

Trees for the Future, Inc.

**Financial Statements
and Supplementary Information**

For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 16, 2018



Trees for the Future, Inc.

Statements of Financial Position

December 31	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 755,016	\$ 381,803
Investments	4,995	27,039
Pledges receivable, net	414,138	284,687
Prepaid expenses	10,800	17,687
Total current assets	<u>1,184,949</u>	<u>711,216</u>
Property and equipment, net	<u>2,616</u>	<u>4,042</u>
Other assets:		
Deposits	4,082	4,082
Intangible assets, net	45,473	57,610
Total other assets	<u>49,555</u>	<u>61,692</u>
Total assets	<u><u>\$ 1,237,120</u></u>	<u><u>\$ 776,950</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 16,534	\$ 8,464
Accrued expenses	43,550	34,613
Deferred rent	-	2,900
Capital lease	-	874
Total liabilities	<u>60,084</u>	<u>46,851</u>
Commitments		
Net assets:		
Unrestricted	1,105,197	675,760
Temporarily restricted	17,500	-
Permanently restricted	54,339	54,339
Total net assets	<u>1,177,036</u>	<u>730,099</u>
Total liabilities and net assets	<u><u>\$ 1,237,120</u></u>	<u><u>\$ 776,950</u></u>

See Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 1,772,825	\$ 690,624	\$ -	\$ 2,463,449
Interest and dividends	259	-	-	259
Investment gain	2,505	-	-	2,505
	1,775,589	690,624	-	2,466,213
Net assets released from restrictions	673,124	(673,124)	-	-
Total revenues	2,448,713	17,500	-	2,466,213
Expenses:				
Program expenses:				
Tree planting	1,409,624	-	-	1,409,624
Supporting services:				
Management and general	212,684	-	-	212,684
Fundraising	396,968	-	-	396,968
Total supporting services	609,652	-	-	609,652
Total expenses	2,019,276	-	-	2,019,276
Change in net assets	429,437	17,500	-	446,937
Net assets - beginning	675,760	-	54,339	730,099
Net assets - ending	<u>\$ 1,105,197</u>	<u>\$ 17,500</u>	<u>\$ 54,339</u>	<u>\$ 1,177,036</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
Revenues:				
Contributions	\$ 1,574,330	\$ 308,391	\$ -	\$ 1,882,721
Interest and dividends	264	-	-	264
Investment gain	2,005	-	-	2,005
	1,576,599	308,391	-	1,884,990
Net assets released from restrictions	308,391	(308,391)	-	-
Total revenues	1,884,990	-	-	1,884,990
Expenses:				
Program expenses:				
Tree planting	1,237,174	-	-	1,237,174
Supporting services:				
Management and general	210,768	-	-	210,768
Fundraising	361,873	-	-	361,873
Total supporting services	572,641	-	-	572,641
Total expenses	1,809,815	-	-	1,809,815
Change in net assets	75,175	-	-	75,175
Net assets - beginning	600,585	-	54,339	654,924
Net assets - ending	<u>\$ 675,760</u>	<u>\$ -</u>	<u>\$ 54,339</u>	<u>\$ 730,099</u>

See Accompanying Notes

Trees for the Future, Inc.

Statements of Cash Flows

For the year ended December 31	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 446,937	\$ 75,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions - donated stock	(25,030)	(11,508)
Depreciation and amortization	13,563	14,677
Realized (gain) loss on sale of investments	(287)	320
Unrealized gain on investments	(2,218)	(2,211)
(Increase) decrease in:		
Pledges receivable, net	(129,451)	(25,032)
Prepaid expenses	6,887	(10,128)
Increase (decrease) in:		
Accounts payable	8,070	(11,883)
Accrued expenses	8,937	5,695
Deferred rent	(2,900)	(4,140)
Net cash provided by operating activities	<u>324,508</u>	<u>30,965</u>
Cash flows from investing activities:		
Proceeds from sale of investments	<u>49,579</u>	<u>-</u>
Cash flows from financing activities:		
Payments made on capital lease obligation	<u>(874)</u>	<u>(2,233)</u>
Net increase in cash and cash equivalents	373,213	28,732
Cash and cash equivalents - beginning	<u>381,803</u>	<u>353,071</u>
Cash and cash equivalents - ending	<u><u>\$ 755,016</u></u>	<u><u>\$ 381,803</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 45	\$ 662

See Accompanying Notes

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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 or for the Organization's training program with an aggregate balance of \$17,500 and \$-0- as of December 31, 2017 and 2016, respectively.

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, 2017 and 2016, there was \$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

December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016.

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, 2017, \$4,995 of investments remained unsold for which the Organization had an unrealized gain of \$2,218. As of December 31, 2016, \$27,039 of investments remained unsold for which the Organization had an unrealized gain of \$2,211.

