

TREESCHARLOTTE
FINANCIAL STATEMENTS
JUNE 30, 2016

TreesCharlotte
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June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreesCharlotte
Charlotte, North Carolina

We have audited the accompanying financial statements of TreesCharlotte (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 in the first paragraph present fairly, in all material respects, the financial position of TreesCharlotte, as of June 30, 2016 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated January 5, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
October 3, 2016

TreesCharlotte**Statement of Financial Position****June 30, 2016, with prior year comparative totals**

	June 30,	
	2016	2015
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 139,264	\$ 58,169
Beneficial interest in assets held in trust	527,740	628,927
Pledges receivable, current	300,380	304,768
<i>Total Current Assets</i>	967,384	991,864
Fixed Assets:		
Property and equipment	57,395	57,395
Less - accumulated depreciation	(11,479)	(5,740)
<i>Total Property and Equipment (net)</i>	45,916	51,655
Long-Term Assets:		
Beneficial interest in assets held in trust	111,687	-
Pledges receivable, long-term	300,386	181,189
<i>Total Long-Term Assets</i>	412,073	181,189
<i>TOTAL ASSETS</i>	\$ 1,425,373	\$ 1,224,708
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 32,693	\$ 10,496
Net Assets:		
Unrestricted	624,269	668,751
Temporarily restricted	435,492	545,461
Permanently restricted	332,919	-
<i>Total Net Assets</i>	1,392,680	1,214,212
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 1,425,373	\$ 1,224,708

TreesCharlotte**Statement of Activities****Year Ended June 30, 2016, with prior year comparative totals**

	Year Ended June 30, 2016			TOTALS	Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<u>SUPPORT AND REVENUE</u>					
Contributions	\$ 274,168	\$ 323,000	\$ 332,919	\$ 930,087	\$ 799,781
In-kind contributions	9,280	-	-	9,280	54,550
Investment income	52,746	-	-	52,746	17,775
Program revenue	2,025	-	-	2,025	-
Net assets released from restrictions	432,969	(432,969)	-	-	-
TOTAL SUPPORT AND REVENUE	771,188	(109,969)	332,919	994,138	872,106
<u>EXPENSES</u>					
Program services	677,688	-	-	677,688	405,699
Management and general	53,912	-	-	53,912	32,974
Fundraising	84,070	-	-	84,070	55,640
TOTAL EXPENSES	815,670	-	-	815,670	494,313
CHANGE IN NET ASSETS	(44,482)	(109,969)	332,919	178,468	377,793
NET ASSETS, BEGINNING	668,751	545,461	-	1,214,212	836,419
NET ASSETS, ENDING	\$ 624,269	\$ 435,492	\$ 332,919	\$ 1,392,680	\$ 1,214,212

TreesCharlotte

Statement of Functional Expenses

Year Ended June 30, 2016, with prior year comparative totals

	Year Ended June 30, 2016				Prior Year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<u>PERSONNEL</u>					
Salaries	\$ 33,567	\$ 8,173	\$ -	\$ 41,740	\$ 44,584
Payroll taxes	2,568	625	-	3,193	3,410
<i>Total Personnel</i>	<i>36,135</i>	<i>8,798</i>	<i>-</i>	<i>44,933</i>	<i>47,994</i>
<u>OTHER EXPENSES</u>					
Reforestation	399,944	-	-	399,944	233,407
Contract services	98,664	13,256	20,640	132,560	103,337
Marketing	89,140	-	38,203	127,343	27,499
Professional fees	-	28,337	11,810	40,147	22,611
Occupancy	7,702	650	928	9,280	-
Conferences and meetings	5,942	849	1,698	8,489	19,957
Supplies	7,256	301	7,347	14,904	15,629
Insurance	3,198	457	914	4,569	4,146
Travel	3,956	565	1,130	5,651	2,881
Technology	4,126	589	1,179	5,894	2,604
Miscellaneous	630	84	168	882	4,217
Education	6,584	-	-	6,584	1,847
Vehicle	785	-	-	785	1,558
Bad debts	7,700	-	-	7,700	-
Membership	186	26	53	265	886
<i>Total Other Expenses</i>	<i>635,813</i>	<i>45,114</i>	<i>84,070</i>	<i>764,997</i>	<i>440,579</i>
TOTAL EXPENSES BEFORE					
<i>DEPRECIATION EXPENSE</i>	<i>671,948</i>	<i>53,912</i>	<i>84,070</i>	<i>809,930</i>	<i>488,573</i>
Depreciation expense	5,740	-	-	5,740	5,740
<i>TOTAL EXPENSES</i>	<i>\$ 677,688</i>	<i>\$ 53,912</i>	<i>\$ 84,070</i>	<i>\$ 815,670</i>	<i>\$ 494,313</i>

