

TREES FOR LIFE, INC.

**Independent Auditor's Report
Financial Statements**

December 31, 2020

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Independent Auditor's Report

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**LARSON
& COMPANY, P.A.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Trees for Life, Inc.

Opinion

We have audited the accompanying financial statements of Trees for Life, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, 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 Trees for Life, 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.

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 Trees for Life, Inc. 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 Trees for Life, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Trees for Life, Inc.'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 Trees for Life, Inc.'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.

Wichita, Kansas
October 22, 2021

Rarson Company P.A.

TREES FOR LIFE, INC.
Statement of Financial Position
December 31, 2020

	<u>2020</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 98,810
Accounts Receivable (note 1)	<u>6,434</u>
Total current assets	<u>105,245</u>
Property and equipment, at cost:	
Office equipment	483,206
Software	88,254
Allowance for depreciation	<u>(571,460)</u>
Total property and equipment	<u>-</u>
Other assets:	
Endowment fund (notes 2 and 3)	377,554
Other investments (notes 2 and 3)	170,558
Intangibles, net of amortization	<u>5,833</u>
Total other assets	<u>553,945</u>
Total assets	<u>\$ 659,190</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	\$ 1,113
Accrued payroll tax	2,638
PPP Loan (note 5)	<u>26,100</u>
Total liabilities	<u>29,852</u>
Net assets:	
Without donor restrictions (note 1)	<u>629,338</u>
Total net assets	<u>629,338</u>
Total liabilities and net assets	<u>\$ 659,190</u>

TREES FOR LIFE, INC.
Statement of Activities
For the Year Ended December 31, 2020

	2020
Changes in net assets without donor restrictions:	
Revenues:	
Contributions	\$ 122,489
In-kind contributions	157,925
Investment income (note 2)	15,783
Unrealized gain (loss) on investments (note 2)	30,822
Total unrestricted revenues	327,020
Expenses:	
Program services:	
World program	255,183
Supporting services:	
General and administrative	66,594
Fund raising	45,229
Total expenses	367,006
Decrease in net assets without donor restrictions	(39,986)
Net assets, beginning of year	669,325
Net assets, end of year	\$ 629,338

TREES FOR LIFE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services		Total
	World Program	General and Administrative	Fundraising	
Bank and brokerage fees	\$ 1,750	467	116	2,333
Advertising	1,210	323	80	1,613
Contract labor	-	-	28,586	28,586
Insurance - employee health	5,302	1,414	354	7,070
Insurance	283	75	19	377
Office supplies	460	123	30	613
Professional fees	30	8	2	40
Postage	603	161	40	804
Printing	439	117	29	585
Rent expense	56,433	15,049	3,762	75,244
Repairs and maintenance	373	100	25	498
Retirement plan contributions (note 4)	1,161	310	77	1,548
Salaries	97,241	25,931	6,482	129,654
Software	3,948	1,053	263	5,264
Taxes - payroll	7,687	2,050	512	10,249
Telephone	2,343	625	155	3,123
Transfers to other countries	5,463	-	-	5,463
Travel	3,362	896	224	4,482
Utilities	7,095	1,892	473	9,460
Volunteer	60,000	16,000	4,000	80,000
Total	\$ 255,183	66,594	45,229	367,006

TREES FOR LIFE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>2020</u>
Cash flows from operating activities:	
Change in net assets	\$ (39,986)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized gain/loss on investments (note 2)	(30,822)
Accounts payable and accrued payroll taxes	23,914
Accounts Receivable	6,343
Net cash used in operating activities	<u>(40,552)</u>
Cash flows from investing activities:	
Reinvested earnings on investments, net of expenses	<u>(14,071)</u>
Net cash used in investing activities	<u>(14,071)</u>
Net decrease in cash and cash equivalents	<u>(54,623)</u>
Cash and cash equivalents, beginning of year	<u>153,433</u>
Cash and cash equivalents, end of year	<u>\$ 98,810</u>

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(1) **Nature of Activities and Significant Accounting Policies**

This summary of significant accounting policies of Trees for Life, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

(a) **Organization and Business Activities**

Trees for Life, Inc. was incorporated on March 15, 1984 in the state of Kansas as a not-for-profit organization. It is a people-to-people grassroots movement that empowers people by demonstrating that in helping each other, we can unleash extraordinary power that impacts our lives. This movement started by enabling people around the world to plant fruit trees in developing countries. The movement has now matured to where the Organization provides a platform for people of various disciplines to work on long-term fundamental solutions to problems in the areas of education, health and environment.

(b) **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(c) **Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Net assets without donor restrictions as of December 31, 2020 are \$629,338.

Net assets with donor restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. There were no net assets with donor restrictions at December 31, 2020.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(1) **Nature of Activities and Significant Accounting Policies (continued)**

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers cash in demand deposit accounts and certificates of deposit to be cash equivalents.

(e) Inventory

Inventory consisting of Spanish language books are stated at contributed value. Value was determined as the fair value at the date of contribution. There was no inventory at December 31, 2020.

(f) Property and Equipment

Property and equipment, capitalized at cost if purchased or fair market value if contributed, are depreciated over their estimated useful lives. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred.

Office furniture and equipment are being depreciated using the straight-line method over 5 years. Software is being depreciated using the straight-line method over 3 years. There was no depreciation expense for the year ended December 31, 2020.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as an increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

(h) In-Kind Contributions

In-kind contribution consists of donated materials, donated services and donated facility. Donated materials are valued at their fair value at the date of receipt. Donated services are measured at their fair value as determined by the board.

Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: (1) the service requires specialized skills, (2) the service is provided by individuals who possess these skills, and (3) the service would typically need to be purchased if not donated.

