280	9,280
Investment income	456,965	521,386	978,351	(305,792)
Net assets released from restriction:				
By payment	242,500	(242,500)	-	-
<i>TOTAL SUPPORT AND REVENUE</i>	<i>1,223,667</i>	<i>421,616</i>	<i>1,645,283</i>	<i>977,601</i>
<u>EXPENSES</u>				
Program services	556,335	-	556,335	590,745
Management and general	109,254	-	109,254	61,826
Fundraising	90,477	-	90,477	76,699
<i>TOTAL EXPENSES</i>	<i>756,066</i>	<i>-</i>	<i>756,066</i>	<i>729,270</i>
<i>CHANGE IN NET ASSETS</i>	<i>467,601</i>	<i>421,616</i>	<i>889,217</i>	<i>248,331</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,032,524</i>	<i>4,492,036</i>	<i>5,524,560</i>	<i>5,276,229</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,500,125</i>	<i>\$ 4,913,652</i>	<i>\$ 6,413,777</i>	<i>\$ 5,524,560</i>

TreesCharlotte**Statement of Functional Expenses****Year Ended June 30, 2021, with prior year comparative totals**

	Year Ended June 30, 2021				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 182,499	\$ 50,735	\$ 64,570	\$ 297,804	\$ 272,931
Payroll taxes	16,362	4,568	5,814	26,744	20,879
<i>Total Personnel</i>	<i>198,861</i>	<i>55,303</i>	<i>70,384</i>	<i>324,548</i>	<i>293,810</i>
<u>OTHER EXPENSES</u>					
Reforestation	298,249	-	-	298,249	296,549
Communications and marketing	17,618	4,919	6,260	28,797	49,269
Professional fees	-	44,553	-	44,553	13,406
Occupancy	7,702	650	928	9,280	9,280
Conferences and meetings	2,767	773	983	4,523	14,024
Supplies	3,502	-	8,058	11,560	14,613
Insurance	2,178	475	589	3,242	3,242
Travel	1,492	39	39	1,570	2,516
Technology	8,587	2,397	3,051	14,035	8,691
Miscellaneous	655	-	-	655	4,583
Education	3,780	-	-	3,780	7,600
Vehicle	4,685	-	-	4,685	2,349
Staff development	55	15	20	90	3,071
Membership	464	130	165	759	527
<i>Total Other Expenses</i>	<i>351,734</i>	<i>53,951</i>	<i>20,093</i>	<i>425,778</i>	<i>429,720</i>
TOTAL EXPENSES BEFORE DEPRECIATION EXPENSE	<i>550,595</i>	<i>109,254</i>	<i>90,477</i>	<i>750,326</i>	<i>723,530</i>
Depreciation expense	5,740	-	-	5,740	5,740
TOTAL EXPENSES	\$ 556,335	\$ 109,254	\$ 90,477	\$ 756,066	\$ 729,270

TreesCharlotte

Statement of Cash Flows

Year Ended June 30, 2021, with prior year comparative totals

	Year Ended June 30,	
	2021	2020
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 889,217	\$ 248,331
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	(978,331)	305,792
Contributions restricted for long term purposes	(142,730)	(838,960)
Change in allowance for doubtful accounts	(24,466)	(17,796)
(Increase) decrease in operating assets:		
Accounts receivable	2,540	(2,540)
Promises to give	196,500	(146,000)
(Decrease) in operating liabilities:		
Accounts payable and accrued expenses	(4,550)	(354)
Refundable advance	(14,436)	14,436
<u>Cash Flows From Operating Activities</u>	<u>(70,516)</u>	<u>(431,351)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of investments	(683,578)	(951,702)
Proceeds from the sale of investments	400,000	-
<u>Cash Flows from Investing Activities</u>	<u>(283,578)</u>	<u>(951,702)</u>
<u>FINANCING ACTIVITIES</u>		
Decrease in endowment campaign pledges	444,022	510,049
Contributions restricted for long-term purposes	142,730	838,960
<u>Cash Flows from Financing Activities</u>	<u>586,752</u>	<u>1,349,009</u>
NET CHANGE IN CASH	232,658	(34,044)
CASH, BEGINNING	227,119	261,163
CASH, ENDING	\$ 459,777	\$ 227,119

TreesCharlotte

Notes to Financial Statements

June 30, 2021

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 are those currently available for use in day-to-day operations of the Organization and those resources invested in property and equipment. 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. As of June 30, 2021, there were no designated net assets.

