

TREES FOR LIFE, INC.

**Independent Auditors' Report
Financial Statements**

December 31, 2018 and 2017

TABLE OF CONTENTS

Independent Auditors' Report

Financial Statements:

Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-13



**LARSON
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Trees for Life, Inc.

We have audited the accompanying financial statements of Trees for Life, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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.

Auditors' 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 of 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 auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 Organization'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 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 for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Trees for Life, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wichita, Kansas
October 15, 2019

Larson & Company P.A.

TREES FOR LIFE, INC.
 Statements of Financial Position
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 129,724	65,712
Inventory	<u>6,359</u>	<u>6,359</u>
Total current assets	<u>136,083</u>	<u>72,071</u>
Property and equipment, at cost:		
Office equipment	483,206	483,206
Software	88,254	88,254
Allowance for depreciation	<u>(570,934)</u>	<u>(569,196)</u>
Total property and equipment	<u>526</u>	<u>2,264</u>
Other assets:		
Restricted long-term investments (notes 2 and 3)	207,947	223,406
Endowment fund (notes 2 and 3)	331,465	456,450
Other investments (notes 2 and 3)	6,612	26,699
Intangibles, net of amortization	<u>5,833</u>	<u>5,833</u>
Total other assets	<u>551,857</u>	<u>712,388</u>
Total assets	<u>\$ 688,466</u>	<u>786,723</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 6,866	744
Accrued payroll tax	<u>3,160</u>	<u>3,930</u>
Total liabilities	<u>10,026</u>	<u>4,674</u>
Net assets:		
Without donor restrictions (note 4)	433,868	514,416
With donor restrictions (note 4)	<u>244,572</u>	<u>267,633</u>
Total net assets	<u>678,440</u>	<u>782,049</u>
Total liabilities and net assets	<u>\$ 688,466</u>	<u>786,723</u>

TREES FOR LIFE, INC.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Revenues:		
Contributions	\$ 259,333	104,870
In-kind contributions	162,570	96,667
Insurance proceeds	4,608	-
Investment income (note 2)	13,746	21,371
Unrealized gain (loss) on investments (note 2)	<u>(36,916)</u>	<u>48,103</u>
Total revenue	<u>403,341</u>	<u>271,011</u>
Expenses:		
Program services:		
World program	320,784	260,455
Supporting services:		
General and administrative	84,475	67,772
Fund raising	<u>78,629</u>	<u>76,998</u>
Total expenses	<u>483,888</u>	<u>405,225</u>
Decrease in net assets without donor restrictions	(80,547)	(134,214)
Changes in net assets with donor restrictions:		
Revenues:		
Contributions	80	820
Investment income (note 2)	10,624	9,145
Unrealized gain (loss) on investments (note 2)	<u>(26,083)</u>	<u>11,406</u>
Total revenue	<u>(15,379)</u>	<u>21,371</u>
Expenses:		
Program services:		
World program	<u>7,683</u>	<u>2,500</u>
Increase (decrease) in net assets with donor restrictions	<u>(23,062)</u>	<u>18,871</u>
Decrease in net assets	<u><u>\$ (103,609)</u></u>	<u><u>(115,343)</u></u>

TREES FOR LIFE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>World Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Bank and brokerage fees	\$ 2,111	563	141	2,815
Conferences and meeting	153	41	10	204
Contract labor			57,505	57,505
Depreciation and amortization	1,303	348	87	1,738
Dues and subscriptions	611	163	41	815
Insurance - employee health	8,135	2,169	543	10,847
Insurance	2,507	669	167	3,343
Office supplies	4,396	1,172	294	5,862
Professional fees	4,166	1,111	278	5,555
Postage	1,071	286	72	1,429
Printing	3,173	846	212	4,231
Rent expense	56,433	15,049	3,762	75,244
Repairs and maintenance	2,308	615	154	3,077
Retirement plan contributions (note 5)	2,809	749	188	3,746
Salaries	132,039	35,210	8,803	176,052
Software	9,852	2,627	658	13,137
Supplies	81	21	5	107
Taxes - payroll	10,512	2,803	701	14,016
Telephone	2,242	598	150	2,990
Transfers to other countries	3,999	-	-	3,999
Travel	1,605	428	107	2,140
Utilities	9,995	2,665	667	13,327
Volunteer	61,283	16,342	4,085	81,710
Total	\$ 320,784	84,475	78,629	483,888

TREES FOR LIFE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Supporting Services		Total
	World Program	General and Administrative	Fund Raising	
Bank and brokerage Fees	\$ 2,600	693	173	3,466
Conferences and meeting	201	54	13	268
Contract labor	-	-	60,057	60,057
Depreciation and amortization	1,928	514	129	2,571
Dues and subscriptions	320	85	21	426
Insurance - employee health	7,030	1,875	468	9,373
Insurance	1,185	316	79	1,580
Office supplies	2,211	590	147	2,948
Professional fees	8,224	2,193	548	10,965
Postage	597	159	40	796
Printing	526	140	36	702
Rent expense	56,433	15,049	3,762	75,244
Repairs and maintenance	687	183	46	916
Retirement plan contributions (note 5)	2,961	790	197	3,948
Salaries	127,643	34,038	8,510	170,191
Software	11,044	2,945	737	14,726
Supplies	705	188	47	940
Taxes - payroll	9,865	2,631	657	13,153
Telephone	2,645	705	176	3,526
Transfers to other countries	6,313	-	-	6,313
Travel	7,750	2,067	516	10,333
Utilities	9,587	2,557	639	12,783
Total	\$ 260,455	67,772	76,998	405,225

