

Trees for the Future, Inc.

**Financial Statements
and Supplementary Information**

For the Years Ended December 31, 2014 and 2013

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

Table of Contents

Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows.....	5
Notes to Financial Statements	6-11
Supplementary Information:	
Independent Auditor's Report on Supplementary Information.....	13
Schedules of Functional Expenses	14-15

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, 2014 and 2013, 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, 2014 and 2013, 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
May 19, 2015



Trees for the Future, Inc.
Statements of Financial Position

December 31	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 355,042	\$ 423,267
Investments	3,173	2,246
Pledges receivable, net	227,801	149,203
Prepaid expenses	17,835	16,138
Other current assets	-	601
Total current assets	<u>603,851</u>	<u>591,455</u>
Property and equipment, net	<u>6,704</u>	<u>8,957</u>
Other assets:		
Deposits	4,082	4,082
Intangible assets, net	17,369	-
Total other assets	<u>21,451</u>	<u>4,082</u>
Total assets	<u><u>\$ 632,006</u></u>	<u><u>\$ 604,494</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 9,468	\$ 29,892
Accrued expenses	32,301	7,676
Deferred rent, current portion	2,737	1,375
Capital lease, current portion	1,751	1,372
Total current liabilities	<u>46,257</u>	<u>40,315</u>
Other liabilities:		
Deferred rent, net of current portion	7,040	9,777
Capital lease, net of current portion	3,107	4,857
Total other liabilities	<u>10,147</u>	<u>14,634</u>
Total liabilities	<u>56,404</u>	<u>54,949</u>
Commitments		
Net assets:		
Unrestricted	502,475	475,206
Temporarily restricted	18,788	20,000
Permanently restricted	54,339	54,339
Total net assets	<u>575,602</u>	<u>549,545</u>
Total liabilities and net assets	<u><u>\$ 632,006</u></u>	<u><u>\$ 604,494</u></u>

See Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 1,522,096	\$ 355,767	\$ -	\$ 1,877,863
Donated materials and professional services	7,631	-	-	7,631
Interest and dividends	93	-	-	93
Investment gain (loss)	(1,230)	-	-	(1,230)
	1,528,590	355,767	-	1,884,357
Net assets released from restrictions	356,979	(356,979)	-	-
Total revenues	1,885,569	(1,212)	-	1,884,357
Expenses:				
Program expenses:				
Tree planting	1,414,981	-	-	1,414,981
Supporting services:				
Management and general	234,156	-	-	234,156
Fundraising	209,163	-	-	209,163
Total supporting services	443,319	-	-	443,319
Total expenses	1,858,300	-	-	1,858,300
Change in net assets	27,269	(1,212)	-	26,057
Net assets - beginning	475,206	20,000	54,339	549,545
Net assets - ending	\$ 502,475	\$ 18,788	\$ 54,339	\$ 575,602

See Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 1,337,383	\$ 234,839	\$ 9,854	\$ 1,582,076
Donated materials and professional services	-	-	-	-
Interest and dividends	60	-	-	60
Investment gain (loss)	2,642	-	-	2,642
	<u>1,340,085</u>	<u>234,839</u>	<u>9,854</u>	<u>1,584,778</u>
Net assets released from restrictions	230,303	(230,303)	-	-
Total revenues	<u>1,570,388</u>	<u>4,536</u>	<u>9,854</u>	<u>1,584,778</u>
Expenses:				
Program expenses				
Tree planting	953,228	-	-	953,228
Supporting services:				
Management and general	348,395	-	-	348,395
Fundraising	266,744	-	-	266,744
Total supporting services	<u>615,139</u>	<u>-</u>	<u>-</u>	<u>615,139</u>
Total expenses	<u>1,568,367</u>	<u>-</u>	<u>-</u>	<u>1,568,367</u>
Change in net assets	2,021	4,536	9,854	16,411
Net assets - beginning	<u>473,185</u>	<u>15,464</u>	<u>44,485</u>	<u>533,134</u>
Net assets - ending	<u>\$ 475,206</u>	<u>\$ 20,000</u>	<u>\$ 54,339</u>	<u>\$ 549,545</u>

See Accompanying Notes

Trees for the Future, Inc.

