

TREESCHARLOTTE
FINANCIAL STATEMENTS
JUNE 30, 2022

TreesCharlotte
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreesCharlotte
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of TreesCharlotte (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TreesCharlotte as of June 30, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TreesCharlotte and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TreesCharlotte's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

TreesCharlotte
Charlotte, North Carolina

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of TreesCharlotte's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TreesCharlotte's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Ford & Company, P.A.
August 12, 2022

TreesCharlotte

Statement of Financial Position

June 30, 2022, with prior year comparative totals

	June 30,	
	2022	2021
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 779,738	\$ 459,777
Beneficial interest in assets held in trust	102,683	1,025,961
Accounts receivable	7	-
Pledges receivable, net	4,000	30,000
<i>Total Current Assets</i>	886,428	1,515,738
Fixed Assets:		
Vehicles	57,395	57,395
Equipment	1,581	-
Less - accumulated depreciation	(45,916)	(40,177)
<i>Total Property and Equipment (net)</i>	13,060	17,218
Long-Term Assets:		
Cash	22,000	-
Beneficial interest in assets held in trust	5,413,817	4,628,158
Pledges Receivable:		
Operating pledges, net	6,000	-
Endowment pledges, net	83,649	255,493
<i>Total Long-Term Assets</i>	5,525,466	4,883,651
<i>TOTAL ASSETS</i>	\$ 6,424,954	\$ 6,416,607
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,613	\$ 2,830
<i>Total Current Liabilities</i>	9,613	2,830
Net Assets:		
Without donor restrictions		
Undesignated	420,875	1,500,125
Designated	1,285,667	-
<i>Total Net Assets Without Donor Restrictions</i>	1,706,542	1,500,125
With donor restrictions	4,708,799	4,913,652
<i>Total Net Assets</i>	6,415,341	6,413,777
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 6,424,954	\$ 6,416,607

TreesCharlotte**Statement of Activities****Year Ended June 30, 2022, with prior year comparative totals**

	Year Ended June 30, 2022			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 902,255	\$ 55,688	\$ 957,943	\$ 657,652
In-kind contributions	13,624	-	13,624	9,280
Investment income	(300,356)	272,593	(27,763)	978,351
Other income	1,360	-	1,360	-
Net assets released from restriction:	533,134	(533,134)	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>1,150,017</u>	<u>(204,853)</u>	<u>945,164</u>	<u>1,645,283</u>
<u>EXPENSES</u>				
Program services	595,547	-	595,547	556,335
Management and general	154,271	-	154,271	109,254
Fundraising	193,782	-	193,782	90,477
<u>TOTAL EXPENSES</u>	<u>943,600</u>	<u>-</u>	<u>943,600</u>	<u>756,066</u>
<u>CHANGE IN NET ASSETS</u>	<u>206,417</u>	<u>(204,853)</u>	<u>1,564</u>	<u>889,217</u>
<u>NET ASSETS, BEGINNING</u>	<u>1,500,125</u>	<u>4,913,652</u>	<u>6,413,777</u>	<u>5,524,560</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 1,706,542</u>	<u>\$ 4,708,799</u>	<u>\$ 6,415,341</u>	<u>\$ 6,413,777</u>

TreesCharlotte**Statement of Functional Expenses****Year Ended June 30, 2022, with prior year comparative totals**

	Year Ended June 30, 2022				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 172,816	\$ 78,329	\$ 111,932	\$ 363,077	\$ 297,804
Payroll taxes	13,226	6,763	8,771	28,760	26,744
Benefits	7,325	3,320	4,745	15,390	-
Total Personnel	193,367	88,412	125,448	407,227	324,548
<u>OTHER EXPENSES</u>					
Reforestation	336,830	-	-	336,830	298,249
Communications and marketing	10,569	-	7,046	17,615	28,797
Professional fees	13,497	19,493	39,625	72,615	44,553
Occupancy	6,485	2,939	4,200	13,624	9,280
Supplies	18,963	16,190	11,319	46,472	11,560
Insurance	-	3,325	-	3,325	3,242
Travel	998	795	-	1,793	1,570
Technology	48	3,104	-	3,152	14,035
Miscellaneous	893	3,604	43	4,540	655
Education	383	12	-	395	3,780
Vehicle	2,100	-	-	2,100	4,685
Staff development	1,202	2,851	-	4,053	4,613
Dues and subscriptions	2,578	7,803	3,318	13,699	759
Bank fees	-	2,476	664	3,140	-
Postage	1,455	3,267	405	5,127	-
Events	439	-	1,714	2,153	-
Total Other Expenses	396,440	65,859	68,334	530,633	425,778
TOTAL EXPENSES BEFORE					
DEPRECIATION EXPENSE	589,807	154,271	193,782	937,860	750,326
Depreciation expense	5,740	-	-	5,740	5,740
TOTAL EXPENSES	\$ 595,547	\$ 154,271	\$ 193,782	\$ 943,600	\$ 756,066

