

**Trees for the Future, Inc.**

**Financial Statements  
and Supplementary Information**

For the Years Ended December 31, 2016 and 2015

**1400 Spring Street, #150  
Silver Spring, Maryland 20910**

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Independent Auditor's Report

**To the Board of Directors**  
**Trees for the Future, Inc.**  
Silver Spring, Maryland

We have audited the accompanying financial statements of Trees for the Future, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 above present fairly, in all material respects, the financial position of Trees for the Future, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Snyder Cohn, PC*

SNYDER COHN, PC  
North Bethesda, Maryland  
July 31, 2017



# Trees for the Future, Inc.

## Statements of Financial Position

December 31	2016	2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 381,803	\$ 353,071
Investments	27,039	13,640
Pledges receivable, net	284,687	259,655
Prepaid expenses	17,687	7,559
Total current assets	<u>711,216</u>	<u>633,925</u>
<b>Property and equipment, net</b>	<u>4,042</u>	<u>6,582</u>
<b>Other assets:</b>		
Deposits	4,082	4,082
Intangible assets, net	57,610	69,747
Total other assets	<u>61,692</u>	<u>73,829</u>
<b>Total assets</b>	<u><u>\$ 776,950</u></u>	<u><u>\$ 714,336</u></u>
<b>Liabilities and net assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 8,464	\$ 20,347
Accrued expenses	34,613	28,918
Deferred rent, current portion	2,900	4,139
Capital lease, current portion	874	2,233
Total current liabilities	<u>46,851</u>	<u>55,637</u>
<b>Other liabilities:</b>		
Deferred rent, net of current portion	-	2,901
Capital lease, net of current portion	-	874
Total other liabilities	<u>-</u>	<u>3,775</u>
<b>Total liabilities</b>	<u>46,851</u>	<u>59,412</u>
<b>Commitments</b>		
<b>Net assets:</b>		
Unrestricted	675,760	600,585
Temporarily restricted	-	-
Permanently restricted	54,339	54,339
Total net assets	<u>730,099</u>	<u>654,924</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 776,950</u></u>	<u><u>\$ 714,336</u></u>

See Accompanying Notes

# Trees for the Future, Inc.

## Statement of Activities

For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Contributions	\$ 1,574,330	\$ 308,391	\$ -	\$ 1,882,721
Interest and dividends	264	-	-	264
Investment gain (loss)	2,005	-	-	2,005
	<u>1,576,599</u>	<u>308,391</u>	<u>-</u>	<u>1,884,990</u>
Net assets released from restrictions	308,391	(308,391)	-	-
Total revenues	<u>1,884,990</u>	<u>-</u>	<u>-</u>	<u>1,884,990</u>
<b>Expenses:</b>				
Program expenses:				
Tree planting	<u>1,237,174</u>	<u>-</u>	<u>-</u>	<u>1,237,174</u>
Supporting services:				
Management and general	210,768	-	-	210,768
Fundraising	361,873	-	-	361,873
Total supporting services	<u>572,641</u>	<u>-</u>	<u>-</u>	<u>572,641</u>
Total expenses	<u>1,809,815</u>	<u>-</u>	<u>-</u>	<u>1,809,815</u>
<b>Change in net assets</b>	75,175	-	-	75,175
Net assets - beginning	<u>600,585</u>	<u>-</u>	<u>54,339</u>	<u>654,924</u>
<b>Net assets - ending</b>	<u>\$ 675,760</u>	<u>\$ -</u>	<u>\$ 54,339</u>	<u>\$ 730,099</u>

See Accompanying Notes

# Trees for the Future, Inc.

## Statement of Activities

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Contributions	\$ 1,565,754	\$ 263,174	\$ -	\$ 1,828,928
Interest and dividends	116	-	-	116
Investment gain (loss)	(1,443)	-	-	(1,443)
	<u>1,564,427</u>	<u>263,174</u>	<u>-</u>	<u>1,827,601</u>
Net assets released from restrictions	281,962	(281,962)	-	-
Total revenues	<u>1,846,389</u>	<u>(18,788)</u>	<u>-</u>	<u>1,827,601</u>
<b>Expenses:</b>				
Program expenses				
Tree planting	<u>1,238,232</u>	<u>-</u>	<u>-</u>	<u>1,238,232</u>
Supporting services:				
Management and general	213,078	-	-	213,078
Fundraising	296,969	-	-	296,969
Total supporting services	<u>510,047</u>	<u>-</u>	<u>-</u>	<u>510,047</u>
Total expenses	<u>1,748,279</u>	<u>-</u>	<u>-</u>	<u>1,748,279</u>
<b>Change in net assets</b>	98,110	(18,788)	-	79,322
Net assets - beginning	<u>502,475</u>	<u>18,788</u>	<u>54,339</u>	<u>575,602</u>
<b>Net assets - ending</b>	<u>\$ 600,585</u>	<u>\$ -</u>	<u>\$ 54,339</u>	<u>\$ 654,924</u>