TREES FOR LIFE, INC.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (103,609)	(115,343)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,738	2,571
Unrealized gain (loss) on investments (note 2)	62,999	(59,509)
Accounts payable and accrued payroll taxes	5,352	77
Net cash used in operating activities	<u>(33,520)</u>	<u>(172,204)</u>
Cash flows from investing activities:		
Reinvested earnings on investments, net of expenses	(22,468)	(28,309)
Distributions from endowment fund in excess of contributions	100,000	190,000
Distributions from other investments in excess of contributions	20,000	30,573
Net cash provided by investing activities	<u>97,532</u>	<u>192,264</u>
Net increase in cash and cash equivalents	<u>64,012</u>	<u>20,060</u>
Cash and cash equivalents, beginning of year	<u>65,712</u>	<u>45,652</u>
Cash and cash equivalents, end of year	<u>\$ 129,724</u>	<u>65,712</u>

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2018 and 2017

(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 with donor restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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.

(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.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2018 and 2017

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

(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.

(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. Depreciation expense for the years ended December 31, 2018 and 2017 was \$1,738 and \$2,571, respectively.

(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) Transfers to Other Countries

Costs associated with the support of other entities are recognized in the accompanying financial statements as world programs. In 2018 and 2017, transfers were made to Tisma totaling \$7,683 and \$2,500, respectively. During the same time periods, transfers supporting various other world programs were \$3,999 and \$3,813, respectively.

(i) 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 2018 and 2017 were \$162,570 and \$96,667, respectively. 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 both 2018 and 2017 and donated skilled services in the amount of \$80,000. There were no donated skilled services in 2017.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2018 and 2017

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

(j) 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.

(k) Functional Allocation of Expenses

Expenses consist of costs related to providing program services and supporting services. These costs have been summarized on a functional basis in the statements of activities as expenses without donor restrictions. Costs are directly charged to the functions they benefit. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) 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 2018 and 2017, 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.

(m) 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.

(n) New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retroactively to the comparative period presented. The new standard changes the following aspects of the Organizations financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2018 and 2017

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

(n) New Accounting Pronouncement (continued)

The changes have the following effect on net assets at December 31, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 514,416	-
Temporarily restricted net assets	262,633	-
Permanently restricted net assets	5,000	-
Net assets without donor restrictions	-	514,416
Net assets with donor restrictions	-	<u>267,633</u>
Total net assets	\$ <u>782,049</u>	<u>782,049</u>

(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).

As of December 31, 2018 and 2017, investments consisted of the following:

	<u>2018</u>	<u>2017</u>
Without donor restrictions:		
Trees for Life Endowment fund	\$ 331,465	456,450
Baird other investments	<u>6,612</u>	<u>26,699</u>
Total without donor restrictions	338,077	483,149
With donor restrictions:		
Baird Seghal funds	<u>207,947</u>	<u>223,406</u>
Total investments	\$ <u>546,024</u>	<u>706,555</u>

The following schedule summarizes the investment activity of all investments for the years ended December 31, 2018 and 2017.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2018 and 2017

(2) Investments (continued)

	<u>With Donor Restrictions Baird Seghal</u>	<u>Without Donor Restrictions Endowment Fund</u>	<u>Without Donor Restrictions Baird Investment</u>	<u>Total</u>
Beginning balance, 1/1/2017	\$ 202,855	584,050	52,405	839,310
Interest and dividend income, net of fees	9,145	18,289	-	27,434
Realized gain (loss)	-	-	875	875
Unrealized gain (loss)	11,406	44,111	3,992	59,509
Contributions	-	-	<u>10,399</u>	<u>10,399</u>
Subtotal	<u>223,406</u>	<u>646,450</u>	<u>67,671</u>	<u>937,527</u>
Less distributions	<u>-</u>	<u>190,000</u>	<u>40,972</u>	<u>230,972</u>
Ending balance, 12/31/2017	223,406	456,450	26,699	706,555
Interest and dividend income, net of fees	10,624	11,563	-	22,187
Realized gain (loss)	-	-	281	281
Unrealized gain (loss)	<u>(26,083)</u>	<u>(36,548)</u>	<u>(368)</u>	<u>(62,999)</u>
Subtotal	<u>207,947</u>	<u>431,465</u>	<u>26,612</u>	<u>666,024</u>
Less distributions	<u>-</u>	<u>100,000</u>	<u>20,000</u>	<u>120,000</u>
Ending balance, 12/31/2018	\$ <u>207,947</u>	<u>331,465</u>	<u>6,612</u>	<u>546,024</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, 2018 and 2017

(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, 2018 and 2017.

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 years ended December 31, 2018 and 2017 were Level 1 investments.

(4) Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes:

		<u>2018</u>	<u>2017</u>
Guatemala	\$	(4,187)	(4,187)
India		85,636	85,636
Teach for life		158,123	181,184
Tisma sponsorship		<u>5,000</u>	<u>5,000</u>
Total net assets with donor restrictions	\$	<u>244,572</u>	<u>267,633</u>

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2018 and 2017

(5) **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 years ended December 31, 2018 and 2017 were \$3,746 and \$3,948, respectively.

(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, 2018 or 2017.

(7) **Subsequent Events**

Management has evaluated subsequent events through October 15, 2019, the date which the financial statements were available to be issued and determined that no events have occurred subsequent to December 31, 2018 that would require adjustment to, or disclosure in, the financial statements.