Statements of Cash Flows

For the year ended December 31	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 26,057	\$ 16,411
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash contributions - donated stock	(12,446)	(10,658)
Depreciation and amortization	3,384	2,252
Realized gain on sale of investments	(19)	(4,168)
Unrealized loss on sale of investments	1,249	1,526
Contributions restricted for long-term purposes	-	(9,854)
(Increase) decrease in:		
Pledges receivable, net	(78,598)	(82,605)
Prepaid expenses	(1,697)	4,823
Other current assets	601	530
Increase (decrease) in:		
Accounts payable	(20,424)	8,090
Accrued expenses	24,625	4,584
Deferred rent	(1,375)	(54)
Net cash used in operating activities	<u>(58,643)</u>	<u>(69,123)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	10,289	63,384
Payment for intangible assets	(18,500)	-
Net cash provided by (used in) investing activities	<u>(8,211)</u>	<u>63,384</u>
Cash flows from financing activities:		
Payments made on capital lease obligation	(1,371)	(1,066)
Proceeds from contributions restricted for investment in permanent endowment	-	9,854
Net cash provided by (used in) financing activities	<u>(1,371)</u>	<u>8,788</u>
Net increase (decrease) in cash and cash equivalents	(68,225)	3,049
Cash and cash equivalents - beginning	<u>423,267</u>	<u>420,218</u>
Cash and cash equivalents - ending	<u>\$ 355,042</u>	<u>\$ 423,267</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,074	\$ 1,498

See Accompanying Notes

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2014 and 2013

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 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 \$18,788 and \$20,000 as of December 31, 2014 and 2013, 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, 2014 and 2013, there were \$54,339 of permanently restricted net assets.

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

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

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2014 and 2013

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, 2014 and 2013, 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 pledges receivable of \$7,250 and \$9,250 is included in pledges receivable at December 31, 2014 and 2013, respectively.

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, 2014, \$3,173 of investments remained unsold for which the Organization had an unrealized loss of \$(1,249). As of December 31, 2013, \$2,246 of investments remained unsold for which the Organization had an unrealized loss of \$(1,526). The Organization had a realized gain on its investments of \$19 and \$4,168 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013 was \$2,253 and \$2,252, 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.

Donated materials and professional services - Donated materials and professional services are classified based on the nature of the contribution and are reflected as in-kind contributions at their estimated fair value, as determined by the donor, at the date of receipt. During the year ended December 31, 2014, the Organization received donated materials and professional services of food for special events and advertising space totaling \$7,631.

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.

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2014 and 2013

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

Advertising expense - Advertising costs are expensed as incurred. Advertising expense was \$27,073 and \$10,412 for the years ended December 31, 2014 and 2013, respectively.

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, 2011 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, 2014 and 2013

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 consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 14,642	\$ 14,642
Capital lease equipment	<u>7,960</u>	<u>7,960</u>
	22,602	22,602
Less: accumulated depreciation	<u>(15,898)</u>	<u>(13,645)</u>
Property and equipment, net	<u>\$ 6,704</u>	<u>\$ 8,957</u>

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.

Intangible assets consist of the following at December 31, 2014:

Website domain	\$ 18,500
Less: accumulated amortization	<u>(1,131)</u>
Total website domain, net of accumulated amortization	<u>\$ 17,369</u>

Estimated amortization expense is \$1,233 for each of the next five years.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 4: Commitments:

During 2012, the Organization entered into a 5 year, 3 month operating lease agreement for office space in Silver Spring, Maryland. The lease has an initial term expiring on July 31, 2017 with an option to renew for an additional five year term. 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:

2015	\$ 46,743
2016	48,146
2017	<u>28,571</u>
	<u>\$ 123,460</u>

Rent expense under this lease agreement for each of the years ended December 31, 2014 and 2013 was \$44,006.

Note 5: Capital lease:

During 2012, the Organization entered into a capital lease for a telephone system with a capitalized cost of \$7,960. Depreciation expense included \$1,592 and \$1,591 for the equipment under capital lease for the years ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, accumulated depreciation related to this lease was \$4,179 and \$2,587, respectively. The lease includes a \$1 purchase option at the end of the lease period. Future minimum lease payments for the years ending December 31 are as follows:

2015	\$ 2,757
2016	2,757
2017	<u>918</u>
	6,432
Less: amount representing interest	<u>1,574</u>
Present value of minimum lease payment	4,858
Less: current portion	<u>1,751</u>
Long-term portion	<u>\$ 3,107</u>

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2014 and 2013

Note 6: Concentrations:

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

At December 31, 2014 and 2013, four corporate donors made up 76% and 97%, of the total pledges receivable balance, respectively. During 2014, approximately 22% of the Organization's support was provided by contributions from two corporate donors. During 2013, approximately 32% of the Organization's support was provided by contributions from two corporate donors.