TreesCharlotte

Statement of Cash Flows

Year Ended June 30, 2022, with prior year comparative totals

	Year Ended June 30,	
	2022	2021
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,564	\$ 889,217
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	27,763	(978,331)
Contributions restricted for long term purposes	(55,688)	(142,730)
Change in allowance for doubtful accounts and present value discount	(9,096)	(24,466)
(Increase) decrease in operating assets:		
Accounts receivable	(7)	2,540
Promises to give	20,000	196,500
(Decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,783	(4,550)
Refundable advance	-	(14,436)
<u>Cash Flows From Operating Activities</u>	<u>(2,941)</u>	<u>(70,516)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(1,582)	-
Purchase of investments	(112,946)	(683,578)
Proceeds from the sale of investments	222,802	400,000
<u>Cash Flows from Investing Activities</u>	<u>108,274</u>	<u>(283,578)</u>
<u>FINANCING ACTIVITIES</u>		
Decrease in endowment campaign pledges	180,940	444,022
Contributions restricted for long-term purposes	55,688	142,730
<u>Cash Flows from Financing Activities</u>	<u>236,628</u>	<u>586,752</u>
NET CHANGE IN CASH	341,961	232,658
CASH, BEGINNING	459,777	227,119
CASH, ENDING	\$ 801,738	\$ 459,777
Cash per Statement of Financial Position:		
Operating cash	\$ 779,738	\$ 459,777
Endowment cash	22,000	-
<u>Total Cash</u>	<u>\$ 801,738</u>	<u>\$ 459,777</u>

TreesCharlotte

Notes to Financial Statements

June 30, 2022

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, 2022, the Organization had an operating reserve of \$465,000 and \$820,667 of board-endowed investment funds.

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

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.

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.

TreesCharlotte

Notes to Financial Statements

June 30, 2022

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 contributed services or donated goods of \$2,676.

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, 2022, the fair value of the donated rent and utilities has been calculated at \$10,948, which is included in occupancy expense. The valuation was using a like-kind methodology for commercial rental values in the Charlotte region and the estimated utility usage of the building. The donated facilities and utilities were not restricted for a specific purpose.

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.

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Notes to Financial Statements

June 30, 2022

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 2021 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

Endowments

TreesCharlotte has established the TreesCharlotte Endowment Fund (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 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.

TreesCharlotte also has endowed funds held with TIFF Centerstone fund, LP ("TIFF"). These funds are overseen and managed in accordance with the Uniform Prudent Management of Institution Funds Act ("UPMIFA"). The funds held at TIFF are managed by the Organization's Finance Committee, who has adopted a formal investment and spending policy for the endowed assets that attempt to provide a predictable stream of funding to support the Organization while also maintaining the purchasing power of those endowment assets over the long-term. It is the responsibility of the Finance Committee, in consultation with its investment advisors, to periodically review the spending policy against actual returns in order to make necessary adjustments. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity-oriented assets, diversified strategies, and fixed income funds, which are intended to result in consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions while growing the funds. Actual returns in any given year will vary. The Organization's spending policy is no more than four percent of the average market value of the previous twelve months.

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

Current:

Spendable portion of TIFF	\$	102,683
<u>Total Current</u>		<u>102,683</u>

Long-Term:

<i>TIFF</i> corpus		1,435,120
<i>TIFF</i> accumulated earnings		820,667
<i>Endowed-Designated</i> pool – corpus		2,975,615
<i>Endowed-Designated</i> pool – accumulated earnings		182,415
<u>Total Long-Term</u>		<u>5,413,817</u>
TOTAL	\$	5,516,500

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Notes to Financial Statements

June 30, 2022

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, 2022.

Balance, beginning of year	\$	5,654,119
Net increase in value		(27,763)
Purchases		112,946
Sales		(222,802)
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Balance, end of year	\$	5,516,500

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 was \$10,000. Of that total, \$4,000 is expected to be collected in the fiscal year 2023 and \$6,000 is expected to be collected in fiscal year 2024.

Endowment campaign

Unconditional promises to give for the Endowment campaign are presented net of a present value discount of \$4,351. The discount was utilized using a risk-free interest rate applicable to the years in which the promises are expected to be received. The rate used was 2.92 percent. No allowance for doubtful accounts was recorded based on management's review of individual accounts, historical experience, and current economic conditions.

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Notes to Financial Statements

June 30, 2022

Pledges receivable at June 30, 2022, are summarized as follows:

Pledges receivable	\$	88,000
Present value discount		4,351
<hr/>		
Net pledges receivable		83,649
Pledges receivable – current		27,591
<hr/>		
Pledges receivable – long term	\$	56,058

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, 2022, are scheduled to be received as follows:

2023	\$	28,000
2024		25,000
2025		25,000
2026 and thereafter		10,000
<hr/>		
TOTAL	\$	88,000

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Time restricted net assets

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

Pledge campaign	\$	10,000
Beneficial interest in investments held in trust by a third party:		
Accumulated income on Quasi-Endowment Fund		182,415
<hr/>		
TOTAL	\$	192,415

Perpetuity restricted net assets

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

Endowment pledges receivable campaign – net	\$	83,649
Endowment cash		22,000
Beneficial interest in investments held in trust by a third party:		
Corpus on Endowment Fund held by FFTC		2,975,615
Corpus on Endowed Funds held by TIFF		1,435,120
<hr/>		
Total Corpus		4,410,735
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TOTAL	\$	4,516,384

TreesCharlotte

Notes to Financial Statements

June 30, 2022

NOTE F – RETIREMENT PLAN

TreesCharlotte sponsors a SIMPLE IRA retirement plan (the “Plan”) covering eligible employees. Eligible employees may make pre-tax contributions to the Plan, based on statutory limits. The Organization contributes two percent of all eligible employees to the Plan. The Organization’s contributions to the Plan during the year ended June 30, 2022, was \$3,760.

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$886,428 financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$779,738, the spendable portion of the Organization’s investments held by TIFF of \$102,683, accounts receivable of \$7, and current pledges receivable of \$4,000. 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 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.