

# FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2023

**TREES FOR THE FUTURE, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Trees for the Future, Inc.  
Silver Spring, Maryland

### Opinion

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, 2023, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the change 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · WWW.GRFCPA.COM

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



November 15, 2024

**TREES FOR THE FUTURE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2023**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 5,613,652
Contributions and grants receivable	2,157,134
Prepaid expenses and other assets	<u>126,453</u>
Total current assets	<u>7,897,239</u>

**FIXED ASSETS**

Furniture	17,294
Vehicles	<u>285,036</u>
	302,330
Less: Accumulated depreciation	<u>(214,310)</u>
Net fixed assets	<u>88,020</u>

**NONCURRENT ASSETS**

Deposits	19,517
Intangible assets, net	<u>129,440</u>
Total noncurrent assets	<u>148,957</u>

**TOTAL ASSETS** **\$ 8,134,216**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 209,604
Accrued salaries and related benefits	60,327
Refundable advances	<u>830,981</u>
Total liabilities	<u>1,100,912</u>

**NET ASSETS**

Without donor restrictions	6,978,965
With donor restrictions	<u>54,339</u>
Total net assets	<u>7,033,304</u>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 8,134,216**

## TREES FOR THE FUTURE, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 9,463,479	\$ 3,427,107	\$ 12,890,586
Interest and dividends	139,267	-	139,267
Other revenue	8,695	-	8,695
Net assets released from donor restrictions	<u>3,427,107</u>	<u>(3,427,107)</u>	<u>-</u>
Total support and revenue	<u>13,038,548</u>	<u>-</u>	<u>13,038,548</u>
<b>EXPENSES</b>			
Program Services	<u>8,299,907</u>	<u>-</u>	<u>8,299,907</u>
Supporting Services:			
Management and General	2,015,920	-	2,015,920
Fundraising	<u>759,620</u>	<u>-</u>	<u>759,620</u>
Total supporting services	<u>2,775,540</u>	<u>-</u>	<u>2,775,540</u>
Total expenses	<u>11,075,447</u>	<u>-</u>	<u>11,075,447</u>
Change in net assets before other items	1,963,101	-	1,963,101
<b>OTHER ITEMS</b>			
Loss on disposal of intangible assets	(9,612)	-	(9,612)
Loss on foreign currency exchange	<u>(13,115)</u>	<u>-</u>	<u>(13,115)</u>
Change in net assets	1,940,374	-	1,940,374
Net assets at beginning of year	<u>5,038,591</u>	<u>54,339</u>	<u>5,092,930</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 6,978,965</u></b>	<b><u>\$ 54,339</u></b>	<b><u>\$ 7,033,304</u></b>

## TREES FOR THE FUTURE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel costs	\$ 3,678,052	\$ 1,240,074	\$ 544,188	\$ 1,784,262	\$ 5,462,314
Direct program supplies	2,353,674	-	-	-	2,353,674
Professional fees	438,960	247,373	146,682	394,055	833,015
Travel expenses	557,617	68,191	6,450	74,641	632,258
Insurance	140,371	120,196	-	120,196	260,567
Office supplies	246,419	273	143	416	246,835
Other expenses	213,581	7,646	7,576	15,222	228,803
Meals and entertainment	136,492	604	-	604	137,096
Occupancy	99,281	70,325	-	70,325	169,606
Telecommunications	148,400	255	-	255	148,655
Advertising and promotions	16,661	80,271	27,489	107,760	124,421
Business licenses and permits	63,788	31,166	9,168	40,334	104,122
Depreciation and amortization	49,987	52,805	-	52,805	102,792
Repairs and maintenance	14,121	63,863	-	63,863	77,984
Credit card and other service charges	53,311	12,054	-	12,054	65,365
Facilities	44,509	-	-	-	44,509
Dues and subscriptions	21,032	2,291	17,924	20,215	41,247
Printing and publications	23,651	2,151	-	2,151	25,802
Bad debt	-	16,382	-	16,382	16,382
<b>TOTAL</b>	<b>\$ 8,299,907</b>	<b>\$ 2,015,920</b>	<b>\$ 759,620</b>	<b>\$ 2,775,540</b>	<b>\$ 11,075,447</b>

See accompanying notes to financial statements.

## TREES FOR THE FUTURE, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 1,940,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	102,792
Loss on disposal of intangible assets	9,612
Change in allowance for bad debt	(65,000)
(Increase) decrease in:	
Contributions and grants receivable	(870,440)
Prepaid expenses and other assets	157,778
Decrease in:	
Accounts payable and accrued liabilities	(58,633)
Accrued salaries and related benefits	(71,656)
Refundable advances	<u>(1,141,787)</u>
Net cash provided by operating activities	<u>3,040</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of fixed assets	(47,153)
Payment for intangible assets	<u>(875)</u>
Net cash used by investing activities	<u>(48,028)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from line of credit	125,000
Repayments on line of credit	<u>(125,000)</u>
Net cash used by financing activities	<u>-</u>

Net decrease in cash and cash equivalents	(44,988)
Cash and cash equivalents at beginning of year	<u>5,658,640</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$ 5,613,652</u></u></b>

**SUPPLEMENTAL INFORMATION:**

Interest Paid	<b><u><u>\$ 475</u></u></b>
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## TREES FOR THE FUTURE, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

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. The Organization 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 are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

##### Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

The Organization holds cash at financial institutions in foreign countries and a majority of cash and cash equivalents held in foreign countries are uninsured. As of December 31, 2023, a total of \$303,794 was held on hand and in overseas bank accounts.

