

TreesCharlotte
Financial Statements
June 30, 2023

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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, 2023, 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.

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.

TreesCharlotte
Charlotte, North Carolina

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foard & Company, P.A.
August 16, 2023

TreesCharlotte

Statement of Financial Position

June 30, 2023, with prior year comparative totals

	June 30,	
	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 818,272	\$ 779,738
Beneficial interest in assets held in trust	159,928	102,683
Sales tax receivable	2,940	7
Pledges receivable, net	66,500	4,000
<i>Total Current Assets</i>	<i>1,047,640</i>	<i>886,428</i>
Fixed Assets:		
Vehicles	57,395	57,395
Equipment	1,581	1,581
Less - accumulated depreciation	(52,183)	(45,916)
<i>Total Property and Equipment (net)</i>	<i>6,793</i>	<i>13,060</i>
Long-Term Assets:		
Cash	-	22,000
Beneficial interest in assets held in trust	6,785,446	5,413,817
Pledges Receivable:		
Operating pledges, net	2,000	6,000
Endowment pledges, net	30,000	83,649
<i>Total Long-Term Assets</i>	<i>6,817,446</i>	<i>5,525,466</i>
<i>TOTAL ASSETS</i>	<i>\$ 7,871,879</i>	<i>\$ 6,424,954</i>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 9,909	\$ 9,613
<i>Total Current Liabilities</i>	<i>9,909</i>	<i>9,613</i>
Net Assets:		
Without Donor Restrictions:		
Undesignated	884,595	420,875
Designated	926,028	993,971
<i>Total Net Assets Without Donor Restrictions</i>	<i>1,810,623</i>	<i>1,414,846</i>
With donor restrictions	6,051,347	5,000,495
<i>Total Net Assets</i>	<i>7,861,970</i>	<i>6,415,341</i>
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 7,871,879</i>	<i>\$ 6,424,954</i>

TreesCharlotte**Statement of Activities****Year Ended June 30, 2023, with prior year comparative totals**

	Year Ended June 30, 2023			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 1,132,947	\$ 1,120,237	\$ 2,253,184	\$ 957,943
In-kind contributions	11,320	-	11,320	13,624
Investment income	452,048	-	452,048	(27,763)
Other income	1,590	-	1,590	1,360
Net assets released from restriction	69,385	(69,385)	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>1,667,290</u>	<u>1,050,852</u>	<u>2,718,142</u>	<u>945,164</u>
<u>EXPENSES</u>				
Program services	841,183	-	841,183	595,547
Management and general	194,049	-	194,049	154,271
Fundraising	236,281	-	236,281	193,782
<u>TOTAL EXPENSES</u>	<u>1,271,513</u>	<u>-</u>	<u>1,271,513</u>	<u>943,600</u>
<u>CHANGE IN NET ASSETS</u>	<u>395,777</u>	<u>1,050,852</u>	<u>1,446,629</u>	<u>1,564</u>
<u>NET ASSETS, BEGINNING</u>	<u>1,414,846</u>	<u>5,000,495</u>	<u>6,415,341</u>	<u>6,413,777</u>
<u>NET ASSETS, ENDING</u>	<u>\$ 1,810,623</u>	<u>\$ 6,051,347</u>	<u>\$ 7,861,970</u>	<u>\$ 6,415,341</u>

TreesCharlotte

Statement of Functional Expenses

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30, 2023				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 319,774	\$ 89,277	\$ 113,623	\$ 522,674	\$ 363,077
Payroll taxes	24,642	6,879	8,756	40,277	28,760
Benefits	12,930	3,610	4,594	21,134	15,390
<i>Total Personnel</i>	<i>357,346</i>	<i>99,766</i>	<i>126,973</i>	<i>584,085</i>	<i>407,227</i>
<u>OTHER EXPENSES</u>					
Reforestation	395,616	-	-	395,616	336,830
Communications and marketing	11,388	-	7,592	18,980	17,615
Professional fees	25,065	37,597	76,587	139,249	72,615
Occupancy	5,321	2,490	3,509	11,320	13,624
Supplies	27,568	23,534	16,137	67,239	46,472
Insurance	-	5,353	-	5,353	3,325
Travel	2,146	1,686	-	3,832	1,793
Technology	78	3,844	-	3,922	3,152
Miscellaneous	753	2,977	38	3,768	4,540
Education	3,234	100	-	3,334	395
Vehicle	575	-	-	575	2,100
Staff development	1,833	4,277	-	6,110	4,053
Dues and subscriptions	2,197	6,593	2,776	11,566	13,699
Bank fees	-	2,624	698	3,322	3,140
Postage	1,403	3,208	401	5,012	5,127
Events	393	-	1,570	1,963	2,153
<i>Total Other Expenses</i>	<i>477,570</i>	<i>94,283</i>	<i>109,308</i>	<i>681,161</i>	<i>530,633</i>
TOTAL EXPENSES BEFORE					
DEPRECIATION EXPENSE	834,916	194,049	236,281	1,265,246	937,860
Depreciation expense	6,267	-	-	6,267	5,740
TOTAL EXPENSES	\$ 841,183	\$ 194,049	\$ 236,281	\$ 1,271,513	\$ 943,600