TreesCharlotte**Statement of Cash Flows****Year Ended June 30, 2016, with prior year comparative totals**

	Year Ended June 30,	
	2016	2015
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 178,468	\$ 377,793
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	5,740	5,740
Increase in value of beneficial interest	(52,746)	(6,178)
Contributions restricted for long term purposes	(332,919)	-
In-kind contributions	-	(54,550)
(Increase) decrease in operating assets:		
Promises to give	107,110	(70,547)
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	22,197	(12,372)
<i>Cash Flows From Operating Activities</i>	<i>(72,150)</i>	<i>239,886</i>
<u>INVESTING ACTIVITIES</u>		
Purchase of fixed assets	-	(2,845)
Purchase of investments	(434,947)	(562,687)
Proceeds from the sale of investments	477,193	383,815
<i>Cash Flows from Investing Activities</i>	<i>42,246</i>	<i>(181,717)</i>
<u>FINANCING ACTIVITIES</u>		
Increase in endowment campaign pledges	(221,920)	-
Contributions restricted for long-term purposes	332,919	-
<i>Cash Flows from Financing Activities</i>	<i>110,999</i>	<i>-</i>
NET CHANGE IN CASH	81,095	58,169
CASH, BEGINNING	58,169	-
CASH, ENDING	\$ 139,264	\$ 58,169

TreesCharlotte

Notes to Financial Statements

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

TreesCharlotte (the Organization) was created as a public/private collaboration dedicated to planting trees, primarily through volunteer efforts. The Organization also educates Charlotte's residents on the importance of the canopy and ways to plant and preserve trees. The Organization is supported primarily through contributions and grants from individuals, businesses, and foundations.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Organization.

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, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. At year-end, the \$332,919 balance represented the pledge receivables from the endowment campaign and the permanently restricted portion of the TreesCharlotte Endowment Fund. The earnings of the Fund are unrestricted.

Cash

Cash consists of cash on hand, cash in banks, and money market funds.

Property and equipment

Property and equipment with a value of \$2,500 or more is recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which is assumed to be ten years for the vehicles and equipment.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

TreesCharlotte

Notes to Financial Statements

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with TreesCharlotte's 2015 financial statements, from which the summarized information was derived.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Organization recorded no contributed services or donated goods.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as they do not meet the criteria for recognition described above.

Donated facilities and utilities

Donated facilities and utilities are recorded as contributions at the estimated fair rental value. For the year ended June 30, 2016, the fair value of the donated rent and utilities has been calculated at \$9,280, which is included in occupancy expense.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

Income tax status

The Organization is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code with respect to its exempt function income. The Organization is not a private Organization as defined by Section 509(a) of the Internal Revenue Code.

TreesCharlotte

Notes to Financial Statements

June 30, 2016

NOTE B – BENEFICIAL INTEREST IN ASSETS HELD IN TRUST

Endowment and non-endowment

TreesCharlotte has established the TreesCharlotte Endowment Fund (Endowment Fund) and the TreesCharlotte Fund (Non-Endowment Fund) with the Foundation for the Carolinas (the Foundation). While TreesCharlotte has discretion over which investment pool to place the funds, the Foundation makes all investment decisions within the individual investment pool. Investment income from the Endowment Fund is available for distribution on an annual basis based on the Foundation's spending policy, which is currently 5% of the average value of the Fund for the prior three calendar years. TreesCharlotte's Non-Endowment Fund is fully available for distribution at any time. Ultimately the funds are repayable to TreesCharlotte and the Foundation has no variance power to distribute any portion of these funds to another not-for-profit entity.

Investments

Investments are reported at fair value in accordance with generally accepted accounting principles.

