

Trees for the Future, Inc.
Financial Statements
and Supplementary Information

For the Years Ended December 31, 2012 and 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 financial statements of Trees for the Future, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, 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 audit 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, 2012 and 2011, 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
December 10, 2013



Trees for the Future, Inc.
Statements of Financial Position

December 31	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 420,218	\$ 308,810
Investments	52,330	4,580
Pledges receivable	66,598	13,071
Prepaid expenses	20,961	3,552
Other current assets	1,131	888
Total current assets	<u>561,238</u>	<u>330,901</u>
Property and equipment, net	<u>11,209</u>	<u>148,171</u>
Other assets:		
Deposits	<u>4,082</u>	<u>-</u>
Total assets	<u>\$ 576,529</u>	<u>\$ 479,072</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 21,802	\$ 9,240
Accrued expenses	3,092	2,733
Deferred rent	54	-
Note payable, current portion	-	7,838
Capital lease, current portion	1,065	-
Total current liabilities	<u>26,013</u>	<u>19,811</u>
Other liabilities:		
Deferred rent	11,152	-
Note payable, net of current portion	-	132,176
Capital lease, net of current portion	6,230	-
Total other liabilities	<u>17,382</u>	<u>132,176</u>
Total liabilities	<u>43,395</u>	<u>151,987</u>
Commitments		
Net assets:		
Unrestricted	473,185	239,327
Temporarily restricted	15,464	87,758
Permanently restricted	44,485	-
Total net assets	<u>533,134</u>	<u>327,085</u>
Total liabilities and net assets	<u>\$ 576,529</u>	<u>\$ 479,072</u>

See Independent Auditor's Report and Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 1,252,385	\$ 238,646	\$ 44,485	\$ 1,535,516
Interest and dividends	179	-	-	179
Investment loss	(4,010)	-	-	(4,010)
Gain on sale of property and equipment	164,424	-	-	164,424
	<u>1,412,978</u>	<u>238,646</u>	<u>44,485</u>	<u>1,696,109</u>
Net assets released from restrictions	310,940	(310,940)	-	-
Total revenues	<u>1,723,918</u>	<u>(72,294)</u>	<u>44,485</u>	<u>1,696,109</u>
Expenses:				
Program expenses:				
Tree planting	866,904	-	-	866,904
Supporting services:				
Management and general	445,752	-	-	445,752
Fundraising	177,404	-	-	177,404
Total supporting services	<u>623,156</u>	<u>-</u>	<u>-</u>	<u>623,156</u>
Total expenses	<u>1,490,060</u>	<u>-</u>	<u>-</u>	<u>1,490,060</u>
Change in net assets	233,858	(72,294)	44,485	206,049
Net assets - beginning	<u>239,327</u>	<u>87,758</u>	<u>-</u>	<u>327,085</u>
Net assets - ending	<u>\$ 473,185</u>	<u>\$ 15,464</u>	<u>\$ 44,485</u>	<u>\$ 533,134</u>

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	Permanently Restricted	Total
Revenues:				
Contributions	\$ 832,459	\$ 529,162	\$ -	\$ 1,361,621
Interest and dividends	50	-	-	50
Investment loss	(2,656)	-	-	(2,656)
	<u>829,853</u>	<u>529,162</u>	<u>-</u>	<u>1,359,015</u>
Net assets released from restrictions	514,422	(514,422)	-	-
Total revenues	<u>1,344,275</u>	<u>14,740</u>	<u>-</u>	<u>1,359,015</u>
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	<u>481,337</u>	<u>-</u>	<u>-</u>	<u>481,337</u>
Total expenses	<u>1,202,027</u>	<u>-</u>	<u>-</u>	<u>1,202,027</u>
Change in net assets	142,248	14,740	-	156,988
Net assets - beginning	<u>97,079</u>	<u>73,018</u>	<u>-</u>	<u>170,097</u>
Net assets - ending	<u>\$ 239,327</u>	<u>\$ 87,758</u>	<u>\$ -</u>	<u>\$ 327,085</u>

See Independent Auditor's Report and Accompanying Notes

Trees for the Future, Inc.

Statements of Cash Flows

For the year ended December 31	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 206,049	\$ 156,988
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Noncash contributions	(65,723)	(20,627)
Depreciation	2,819	6,500
Gain on sale of property and equipment	(164,424)	-
Realized loss on sale of investments	2,311	2,760
Unrealized (gain) loss on sale of investments	1,699	(104)
Contributions restricted for long-term purposes	(43,500)	-
(Increase) decrease in:		
Pledges receivable	(53,527)	(6,216)
Prepaid expenses	(17,409)	(379)
Other current assets	(243)	(888)
Deposits	(4,082)	-
Increase (decrease) in:		
Accounts payable	12,562	9,240
Accrued expenses	359	2,733
Deferred rent	11,206	-
Net cash provided by (used in) operating activities	(111,903)	150,007
Cash flows from investing activities:		
Proceeds from sale of investments	13,963	13,391
Purchase of property and equipment	(4,642)	-
Proceeds from sale of property and equipment	311,169	-
Net cash provided by investing activities	320,490	13,391
Cash flows from financing activities:		
Payments made on note payable	(140,014)	(7,370)
Payments made on capital lease obligation	(665)	-
Proceeds from contributions restricted for investment in permanent endowment	43,500	-
Net cash used in financing activities	(97,179)	(7,370)
Net increase in cash and cash equivalents	111,408	156,028
Cash and cash equivalents - beginning	308,810	152,782
Cash and cash equivalents - ending	\$ 420,218	\$ 308,810
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 5,594	\$ 10,822
Schedule of noncash investing activities:		
Acquisition of equipment through capital lease	7,960	-

See Independent Auditor's Report and Accompanying Notes

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2012 and 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 \$15,464 and \$87,758 as of December 31, 2012 and 2011, 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, 2012 and 2011, there were \$44,485 and \$-0- permanently restricted net assets, respectively.