Note 7: Subsequent events:

Subsequent events have been evaluated through May 19, 2015, 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, 2014 and 2013, and have issued our report thereon dated May 19, 2015, 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 schedule of functional expenses is presented for the 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
May 19, 2015



Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 11,172	\$ -	\$ 15,901	\$ 27,073
Bad debt	-	-	-	-
Bank and credit card charges	-	20,977	-	20,977
Computer expenses	6,165	1,790	1,989	9,944
Consulting	117,064	14,653	32,807	164,524
Depreciation and amortization expense	2,098	609	677	3,384
Dues & subscriptions	-	149	-	149
Field stipends	191,178	-	-	191,178
Insurance	34,267	9,974	6,832	51,073
Interest expense	-	1,074	-	1,074
Legal and accounting	-	74,945	-	74,945
Licenses and permits	-	9,324	-	9,324
Marketing and public relations	-	-	4,638	4,638
Meals and entertainment	-	811	1,152	1,963
Office expense	29,373	627	697	30,697
Other direct project expenses	44,399	-	-	44,399
Postage and delivery	258	865	1,616	2,739
Printing and copying	309	4,007	6,646	10,962
Project materials	130,559	-	-	130,559
Rent	27,284	7,921	8,801	44,006
Repairs and maintenance	-	-	-	-
Salaries	528,755	75,216	105,417	709,388
Special events	22,649	-	10,716	33,365
Storage	-	641	-	641
Taxes:				
Other	-	-	-	-
Payroll	45,334	6,449	9,038	60,821
Telephone	3,192	927	1,030	5,149
Tools and equipment	43,216	63	70	43,349
Training	27,047	-	-	27,047
Travel	69,714	3,134	635	73,483
Vehicle expense	20,382	-	-	20,382
Website expense	-	-	501	501
Workshop expenses	60,566	-	-	60,566
Total expenses	\$ 1,414,981	\$ 234,156	\$ 209,163	\$ 1,858,300

See Independent Auditor's Report on Supplementary Information

Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2013

	Program Services	Management and General	Fundraising	Total
Advertising	\$ -	\$ -	\$ 10,412	\$ 10,412
Bad debt	-	9,250	-	9,250
Bank and credit card charges	-	27,777	-	27,777
Computer expenses	10,410	3,231	4,308	17,949
Consulting	27,300	41,176	48,900	117,376
Depreciation and amortization expense	1,306	405	540	2,251
Dues & subscriptions	-	-	-	-
Field stipends	129,556	-	-	129,556
Insurance	-	51,608	-	51,608
Interest expense	-	1,498	-	1,498
Legal and accounting	-	71,508	-	71,508
Licenses and permits	-	5,594	-	5,594
Marketing and public relations	-	-	11,063	11,063
Meals and entertainment	-	2,587	476	3,063
Office expense	31,467	901	1,201	33,569
Other direct project expenses	28,256	-	-	28,256
Postage and delivery	752	8,419	7,791	16,962
Printing and copying	-	2,490	7,126	9,616
Project materials	95,359	-	-	95,359
Rent	30,473	7,921	10,561	48,955
Repairs and maintenance	104	32	43	179
Salaries	328,424	101,925	135,900	566,249
Special events	-	-	-	-
Storage	-	611	-	611
Taxes:				
Other	248	77	103	428
Payroll	30,392	9,432	12,576	52,400
Telephone	1,830	568	757	3,155
Tools and equipment	77,019	88	117	77,224
Training	32,960	-	-	32,960
Travel	55,957	1,297	2,542	59,796
Vehicle expense	31,327	-	-	31,327
Website expense	-	-	12,328	12,328
Workshop expenses	40,088	-	-	40,088
Total expenses	\$ 953,228	\$ 348,395	\$ 266,744	\$ 1,568,367

See Independent Auditor's Report on Supplementary Information