Net assets with donor restrictions – These net assets consist of amounts that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization or the passage of time, and net assets that are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue recognition

The Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers*" (ASU 2014-09), during 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. The implementation of Topic 606 had no impact on the accompanying financials.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of cash and other assets are considered to be available for undesignated use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

TreesCharlotte

Notes to Financial Statements

June 30, 2021

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.

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, 2021, 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.

The Organization claimed the Employee Retention Tax Credit for the first quarter of 2021 due to the partial suspension of operations. The credit is open to examination by the Internal Revenue Service ("IRS") from the date the credit was received for three years. An examination could result in claims against the Organization for a disallowed amount of the credit. No provision has been made for any liabilities that may arise from such examinations since the amounts, if any, cannot be determined at this date.

TreesCharlotte

Notes to Financial Statements

June 30, 2021

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.

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 2020 financial statements, from which the summarized information was derived. Certain items have been restated to conform with the current-year presentation.

NOTE B – BENEFICIAL INTEREST IN ASSETS HELD IN TRUST

Endowment and Quasi-Endowment

TreesCharlotte has established the TreesCharlotte Endowment Fund (Endowment Fund) and TreesCharlotte Quasi-Endowment Fund (Quasi-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 are 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, except for the non-endowed portion that was contributed to the Quasi-Endowment Fund during the year ended June 30, 2021.

The accounts at year-end are comprised of the following:

Current:

Spendable portion of the <i>Quasi-Endowed and Endowed Designated</i> pool	\$	350,956
Non-Endowed portion of the <i>Quasi-Endowed</i> pool		675,005
<u>Total Current</u>		<u>1,025,961</u>

Long-Term:

<i>Quasi-Endowed Designated</i> pool		1,752,543
<i>Endowed-Designated</i> pool		2,875,615
<u>Total Long-Term</u>		<u>4,628,158</u>

<u>TOTAL</u>	\$	<u>5,654,119</u>
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TreesCharlotte

Notes to Financial Statements

June 30, 2021

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.

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, 2021.

Balance, beginning of year	\$	4,392,210
Net increase in value		978,331
Purchases		683,578
Sales		(400,000)
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Balance, end of year	\$	5,654,119

NOTE D - PLEDGES RECEIVABLE

Operating pledges

Management has determined the allowance for doubtful accounts based on an evaluation of the individual accounts, historical experience, and current and anticipated economic conditions related to the unconditional promises to give for operations. No discount for present value was computed due to it being immaterial to the financial statements. The remaining pledge balance for operating pledges at year-end of \$30,000 are all expected to be collected in the next fiscal year.

Endowment campaign

Unconditional promises to give for the Endowment campaign are presented net of an estimated allowance for doubtful accounts of \$13,447. 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.

TreesCharlotte

Notes to Financial Statements

June 30, 2021

Pledges receivable at June 30, 2021, are summarized as follows:

Pledges receivable	\$	268,940
Allowance for uncollectible pledges receivable		13,447
<hr/>		
Net pledges receivable		255,493
Pledges receivable – current		166,250
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Pledges receivable – long term	\$	89,243

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, 2021, are scheduled to be received as follows:

2022	\$	175,000
2023		29,940
2024		27,000
2025		27,000
2026 and thereafter		10,000
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TOTAL	\$	268,940

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment which are used by the Organization in its operations consist of the following at June 30, 2021:

Vehicles	\$	54,550
Tools and equipment		2,845
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Total		57,395
Less – accumulated depreciation		40,177
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TOTAL	\$	17,218

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 during the year ended June 30, 2020. The advance was forgiven in full during the year ended June 30, 2021; therefore, the remaining unutilized portion of the loan at the beginning of the year was recognized as grant revenue for \$14,436.

TreesCharlotte

Notes to Financial Statements

June 30, 2021

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Time restricted net assets

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

Pledge campaign	\$	30,000
Beneficial interest in investments held in trust by third party:		
Accumulated income on Quasi-Endowment Fund		366,315
TOTAL	\$	396,315

Perpetuity restricted net assets

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

Endowment pledges receivable campaign – net	\$	255,493
Beneficial interest in investments held in trust by third party:		
Corpus on Endowment Fund		2,875,615
Corpus on Quasi-Endowment Fund		1,386,229
Total Corpus		4,261,844
TOTAL	\$	4,517,337

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,515,738 financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$459,777, short-term investments of \$1,025,961, and current pledges receivable of \$30,000. None of the financial assets available 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.

TreesCharlotte**Notes to Financial Statements****June 30, 2021**

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.