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, 2012 and 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, 2012 and 2011, all pledges receivable were expected to be collected within a year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2012 and 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, 2012, \$52,330 of investments remained unsold for which the Organization had an unrealized loss of \$1,699. 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 \$2,311 and \$2,760 for the years ended December 31, 2012 and 2011, respectively.

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 years ended December 31, 2012 and 2011 was \$2,819 and \$6,500, 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. 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 \$10,249 and \$262 for the years ended December 31, 2012 and 2011, respectively.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2012 and 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 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, 2009 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, 2012 and 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 consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Building and land	\$ -	\$ 222,508
Furniture and equipment	14,642	20,165
Capital lease equipment	7,960	
	<u>22,602</u>	<u>242,673</u>
Less: accumulated depreciation	<u>(11,393)</u>	<u>(94,502)</u>
Property and equipment, net	<u>\$ 11,209</u>	<u>\$ 148,171</u>

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2012 and 2011

Note 3: Note payable:

As of December 31, 2012 and 2011, long-term debt was comprised of the following:

	2012	2011
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. During 2012, the Organization sold their office building and paid off the outstanding mortgage balance in full.	\$ -	\$ 140,014
Less current portion	-	(7,838)
Long-term portion	\$ -	\$ 132,176

Interest expense for the years ended December 31, 2012 and 2011 was \$5,594 and \$10,882, respectively.

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 an additional five year term. The lease calls for monthly base rental payments plus additional rent for operating expense and real estate taxes as described in the operating lease agreement.

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

2013	\$ 44,060
2014	45,381
2015	46,743
2016	48,146
2017	28,571
	\$ 212,901

Rent expense under this lease agreement for the years ended December 31, 2012 and 2011 was \$29,338 and \$-0-, respectively.

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2012 and 2011

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 \$995 and \$-0- for the equipment under capital lease for the years ended December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011 accumulated depreciation related to this lease was \$995 and \$-0-, respectively. The lease includes a \$1 purchase option at the end of the lease period. Future minimum lease payments are as follows:

For year ending 2013	\$ 2,746
2014	2,757
2015	2,757
2016	2,757
2017	919
	11,936
Less: amount representing interest	4,641
Present value of minimum lease payment	7,295
Less: current portion	1,065
Long-term portion	\$ 6,230

Note 6: 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, 2012 and 2011, no provision for income taxes was made, as the Organization had no material net unrelated business income.

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.

During 2012, approximately 27% of the Organization's support was provided by contributions from two corporate donors. 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, 2012 and 2011

Note 8: Subsequent events:

Subsequent events have been evaluated through December 10, 2013, 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, 2012 and 2011, and our report thereon dated December 10, 2013, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in the schedules of functional expenses for the years ended December 31, 2012 and 2011 is presented for purposes of additional analysis and is 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
December 10, 2013



Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2012

	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ -	\$ 10,249	\$ 10,249
Bank and credit card charges	-	22,245	-	22,245
Computer expenses	4,997	4,199	2,138	11,334
Consulting	161	84,302	11,132	95,595
Depreciation expense	1,243	1,044	532	2,819
Dues and subscriptions	-	118	-	118
Field stipends	191,770	-	-	191,770
Insurance	-	34,301	-	34,301
Interest expense	-	5,594	-	5,594
Legal and accounting	-	44,361	-	44,361
Licenses and permits	-	9,733	-	9,733
Marketing and public relations	-	-	16,709	16,709
Meals and entertainment	-	2,190	58	2,248
Meetings and conferences	-	300	-	300
Miscellaneous expense	-	4,075	-	4,075
Moving expense	-	703	-	703
Office expense	36,460	3,788	1,928	42,176
Other direct project expenses	38,689	-	-	38,689
Postage and delivery	421	882	3,522	4,825
Printing and copying	-	2,234	16,418	18,652
Project materials	104,838	-	-	104,838
Rent	18,986	10,869	5,534	35,389
Repairs and maintenance	833	700	356	1,889
Salaries	227,638	191,266	97,377	516,281
Storage	-	2,609	-	2,609
Taxes:				
Other	941	791	403	2,135
Payroll	19,187	16,122	8,208	43,517
Telephone	1,835	1,542	785	4,162
Tools and equipment	40,779	425	216	41,420
Training	29,990	-	-	29,990
Travel	65,864	967	1,323	68,154
Utilities	467	392	200	1,059
Vehicle expense	25,752	-	-	25,752
Website expense	-	-	316	316
Workshop expenses	56,053	-	-	56,053
Total expenses	\$ 866,904	\$ 445,752	\$ 177,404	\$ 1,490,060

See Independent Auditor's Report on Supplementary Information

Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2011

	Program Services	Management and General	Fundraising	Total
Bank and 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 and 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 and 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 and maintenance	-	1,571	-	1,571
Salaries and contracted labor	162,577	239,485	45,755	447,817
Taxes and 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