

Trees for the Future, Inc.

**Financial Statements
and Supplementary Information**

Year Ended December 31, 2011

**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 statement of financial position of Trees for the Future, Inc. ("the Organization") as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Snyder Cohn, PC

SNYDER COHN, PC
North Bethesda, Maryland
November 12, 2012



Trees for the Future, Inc.
Statement of Financial Position

December 31, 2011

Assets

Current assets:

Cash and cash equivalents	\$ 308,810
Investments	4,580
Pledges receivable	13,071
Prepaid expenses	3,552
Other current assets	888
Total current assets	<u>330,901</u>

Property and equipment, net	<u>148,171</u>
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Total assets	<u>\$ 479,072</u>
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Liabilities and net assets

Current liabilities:

Accounts payable	\$ 9,240
Accrued expenses	2,733
Note payable, current portion	7,838
Total current liabilities	<u>19,811</u>

Other liabilities:

Note payable, net of current portion	<u>132,176</u>
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Total liabilities	<u>151,987</u>
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Commitments

Net assets:

Unrestricted	239,327
Temporarily restricted	87,758
Total net assets	<u>327,085</u>

Total liabilities and net assets	<u>\$ 479,072</u>
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See Independent Auditor's Report and Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Contributions	\$ 832,459	\$ 529,162	\$ 1,361,621
Interest and dividends	50	-	50
Investment loss	(2,656)	-	(2,656)
	829,853	529,162	1,359,015
Net assets released from restrictions	514,422	(514,422)	-
Total revenues	1,344,275	14,740	1,359,015
Expenses:			
Program expenses:			
Tree planting	720,690	-	720,690
Supporting services:			
Management and general	392,719	-	392,719
Fundraising	88,618	-	88,618
Total supporting services	481,337	-	481,337
Total expenses	1,202,027	-	1,202,027
Change in net assets	142,248	14,740	156,988
Net assets - beginning	97,079	73,018	170,097
Net assets - ending	\$ 239,327	\$ 87,758	\$ 327,085

See Independent Auditor's Report and Accompanying Notes

Trees for the Future, Inc.

Statement of Cash Flows

For the year ended December 31, 2011

Cash flows from operating activities:

Change in net assets	\$ 156,988
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Noncash contributions	(20,627)
Depreciation	6,500
Realized loss on sale of investments	2,760
Unrealized gain on sale of investments	(104)
(Increase) decrease in:	
Pledges receivable	(6,216)
Prepaid expenses	(379)
Other current assets	(888)
Increase (decrease) in:	
Accounts payable	9,240
Accrued expenses	2,733
Net cash provided by operating activities	<u>150,007</u>

Cash flows from investing activities:

Proceeds from sale of investments	13,391
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Cash flows from financing activities:

Payments made on note payable	<u>(7,370)</u>
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Net increase in cash and cash equivalents	156,028
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Cash and cash equivalents - beginning	<u>152,782</u>
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Cash and cash equivalents - ending	<u><u>\$ 308,810</u></u>
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Supplemental disclosure of cash flow information:

Cash paid during the year for:	
Interest	\$ 10,882

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2011

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 membership organization. The Organization's purpose is to improve livelihoods and restore degraded lands to sustainable productivity through planting beneficial trees in developing nations and to empower rural groups worldwide to restore tree cover to their land through seed distribution, agroforestry training and country programs.

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 \$87,758 as of December 31, 2011.

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, 2011, there were no 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, 2011

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, 2011, all pledges receivable are expected to be collected during the next year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2011.

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, 2011, \$4,580 of investments remained unsold for which the Organization had an unrealized gain of \$104. The Organization had a realized loss on its investments of \$2,760 for the year ended December 31, 2011.

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 39 years. The Organization capitalizes all additions to property and equipment over \$1,000. Depreciation expense for the year ended December 31, 2011 was \$6,500.

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. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted 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 \$262 for the year ended December 31, 2011.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2011

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 benefit 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, 2008 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.

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.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2011

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

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 at December 31, 2011, consists of the following:

Building and land	\$ 222,508
Furniture and equipment	20,165
	<hr/> 242,673
Less accumulated depreciation	94,502
	<hr/>
Property and equipment, net	<hr/> \$ 148,171

Note 3: Note payable:

As of December 31, 2011, the following note payable was outstanding:

Mortgage payable – BB&T; monthly principal and interest payments of \$1,521, interest at 7.625% annually; matures in July 2023; secured by office building.	\$ 140,014
Less current portion	<hr/> 7,838
Long-term portion	<hr/> \$ 132,176

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2011

Note 3: Note payable: (continued)

Future maturities as of December 31 are as follows:

2012	\$ 7,838
2013	8,457
2014	9,125
2015	9,845
2016	10,623
Thereafter	<u>94,126</u>
	<u>\$ 140,014</u>

Subsequent to year end, the Organization sold their office building and paid off the outstanding mortgage balance in full (Note 6).

Interest expense for the year ended December 31, 2011 was \$10,882.

Note 4: Income taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to excise tax on certain revenue and expenses unrelated to its tax exempt activities. As of December 31, 2011, no provision for income taxes was made, as the Organization had no material net unrelated business income.

Note 5: 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.

During 2011, approximately 28% of the Organization's support was provided by contributions from two corporate donors.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2011

Note 6: Subsequent events:

In May 2012, The Organization sold their office building. Proceeds from this sale totaled \$338,000. A portion of the proceeds was used to pay off the related mortgage note payable in full.

In May 2012, the Organization entered into a 5 year, 3 month operating lease for office space in Silver Spring, Maryland.

Subsequent events have been evaluated through November 12, 2012, 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

Our report on our audit of the basic financial statements of Trees for the Future, Inc. for the year ended December 31, 2011 appears on page 1. We conducted our audit for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses for the year ended December 31, 2011 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Snyder Cohn, PC

SNYDER COHN, PC
North Bethesda, Maryland
November 12, 2012



Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2011

	Program Services	Management and General	Fundraising	Total
Bank & credit card charges	\$ -	\$ 10,360	\$ -	\$ 10,360
Consulting	-	22,750	10,698	33,448
Depreciation expense	-	6,500	-	6,500
Direct project expenses	524,549	-	-	524,549
Dues & subscriptions	-	1,011	-	1,011
Equipment lease expense	-	707	-	707
Insurance - group health	10,152	14,954	2,857	27,963
Insurance expense	-	1,946	-	1,946
Interest expense	-	10,882	-	10,882
Legal & accounting	-	31,108	-	31,108
Office expenses	-	7,514	-	7,514
Payroll processing	-	2,512	-	2,512
Payroll taxes	13,023	19,183	3,665	35,871
Postage	-	574	-	574
Public information costs	-	-	24,219	24,219
Repairs & maintenance	-	1,571	-	1,571
Salaries & contracted labor	162,577	239,485	45,755	447,817
Taxes & licenses	-	11,874	-	11,874
Telephone	-	4,423	-	4,423
Travel	10,389	884	960	12,233
Utilities	-	4,481	-	4,481
Website expense	-	-	464	464
Total expenses	\$ 720,690	\$ 392,719	\$ 88,618	\$ 1,202,027

See Independent Auditor's Report on Supplementary Information