TreesCharlotte

Statement of Cash Flows

Year Ended June 30, 2023, with prior year comparative totals

	Year Ended June 30,	
	2023	2022
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,446,629	\$ 1,564
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	6,267	5,740
(Increase) decrease in value of beneficial interest	(430,704)	27,763
Contributions restricted for long term purposes	(1,120,237)	(55,688)
Change in allowance for doubtful accounts and present value discount	(4,351)	(9,096)
(Increase) decrease in operating assets:		
Accounts receivable	(2,933)	(7)
Promises to give	(58,500)	20,000
Increase in operating liabilities:		
Accounts payable and accrued expenses	296	6,783
<u>Cash Flows From Operating Activities</u>	<u>(163,533)</u>	<u>(2,941)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	-	(1,582)
Purchase of investments	(2,616,371)	(112,946)
Proceeds from the sale of investments	1,618,201	222,802
<u>Cash Flows from Investing Activities</u>	<u>(998,170)</u>	<u>108,274</u>
<u>FINANCING ACTIVITIES</u>		
Decrease in endowment campaign pledges	58,000	180,940
Contributions restricted for long-term purposes	1,120,237	55,688
<u>Cash Flows from Financing Activities</u>	<u>1,178,237</u>	<u>236,628</u>
NET CHANGE IN CASH	16,534	341,961
CASH, BEGINNING	801,738	459,777
CASH, ENDING	\$ 818,272	\$ 801,738
Cash per Statement of Financial Position:		
Operating cash	\$ 818,272	\$ 779,738
Endowment cash	-	22,000
<u>Total Cash</u>	<u>\$ 818,272</u>	<u>\$ 801,738</u>

TreesCharlotte

Notes to Financial Statements

June 30, 2023

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, 2023, the Organization had \$926,028 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, 2023

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, revenue 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 \$1,524.

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, 2023, the fair value of the donated rent and utilities has been calculated at \$9,796, which is included in occupancy expense. The valuation 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 to 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, 2023

Prior-year comparative totals

The financial statements include certain prior-year summarized information in total, but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with TreesCharlotte's 2022 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year's presentation.

Prior period adjustment

During the year, TreesCharlotte's management discovered that it had improperly classified a portion of net assets with donor restrictions revenue in prior years as net assets without donor restrictions. The correction of this error reduced net assets without donor restrictions by \$291,696 and increased net assets with donor restrictions by the same amount. The accompanying financial statements reflect this restatement in the Statement of Financial Position and Activities.

New accounting pronouncement

TreesCharlotte adopted ASU 2016-02, Leases (Topic 842) during the year. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. TreesCharlotte had no signed leases as of June 30, 2023.

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 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.

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Notes to Financial Statements

June 30, 2023

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 a 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 5 percent of the average market value of the previous twelve quarters.

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

Current:

Spendable portion of <i>TIFF</i>	\$ 131,122
Spendable portion of <i>Endowed-Designated</i> pool	28,706
Total Current	159,928

Long-Term:

<i>TIFF</i> corpus	4,414,547
<i>TIFF</i> accumulated earnings	766,100
<i>Endowed-Designated</i> pool – corpus	1,483,769
<i>Endowed-Designated</i> pool – accumulated earnings	121,030
Total Long-Term	6,785,446

TOTAL	\$ 6,945,374
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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.

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Notes to Financial Statements

June 30, 2023

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, 2023.

Balance, beginning of year	\$	5,516,500
Net increase in value		430,704
Purchases		2,616,371
Sales		(1,618,201)
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Balance, end of year	\$	6,945,374

NOTE D - PLEDGES RECEIVABLE

Operating pledges

Management has determined that no allowance for doubtful accounts was necessary based on 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 \$68,500. Of that total, \$66,500 is expected to be collected in the fiscal year 2024 and \$2,000 is expected to be collected in fiscal year 2025.

Endowment campaign

Management has determined that no allowance for doubtful accounts was necessary based on the individual accounts, historical experience, and current and anticipated economic conditions related to the unconditional promises to give for the Endowment campaign. No discount for present value was computed due to it being immaterial to the financial statements. The remaining pledge balance for the Endowment campaign at year-end was \$30,000. Of that total, \$15,000 is expected to be collected in the fiscal year 2024 and \$15,000 is expected to be collected in fiscal year 2025.

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

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Time restricted net assets

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

Pledge campaign	\$	2,000
Beneficial interest in investments held in trust by a third party:		
<u>Accumulated income on Quasi-Endowment Fund</u>		121,030
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TOTAL	\$	123,030

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Notes to Financial Statements

June 30, 2023

Perpetuity restricted net assets

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

Endowment pledges receivable campaign – net	\$ 30,000
Beneficial interest in investments held in trust by a third party:	
Corpus on Endowment Fund held by FFTC	1,483,769
Corpus on Endowed Funds held by TIFF	4,414,547
Total Corpus	5,898,316
TOTAL	\$ 5,928,316

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, 2023, was \$8,911.

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$1,047,640 in financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$818,272, the spendable portion of the Organization’s investments held by TIFF and FFTC of \$159,928, accounts receivable of \$2,940, and current pledges receivable of \$66,500. 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.