See Accompanying Notes

# Trees for the Future, Inc.

## Statements of Cash Flows

For the year ended December 31	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 75,175	\$ 79,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions - donated stock	(11,508)	(12,045)
Depreciation and amortization	14,677	4,681
Realized loss on sale of investments	320	295
Unrealized (gain) loss on investments	(2,211)	1,283
(Increase) decrease in:		
Pledges receivable, net	(25,032)	(31,854)
Prepaid expenses	(10,128)	10,276
Increase (decrease) in:		
Accounts payable	(11,883)	10,879
Accrued expenses	5,695	(3,383)
Deferred rent	(4,140)	(2,737)
<b>Net cash provided by operating activities</b>	<u>30,965</u>	<u>56,717</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(2,417)
Payment for intangible assets	-	(54,520)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(56,937)</u>
<b>Cash flows from financing activities:</b>		
Payments made on capital lease obligation	(2,233)	(1,751)
<b>Net cash used in financing activities</b>	<u>(2,233)</u>	<u>(1,751)</u>
Net increase (decrease) in cash and cash equivalents	28,732	(1,971)
Cash and cash equivalents - beginning	353,071	355,042
<b>Cash and cash equivalents - ending</b>	<u>\$ 381,803</u>	<u>\$ 353,071</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 662	\$ 1,007

See Accompanying Notes

## Trees for the Future, Inc.

### Notes to Financial Statements

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December 31, 2016 and 2015

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**Note 1: Summary of significant accounting policies:**

Trees for the Future, Inc. ("the Organization") was incorporated under the laws of the State of Maryland in 1989 as a tax-exempt charitable organization. The Organization's purpose is to improve the livelihoods of impoverished families by planting trees that return prosperity to degraded lands. Trees for the Future aims to end hunger and poverty for a million people using its Forest Garden Approach, a four year training program that lifts subsistence farmers out of extreme poverty and provides opportunities, productivity and income never before imaginable.

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets consist of amounts received for country specific use with an aggregate balance of \$-0- as of December 31, 2016 and 2015.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2016 and 2015, there were \$54,339 of permanently restricted net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents consist of cash on deposit and highly liquid investments with an original maturity of three months or less.

**Trees for the Future, Inc.**  
**Notes to Financial Statements**

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**December 31, 2016 and 2015**

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**Note 1: Summary of significant accounting policies: (continued)**

Pledges receivable - Pledges receivable consist of unconditional promises to give and are recorded at their net realizable value at the time the promises are received. At December 31, 2016 and 2015, all pledges receivable were expected to be collected within a year. Management reviews outstanding accounts periodically. A general allowance for pledges receivable is estimated by management taking into consideration past write-offs, the current status of delinquent accounts, and general economic conditions. An allowance for uncollectible pledges receivable of \$7,250 is included in pledges receivable at December 31, 2016 and 2015.

Investments - Investments, which consist of donated equity securities, are reported at fair value (all level 1 inputs), which is established at readily determinable current market values. Investments are sold as soon after donation as possible. As of December 31, 2016, \$27,039 of investments remained unsold for which the Organization had an unrealized gain of \$2,211. As of December 31, 2015, \$13,640 of investments remained unsold for which the Organization had an unrealized loss of \$1,283.

Property and equipment - Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 15 years. The Organization capitalizes all additions to property and equipment over \$1,000. Depreciation expense for the years ended December 31, 2016 and 2015 was \$2,540 and \$2,539, respectively.

Revenue recognition - All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Functional allocation of expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the activities benefited.

Advertising expense - Advertising costs are expensed as incurred. Advertising expense was \$4,818 and \$3,139 for the years ended December 31, 2016 and 2015, respectively.