Total contributed materials, services, and facilities recognized in the financial statements for 2020 were \$157,925. These amounts are reported as in-kind contributions in the statements of activities. The primary in-kind donations were commercial property use furnished by USD 259 in the amount of \$75,244 for 2020 and donated skilled services in the amount of \$80,000.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(1) **Nature of Activities and Significant Accounting Policies (continued)**

(i) **Fundraising**

The Organization does certain fundraising events each year. Revenues generated from these events are recorded as unrestricted revenues and support. The related costs are recorded as fundraising expenses.

(j) **Functional Allocation of Expenses**

The costs of providing the various programs and activities have been allocated among the program, supporting, and fundraising activities and are summarized on a functional basis in the statement of activities. These allocations are based on estimates determined by management. Salaries, taxes, employee benefits, and occupancy expenses, including depreciation and utilities, are allocated based on estimated time spent on each activity. All other expenses are directly charged to the functions they benefit. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

(k) **Income Tax Status**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. In 2020, the Organization did not have any income from unrelated business activities. Accordingly, a provision for income taxes has not been included in the accompanying financial statements. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Return of Organization Exempt from Income Tax (Form 990) is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress.

(l) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure or contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

(m) **Newly Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue Recognition (Topic 606): Revenue from Contracts with Customers. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or standards. The Organization implemented ASU 2014-09 effective January 1, 2020. The adoption of this standard did not have an impact on the Organization's financial position or changes in its net assets.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(1) **Nature of Activities and Significant Accounting Policies (continued)**

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 effective January 1, 2020. There was no impact to net assets or changes in net assets.

(n) **Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP – which requires only capital leases to be recognized on the statement of financial position – the new ASU will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.

The organization is currently assessing the impact this recent accounting pronouncement will have on its financial statements.

(o) **Receivables**

Receivables consist of donations receivable which are expected to be fully collected the following year. No amounts are expected to be uncollectible. The balance of receivables at December 31, 2020 is \$6,434.

(2) **Investments**

The Organization has invested monies with the Greater Wichita Community Foundation (the Foundation) to establish the Trees for Life Endowment Fund and is entitled to an annual distribution of earnings based on the Foundation's spending policy. The Organization may request a distribution of principal and income in excess of the annual distribution subject to the approval of the Foundation.

The Organization has also invested in equities with Baird. The investments are presented in the financial statements at fair value using Level 1 fair value measures (quoted prices in active markets).

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(2) **Investments (continued)**

As of December 31, 2020, investments consisted of the following:

	<u>2020</u>
Without donor restrictions:	
Trees for Life Endowment fund	\$377,544
Baird Seghal funds	<u>170,558</u>
Total without donor restrictions	<u>548,112</u>
Total investments	<u>\$548,112</u>

The following schedule summarizes the investment activity of all investments for the year ended December 31, 2020.

	<u>Without Donor Restrictions Baird Seghal</u>	<u>Without Donor Restrictions Endowment Fund</u>	<u>Total</u>
Beginning balance, 12/31/2019	159,996	343,223	503,219
Interest and dividend income, net of fees	5,301	8,770	14,071
Realized gain (loss)	-	-	-
Unrealized gain (loss)	<u>5,261</u>	<u>25,561</u>	<u>30,822</u>
Subtotal	170,558	377,554	548,112
Less distributions	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance, 12/31/2020	\$ <u>170,558</u>	<u>377,554</u>	<u>548,112</u>

(3) **Fair Value Measurements**

Financial Accounting Standards Board ASC No. 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC No. 820 are described as follows:

Level 1 – Inputs are based upon unadjusted quoted prices for identical assets traded in active markets. Examples include common stocks, publicly traded mutual funds, corporate bonds and U.S. government securities.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(3) **Fair Value Measurements (continued)**

Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, or model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset. Examples include restricted common stocks, non-publicly traded mutual funds, collective investment trusts and pooled separate accounts.

Level 3 – Inputs are both unobservable and significant to the fair value measurement. Assets are not actively traded and require significant professional judgment in determining the fair value. Examples include guaranteed investment contracts with insurance companies and real estate investments.

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. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2020.

Cash: Valued at account balance held by the Organization at year end.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments held by the Organization as of and during the year ended December 31, 2020 were Level 1 investments.

(4) **Retirement Plan**

The Organization sponsors a SIMPLE IRA plan for its employees. The Organization makes a matching contribution up to 3% of the employee's compensation, provided that the employee contributes an equal or greater amount. Total contributions to the plan for the year ended December 31, 2020 were \$1,548.

(5) **PPP Loan**

On April 21, 2021, the Organization received loan proceeds in the amount of \$26,100 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying business for amounts up to 2.5 times of the average monthly payroll expenses of qualifying business. The loans and

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2020

(5) PPP Loan (continued)

accrued interest are forgivable after twenty-four 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 borrow terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization used the proceeds for purposes consistent with the PPP. The loan was forgiven in 2021.

The Organization has elected to account for this as a loan payable at December 31, 2020.

(6) Concentration of Risk

The Organization maintains one bank account with one financial institution whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. There was no excess amount over the FDIC limit as of December 31, 2020.

(7) Liquidity and Availability of Financial Assets

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were \$105,245.

The Organization's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements. General expenditures include administrative and program expenses incurred in the conduct of the Organization's ongoing activities.

(8) Subsequent Events

Management has evaluated subsequent events through October 22, 2021, the date which the financial statements were available to be issued and determined that no events have occurred subsequent to December 31, 2020 that would require adjustment to, or disclosure in, the financial statements.