SNYDERCOHN
CPAs and Trusted Advisors

Trees for the Future, Inc.

Financial Statements

For the Year Ended December 31, 2020

Table of Contents

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 statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. 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 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Snyder Cohn, PC

SNYDER COHN, PC
North Bethesda, Maryland
November 5, 2021

Trees for the Future, Inc.

Statement of Financial Position

December 31, 2020	
Assets	
Current assets:	
Cash and cash equivalents	$ 5,429,114
Investments	355
Pledges receivable, net	760,792
Prepaid expenses	184,742
Total current assets	6,375,003
Property, equipment and vehicles, net	116,409
Other assets:	
Deposits	14,655
Intangible assets, net	35,803
Total other assets	50,458
Total assets	$ 6,541,870
Liabilities and net assets	
Current liabilities:	
Accounts payable	$ 74,994
Accrued expenses	129,227
Paycheck Protection Program loan	252,538
Total liabilities	456,759
Commitments	
Net assets:	
Without donor restrictions	6,030,772
With donor restrictions	54,339
Total net assets	6,085,111
Total liabilities and net assets	$ 6,541,870

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	$ 9,894,064	$ 1,421,540	$ 11,315,604
Interest and dividends	1,193	-	1,193
Realized and unrealized gains	309	-	309
Other	31,605	-	31,605
	9,927,171	1,421,540	11,348,711
Net assets released from purpose restrictions	1,421,540	(1,421,540)	-
Total revenues	11,348,711	-	11,348,711
Expenses:			
Program expenses:			
Tree planting	5,809,198	-	5,809,198
Supporting services:			
Management and general	882,587	-	882,587
Fundraising	882,373	-	882,373
Total supporting services	1,764,960	-	1,764,960
Total expenses	7,574,158	-	7,574,158
Change in net assets	3,774,553	-	3,774,553
Net assets - beginning	2,256,219	54,339	2,310,558
Net assets - ending	$ 6,030,772	$ 54,339	$ 6,085,111

See Accompanying Notes

Trees for the Future, Inc.

Statement of Functional Expenses

For the year ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Advertising	$ -	$ -	$ 64,217	$ 64,217
Bad debt	-	50,000	-	50,000
Bank and credit card charges	64,035	45,658	4,164	113,857
Computer expenses	32,895	4,934	3,290	41,119
Consulting	-	2,198	38,762	40,960
Depreciation and amortization expense	62,224	9,334	6,222	77,780
Dues & subscriptions	-	-	25,538	25,538
Employee benefits	16,922	8,947	15,142	41,011
Field office expense	8,622	1,292	862	10,776
Field stipends	1,984,926	-	-	1,984,926
Insurance	63,234	41,337	56,215	160,786
Interest expense	-	4,600	-	4,600
Legal and accounting	31,665	134,337	-	166,002
Marketing and public relations	21,470	24,428	14,213	60,111
Meals and entertainment	196,059	-	-	196,059
Moving expense	-	7,966	-	7,966
Other direct project expenses	326,813	147,990	1,078	475,881
Postage and delivery	-	679	-	679
Printing and copying	-	2,349	909	3,258
Rent	151,252	22,688	15,125	189,065
Salaries	651,903	344,675	583,319	1,579,897
Seeds and planting materials	1,058,440	-	-	1,058,440
Storage	-	1,208	-	1,208
Taxes:				
Other	446	67	45	558
Payroll	45,309	23,956	40,542	109,807
Telephone	12,670	1,901	1,267	15,838
Tools and equipment	468,895	-	-	468,895
Training	68,624	-	-	68,624
Travel	172,666	-	-	172,666
Utilities	2,587	388	259	3,234
Vehicle expense	81,258	-	-	81,258
Website expense	2,801	1,655	11,204	15,660
Workshop expenses	283,482	-	-	283,482
Total expenses	$ 5,809,198	$ 882,587	$ 882,373	$ 7,574,158

See Accompanying Notes

Trees for the Future, Inc.

Statement of Cash Flows

For the year ended December 31, 2020	
Cash flows from operating activities:	
Change in net assets	$ 3,774,553
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non-cash contributions - donated stock	(500)
Depreciation and amortization	77,780
Realized and unrealized gain on investments	(309)
(Increase) decrease in:	
Pledges receivable, net	95,600
Prepaid expenses	(151,546)
Deposits	(9,338)
Increase (decrease) in:	
Accounts payable	73,074
Accrued expenses	66,898
Net cash provided by operating activities	3,926,212
Cash flows from investing activities:	
Proceeds from sale of investments	5,797
Purchase of property and equipment	(32,922)
Payment for intangible assets	(30,000)
Net cash used in investing activities	(57,125)
Cash flows from financing activities:	
Proceeds from Paycheck Protection Program loan	252,538
Net increase in cash and cash equivalents	4,121,625
Cash and cash equivalents - beginning	1,307,489
Cash and cash equivalents - ending	$ 5,429,114
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	$ 139

See Accompanying Notes

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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Amounts that are specifically restricted by donors or grantors for various purposes or future time periods.

Donated goods and services - In 2020, the Organization recorded in-kind contributions for donated office space and other items that meet the criteria for recognition under accounting principles generally accepted in the United States of America (GAAP). Donated goods and services are recorded at their estimated fair value on the date of donation. The amounts were recognized as follows for the year ended December 31, 2020:

Office space	$ 5,963
Other items	23,782
	$ 29,745

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.

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

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, including money market funds.

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, 2020, 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 $65,000 is included in pledges receivable at December 31, 2020.