##### Contributions and grants receivable -

Contributions and grants receivable includes unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. Management believes all contributions and grant receivables are fully collectable, therefore an allowance for doubtful contributions and grants has not been established.

**TREES FOR THE FUTURE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Fixed assets and intangible assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense totaled \$51,454 for the year ended December 31, 2023.

Intangible assets consisted of website domain, accounting software, and website development costs. Website domain and accounting software were disposed of during the year. The Organization accounts for development costs under ASC 350-40, *Accounting for Internal Use Software*. Under ASC-650-40, 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 five years. Total website development cost and accumulated amortization was \$202,703 and \$73,263 as of December 31, 2023, respectively. Amortization expense totaled \$51,338 for the year ended December 31, 2023.

Income taxes -

The Organization is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Support from contributions and grants -

Contributions include individual contributions, corporate donations, and grants presented in the Statement of Activities and Change in Net Assets. Contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. The Organization's refundable advances totaled \$830,981 as of December 31, 2023. In addition, the Organization may obtain funding source agreements related to conditional contributions, which will be received in future years. The Organization's unrecognized conditional contributions to be received in future years totaled \$12,778,393 as of December 31, 2023.

**TREES FOR THE FUTURE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Foreign currency translation -

The U.S. Dollar is the functional currency for the Organization's worldwide operations. Transactions in currencies other than U.S. Dollars are converted into U.S. Dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into U.S. Dollars at the exchange rate in effect at the date of the Statement of Financial Position.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Organization expenses advertising costs as incurred. Advertising expense was \$124,421 for the year ended December 31, 2023.

Functional allocation of expenses -

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort. Occupancy, depreciation, and office costs were allocated based on square footage occupied.

**2. LINE OF CREDIT**

The Organization maintains a \$100,00 line of credit with a local financial institution. Variable rate interest is calculated monthly on the outstanding balance using the prime rate plus 3.50%, which was 11.50% as of December 31, 2023. The terms of the line of credit agreement require that the Organization comply with certain covenants. There were no outstanding borrowings as of December 31, 2023.

**3. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following as of December 31, 2023:

<b>Subject to Expenditure for Specified Purpose</b>	<b><u>\$ 54,339</u></b>
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The following net assets with donor restrictions were released from donor restrictions, by incurring expenses which satisfied the restricted purposes specified by the donors, during the year ended December 31, 2023:

<b>Purpose Restrictions Accomplished</b>	<b><u>\$ 3,427,107</u></b>
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**TREES FOR THE FUTURE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**4. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of December 31, 2023:

Cash and cash equivalents	\$ 5,613,652
Contributions and grants receivable	<u>2,157,134</u>
Subtotal financial assets available within one year	7,770,786
Less: Donor restricted funds	<u>(54,339)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 7,716,447</u></b>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, the Organization has a line of credit agreement (as further discussed in Note 2) which allows for additional access to resources.

**5. LEASE COMMITMENTS**

The Organization follows FASB ASC 842 for leases. The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Organization has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

**Short-term Leases:**

The Organization has entered into various month-to-month leases. The Organization has elected the practical expedient for these short-term leases as the lease terms are less than 12 months. Total short-term lease expense for the year ended December 31, 2023 was \$153,813, and is included in Occupancy expense in the accompanying Statement of Functional Expenses.

**6. RETIREMENT PLAN**

The Organization provides retirement benefits to its U.S.-based employees through a 403(b) defined contribution plan (the Plan). In accordance with the provisions of the Plan, the Organization contributes a percentage of a participant's salary to the Plan. The Organization's contributions to the Plan totaled \$57,133 for the year ended December 31, 2023, and have been included personnel cost in the accompanying Statement of Functional Expenses.

**7. CONCENTRATION AND ECONOMIC DEPENDENCY**

As December 31, 2023, approximately 25% of support was derived from a single donor. As of December 31, 2023, 35% of contributions and grants receivable were due from two donors. The Organization has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect the Organization's ability to finance ongoing operations.

**TREES FOR THE FUTURE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**8. CONTINGENCIES**

The Organization has been named as a defendant in lawsuits based upon activities that occurred in the ordinary course of business. The Organization's policy is to accrue amounts related to litigation when such amounts are probable and can be reasonably estimated based on consultation with outside legal counsel. While legal counsel has indicated that the outcome of these actions is not presently determinable, management believes that any resulting liability will not have a materially adverse impact on the financial position or operations of the Organization.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 15, 2024, the date the financial statements were issued.