**Trees for the Future, Inc.**  
**Notes to Financial Statements**

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**December 31, 2016 and 2015**

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**Note 1: Summary of significant accounting policies: (continued)**

Accounting for uncertainty in income taxes - The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax effect is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for uncertain tax positions. Interest and penalties, if any, are accrued as a component of general and administrative expenses when assessed. The Organization has identified its tax status as a tax exempt entity under Section 501(c)(3) and its determination that it has no unrelated business income as tax positions; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Income tax years ended prior to December 31, 2013 are no longer subject to audit by taxing authorities.

Fair value measurements - The FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Trees for the Future, Inc.**  
**Notes to Financial Statements**

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**December 31, 2016 and 2015**

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**Note 1: Summary of significant accounting policies:** (continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 2: Property and equipment:**

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 17,059	\$ 17,059
Capital lease equipment	<u>7,960</u>	<u>7,960</u>
	25,019	25,019
Less: accumulated depreciation	<u>(20,977)</u>	<u>(18,437)</u>
Property and equipment, net	<u>\$ 4,042</u>	<u>\$ 6,582</u>

# Trees for the Future, Inc.

## Notes to Financial Statements

**December 31, 2016 and 2015**

### **Note 3: Intangible assets:**

During 2014, the Organization purchased the rights to their website domain name. This purchase is stated at cost and is amortized over an estimated useful life of 15 years.

During 2015, the Organization incurred website development costs. The Organization accounts for website development costs in accordance with ASC 350-40 (Accounting for Internal Use Software Costs). Under ASC 350-40, all costs related to the planning activities of software and website development costs are expensed as incurred. Costs incurred as part of the application development stage can be capitalized, and costs associated with post implementation should be expensed as incurred. This purchase is stated at cost and is amortized over an estimated useful life of 5 years.

Intangible assets consist of the following at December 31, 2016:

	2016	2015
Website domain	\$ 18,500	\$ 18,500
Website development costs	54,520	54,520
	73,020	73,020
Less: accumulated amortization	(15,410)	(3,273)
Intangible assets, net	<u>\$ 57,610</u>	<u>\$ 69,747</u>

Amortization expense for the years ended December 31, 2016 and 2015 was \$12,137 and \$2,142, respectively.

At December 31, 2016 estimated amortization expense is as follows:

For the years ending December 31,

2017	\$ 12,137
2018	12,137
2019	12,137
2020	11,228
2021	1,233
Thereafter	8,738
	<u>\$ 57,610</u>

## **Trees for the Future, Inc.**

### **Notes to Financial Statements**

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**December 31, 2016 and 2015**

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**Note 4: Commitments:**

During 2012, the Organization entered into a 5 year, 3 month operating lease agreement for office space in Silver Spring, Maryland. The lease has an initial term expiring on July 31, 2017 with an option to renew for an additional five year term. In January 2017, the Organization renewed this lease. The lease calls for monthly base rental payments plus additional rent for operating expenses and real estate taxes as described in the operating lease agreement.

Future minimum lease payments for the years ending December 31 are as follows:

2017	\$ 47,967
2018	47,037
2019	48,213
2020	49,418
2021	<u>29,243</u>
	<u>\$ 221,878</u>

Rent expense under this lease agreement for the years ended December 31, 2016 and 2015 was \$48,902 and \$49,011, respectively.

**Note 5: Capital lease:**

During 2012, the Organization entered into a capital lease for a telephone system with a capitalized cost of \$7,960. Depreciation expense included \$1,592 for the equipment under capital lease for the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, accumulated depreciation related to this lease was \$7,363 and \$5,771, respectively. The lease includes a \$1 purchase option at the end of the lease period. Future minimum lease payments for the year ending December 31, 2017 are \$919, of which \$45 represents interest expense.

## **Trees for the Future, Inc.**

### **Notes to Financial Statements**

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**December 31, 2016 and 2015**

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**Note 6: Concentrations:**

The Organization maintains its cash balances at various financial institutions. The accounts at each of these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At various times throughout the year, cash balances at these institutions exceeded the federally insured limits. The Organization has not experienced any losses with respect to its cash balances.

At both December 31, 2016 and 2015, two corporate donors made up 37% of the total pledges receivable balance. During 2016, approximately 10% of the Organization's support was provided by contributions from one corporate donor. During 2015, approximately 27% of the Organization's support was provided by contributions from two corporate donors.