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, 2017 and 2016 was \$1,426 and \$2,540, 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 statements of activities. Accordingly, certain costs have been allocated among the activities benefited.

Advertising expense - Advertising costs are expensed as incurred. Advertising expense was \$3,462 and \$4,818 for the years ended December 31, 2017 and 2016, respectively.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2014 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

December 31, 2017 and 2016

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>2017</u>	<u>2016</u>
Furniture and equipment	\$ 25,019	\$ 17,059
Capital lease equipment	-	7,960
	<u>25,019</u>	<u>25,019</u>
Less: accumulated depreciation	<u>(22,403)</u>	<u>(20,977)</u>
Property and equipment, net	<u>\$ 2,616</u>	<u>\$ 4,042</u>

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017:

	<u>2017</u>	<u>2016</u>
Website domain	\$ 18,500	\$ 18,500
Website development costs	<u>54,520</u>	<u>54,520</u>
	73,020	73,020
Less: accumulated amortization	<u>(27,547)</u>	<u>(15,410)</u>
Intangible assets, net	<u>\$ 45,473</u>	<u>\$ 57,610</u>

Amortization expense for the years ended December 31, 2017 and 2016 was \$12,137.

At December 31, 2017, estimated amortization expense is as follows:

For the years ending December 31,

2018	\$ 12,137
2019	12,137
2020	11,228
2021	1,233
2022	1,233
Thereafter	<u>7,505</u>
	<u>\$ 45,473</u>

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 4: Retirement plan:

The Organization sponsors a qualified 403(b) retirement plan for the benefit of eligible participating employees. Employer contributions to the plan are discretionary and based on a percentage of employee compensation. Participants are eligible for employer contributions upon completion of one year of service according to provisions of the plan. Employer contributions for the years ended December 31, 2017 and 2016 were \$15,683 and \$-0-, respectively.

Note 5: 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:

2018	\$ 47,037
2019	48,213
2020	49,418
2021	29,243
	<u>\$ 173,911</u>

Rent expense under this lease agreement for the years ended December 31, 2017 and 2016 was \$41,862 and \$48,902, respectively.

Note 6: 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 \$597 and \$1,592 for the equipment under capital lease for the years ended December 31, 2017 and 2016, respectively. At December 31, 2016, accumulated depreciation related to this lease was \$7,363. During 2017, the lease obligation was fulfilled and the leased equipment was retained.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 7: 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 December 31, 2017, two corporate donors made up 33% of the total pledges receivable, and 11% of the Organization's support was provided by one corporate donor. At December 31, 2016, two corporate donors made up 37% of the total pledges receivable, of which one of the corporate donors made up 10% of the Organization's support.

Note 8: Subsequent events:

Subsequent events have been evaluated through July 16, 2018, 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, 2017 and 2016, and have issued our report thereon dated July 16, 2018, 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 16, 2018



Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ -	\$ 3,462	\$ 3,462
Bad debt	-	-	-	-
Bank and credit card charges	-	41,354	-	41,354
Computer expenses	3,369	743	842	4,954
Consulting	97,109	-	81,674	178,783
Depreciation and amortization expense	9,223	2,034	2,306	13,563
Dues & subscriptions	-	3,420	-	3,420
Field office expense	154,157	1,589	3,178	158,924
Field stipends	198,620	-	-	198,620
Insurance	17,837	5,112	9,632	32,581
Interest expense	-	45	-	45
Legal and accounting	-	75,422	-	75,422
Licenses and permits	-	69	-	69
Marketing and public relations	-	-	23,419	23,419
Meals and entertainment	2,033	390	65	2,488
Other direct project expenses	13,356	-	-	13,356
Postage and delivery	-	1,446	1,531	2,977
Printing and copying	1,512	-	5,094	6,606
Rent	28,466	6,279	7,117	41,862
Retirement plan expense	9,723	1,255	4,705	15,683
Salaries	463,996	59,870	224,514	748,380
Seeds and planting materials	104,725	-	-	104,725
Special events	-	-	31	31
Storage	-	996	-	996
Taxes:				
Other	2,273	502	568	3,343
Payroll	40,714	5,253	19,699	65,666
Telephone	4,279	943	1,070	6,292
Tools and equipment	57,774	-	-	57,774
Training	66,057	-	-	66,057
Travel	37,483	5,962	1,138	44,583
Website expense	2,967	-	6,923	9,890
Workshop expenses	93,951	-	-	93,951
Total expenses	\$ 1,409,624	\$ 212,684	\$ 396,968	\$ 2,019,276

See Independent Auditor's Report on Supplementary Information

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
Retirement plan expense	-	-	-	-
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