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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, 2020, $355 of investments remained unsold for which the Organization had an unrealized loss of $249.

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 3 to 7 years. The Organization capitalizes all additions to property and equipment over $2,500. Depreciation expense for the year ended December 31, 2020 was $62,384.

Paycheck Protection Program (PPP) loan - In April 2020, the Organization received loan proceeds under the Paycheck Protection Program. The proceeds from the PPP were classified as debt on the statement of financial position under the FASB guidance ASC 470-10-45.

Revenue recognition - In May 2014, the FASB issued ASU 2014-09*, Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires an organization to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, the Organization adopted ASU 2014-09, using the modified retrospective approach. The Organization applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized.

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

Revenue recognition (continued) - 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 with donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Advertising expense - Advertising costs are expensed as incurred. Advertising expense was $64,217 for the year ended December 31, 2020.

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, 2017 are no longer subject to audit by taxing authorities.

Risk and uncertainties - In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Organization's operating results, but the related financial impact is unknown at this time.

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.

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

Fair value measurements (continued) -

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.

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.

Recent accounting pronouncements not yet adopted - In February 2016, the FASB issued ASU 2016-02*, Leases (Topic 842)*, which is the leasing standard for both lessees and lessors. Under this update, a lessee will recognize lease assets and liabilities on the statement of financial position for all arrangements longer than 12 months. Lessor accounting remains largely consistent with existing U.S. GAAP. The guidance is effective for the Organization's fiscal year 2022. Management is currently determining the impact that adoption of this guidance will have on the Organization's financial statements.

Note 2: Liquidity and availability:

The following reflects the financial assets of Trees for the Future, Inc. on December 31, 2020, reduced by amounts that are not available for general use because of donor imposed, board or time restrictions within one year of the balance sheet date.

Financial assets:	
Cash	$ 5,429,114
Investments	355
Pledges receivable, net	760,792
	6,190,261
Less those unavailable for general expenditure within one year, due to:	
Amounts designated for future purpose restrictions or endowment	(54,339)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,135,922

Net assets with donor restrictions consist of cash received to be used for specific country program expenditures in the coming fiscal year or as part of an endowment the Organization received. Trees for the Future, Inc. relies on individual, foundation and corporate donors to provide the resources to support the Organization's operating activities. The Organization also has a $100,000 line of credit available. The Organization invests a portion of cash in excess of daily requirements into money market funds, which was $4,734,576 as of December 31, 2020.

Note 3: Property and equipment:

Property and equipment consisted of the following at December 31, 2020:

Furniture and equipment	$ 32,553
Vehicles	184,146
Less: accumulated depreciation	(100,290)
Property and equipment, net	$ 116,409

Note 4: 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. During 2020, the Organization incurred development costs related to accounting software. The Organization accounts for these 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. These purchases are stated at cost and are amortized over an estimated useful life of 3-5 years.

Intangible assets consist of the following at December 31, 2020:

Website domain	$ 18,500
Website development costs	54,520
Accounting software	30,000
	103,020
Less: accumulated amortization	(67,217)
Intangible assets, net	$ 35,803

Amortization expense for the year ended December 31, 2020 was $15,396.

At December 31, 2020, estimated amortization expense is as follows:

For the years ending December 31,

2021	$ 11,233
2022	11,233
2023	7,066
2024	1,233
2025	1,233
Thereafter	3,805
	$ 35,803

Note 5: Paycheck Protection Program loan:

On April 17, 2020, the Organization was granted a loan (the “Loan”) from M&T Bank in the aggregate amount of $250,800, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the current terms of the PPP, the loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the period. The Organization applied for and received loan forgiveness for the loan and any accrued interest by the U.S. Small Business Administration, on April 13, 2021.

Note 6: Line of credit:

In May 2020, the Organization received a line of credit with M&T Bank. The line of credit has a maximum borrowing limit of $100,000. Advances on the line of credit accrue interest at the Wall Street Journal’s prime rate plus 3.50%. The outstanding balance on the line of credit was $-0- at December 31, 2020. Interest expense for the year ended December 31, 2020 was $139.

Note 7: Net assets with donor restrictions:

The net assets with donor restrictions of the Organization are available for the following purposes at December 31, 2020:

Endowment	$ 54,339
Country specific	-
Total net assets with donor restrictions	$ 54,339

Note 8: 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 year ended December 31, 2020 were $30,930.

Note 9: Commitments:

During 2012, the Organization entered into a five-year, three-month operating lease agreement for office space in Silver Spring, Maryland. The lease had 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.

During August 2019, the Organization entered into a sublease agreement for additional office space in the same building. The sublease had an initial term expiring July 31, 2021. The lease was subsequently terminated in March 2020 by the sub-lessor.

In February 2020, the Organization terminated their lease for the office space in Silver Spring, Maryland and entered into a two-year operating lease agreement in the same building. 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:

2021	$ 172,196
2022	28,840
	$ 201,036

Rent expense under the lease agreements for the year ended December 31, 2020 was $189,065.

Note 10: 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, 2020, two corporate donors made up 31% of the total pledges receivable and one foundation donor made up 53% of the Organization's support.

Note 11: Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited using various cost allocation techniques.

Note 12: Subsequent events:

Subsequent events have been evaluated through November 5, 2021, which is the date the financial statements were available to be issued.

In October 2021, the Organization entered into a two-year operating lease agreement for office space in Bethesda, Maryland. The lease will commence in April 2022. 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. The lease also requires a service retainer to be paid prior to move in.

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

2022	$ 64,275
2023	72,000
2024	18,000
	$ 154,275

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