**Note 7: Subsequent events:**

Subsequent events have been evaluated through July 31, 2017, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY  
INFORMATION**

Independent Auditor's Report on Supplementary Information

**To the Board of Directors**  
**Trees for the Future, Inc.**  
Silver Spring, Maryland

We have audited the financial statements of Trees for the Future, Inc. as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated July 31, 2017, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Snyder Cohn, PC*

SNYDER COHN, PC  
North Bethesda, Maryland  
July 31, 2017



**Trees for the Future, Inc.**

**Schedule of Functional Expenses**

**For the year ended December 31, 2016**

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 2,208	\$ -	\$ 2,610	\$ 4,818
Bad debt	-	24,000	-	24,000
Bank and credit card charges	-	21,990	-	21,990
Computer expenses	1,931	559	623	3,113
Consulting	84,158	6,442	77,217	167,817
Depreciation and amortization expense	9,100	2,642	2,935	14,677
Dues & subscriptions	-	2,876	-	2,876
Field office expense	110,032	2,171	2,057	114,260
Field stipends	188,058	-	-	188,058
Insurance	16,168	6,535	9,024	31,727
Interest expense	-	662	-	662
Legal and accounting	-	67,300	-	67,300
Licenses and permits	-	5,113	-	5,113
Marketing and public relations	-	-	16,897	16,897
Meals and entertainment	2,022	241	222	2,485
Other direct project expenses	21,920	-	-	21,920
Postage and delivery	-	2,775	3,512	6,287
Printing and copying	-	5,188	9,359	14,547
Rent	30,320	8,802	9,780	48,902
Repairs and maintenance	-	-	-	-
Salaries	422,859	46,250	191,608	660,717
Seeds and planting materials	87,215	-	-	87,215
Special events	-	-	5,000	5,000
Storage	-	891	-	891
Taxes:				
Other	(1,211)	(351)	(390)	(1,952)
Payroll	38,472	2,809	14,677	55,958
Telephone	2,156	626	695	3,477
Tools and equipment	96,395	-	-	96,395
Training	10,249	-	-	10,249
Travel	25,817	3,247	5,112	34,176
Website expense	4,686	-	10,935	15,621
Workshop expenses	84,619	-	-	84,619
Total expenses	<u>\$ 1,237,174</u>	<u>\$ 210,768</u>	<u>\$ 361,873</u>	<u>\$ 1,809,815</u>

See Independent Auditor's Report on Supplementary Information

**Trees for the Future, Inc.**

**Schedule of Functional Expenses**

**For the year ended December 31, 2015**

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 669	\$ -	\$ 2,470	\$ 3,139
Bad debt	-	-	-	-
Bank and credit card charges	-	20,411	-	20,411
Computer expenses	2,231	647	720	3,598
Consulting	59,766	6,162	77,339	143,267
Depreciation and amortization expense	2,902	843	936	4,681
Dues & subscriptions	-	674	-	674
Field office expense	148,435	774	860	150,069
Field stipends	188,696	-	-	188,696
Insurance	16,313	7,988	7,478	31,779
Interest expense	-	1,007	-	1,007
Legal and accounting	-	72,115	-	72,115
Licenses and permits	-	5,963	-	5,963
Marketing and public relations	1,039	-	2,378	3,417
Meals and entertainment	1,582	145	9	1,736
Other direct project expenses	7,170	-	-	7,170
Postage and delivery	198	541	8,004	8,743
Printing and copying	-	666	7,143	7,809
Rent	30,387	8,822	9,802	49,011
Repairs and maintenance	90	26	29	145
Salaries	394,084	75,064	156,383	625,531
Seeds and planting materials	109,773	-	-	109,773
Special events	-	-	931	931
Storage	-	772	-	772
Taxes:				
Other	2,522	732	814	4,068
Payroll	37,355	7,115	14,823	59,293
Telephone	-	-	-	-
Tools and equipment	151,265	71	79	151,415
Training	655	-	-	655
Travel	34,248	2,540	3,812	40,600
Website expense	308	-	2,959	3,267
Workshop expenses	48,544	-	-	48,544
Total expenses	<u>\$ 1,238,232</u>	<u>\$ 213,078</u>	<u>\$ 296,969</u>	<u>\$ 1,748,279</u>

See Independent Auditor's Report on Supplementary Information