Investments are classified in the accompany statement of financial position as current assets of \$527,740, which represents the balance of the Non-Endowed Fund and long term of \$111,686, which represents the balance of the Endowed Fund. These Funds represent the Organization's beneficial interest in the Foundation for the Carolinas investment pools. Investment income of \$52,746 consists of the increase in value of the beneficial interest.

NOTE C - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's investments are all classified as Level 3 assets. The Level 3 assets are valued based on the fair value of the underlying securities, which consists of investments that are both publicly-traded and not publicly traded. The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2016.

TreesCharlotte

Notes to Financial Statements

June 30, 2016

NOTE C - FAIR VALUE MEASUREMENTS continued

Balance, beginning of year	\$	628,927
Net increase in value		52,746
Purchases		434,947
Sales		(477,193)
<hr/>		
Balance, end of year	\$	639,427

NOTE D - PLEDGES RECEIVABLE

Founders campaign

Unconditional promises to give for the Founders campaign are presented net of an estimated allowance for doubtful accounts of \$7,790. The present value discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. A discount for present value of \$2,863 has been provided, computed utilizing an interest rate of one percent. At June 30, 2016, there were five pledges totaling \$230,000, or 62% of the gross pledges received, which represents a substantial concentration of risk. Amortization of discounts is included in the contribution revenue.

Contributions receivable at June 30, 2016, are summarized as follows:

Contributions receivable	\$	389,500
Present value discount	\$	2,863
Allowance for uncollectible contributions receivable		7,790
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Net contributions receivable		378,847
Contributions receivable – current		300,380
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Contributions receivable – long term	\$	78,467

Gross contributions receivable are scheduled to be received as follows:

Year Ended June 30,

2017	\$	308,050
2018		66,350
2019		14,100
2020		1,000
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TOTAL	\$	389,500

TreesCharlotte

Notes to Financial Statements

June 30, 2016

NOTE D - PLEDGES RECEIVABLE continued

Endowment campaign

Unconditional promises to give for the Endowment campaign are presented net of an estimated allowance for doubtful accounts of \$4,600. The present value discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are expected to be received. A discount for present value of \$3,481 has been provided, computed utilizing an interest rate of one percent. At June 30, 2016, there were five total pledges that make up the gross pledge receivable, which represents a substantial concentration of risk. Amortization of discounts is included in the contribution revenue.

Contributions receivable at June 30, 2016, are summarized as follows:

Contributions receivable		\$	230,000
Present value discount	\$	3,481	
Allowance for uncollectible contributions receivable		4,600	
<hr/>			
Net contributions receivable		\$	221,919

All unconditional promises to give for the Endowment campaign are classified as long-term since the funds will be used for long-term purposes.

Gross contributions receivable are scheduled to be received as follows:

Year Ended June 30,

2017	\$	81,667
2018		81,667
2019		41,666
2020		25,000
<hr/>		
TOTAL	\$	230,000

Conditional promises to give

The Organization also has two material conditional promises to give. One donor conditionally pledged \$150,000 if the Organization raises \$700,000 by October 12, 2016. Another donor conditionally pledged \$60,000 as a planned gift of the couple's estate plan.

TreesCharlotte

Notes to Financial Statements

June 30, 2016

NOTE E - PROPERTY AND EQUIPMENT

Balance at June 30, 2016

Property and equipment which are used by the Organization in its operations consists of the following at June 30, 2016:

Vehicles	\$	54,550
Tools and equipment		2,845
		<hr/>
Total		57,395
Less – accumulated depreciation		11,479
		<hr/>
TOTAL	\$	45,916
		<hr/> <hr/>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Funds that have been received by the Organization for a particular purpose or period of time that have remaining restrictions at June 30, 2016, are detailed as follows:

Time Restricted:

Founders Fund Pledges	\$	378,847
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Unutilized Funds:

NY Restoration Project		56,645
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TOTAL	\$	435,492
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Net assets were released from restrictions by expiration of time restrictions (\$430,110) and satisfaction of restricted purpose (\$2,859).

NOTE G - CONCENTRATIONS OF RISK

Investments

The Organization invests in a variety of investments, which are subject to fluctuations in market values and expose the Organization to a certain degree of investment risk.

Geographic area

The Organization operates in a small geographic area and, accordingly, is sensitive to changes in the local economy.

NOTE H - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.

C. DEWITT FOARD & COMPANY, P.A.

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PHILLIP G. WILSON
TERRY W. LANCASTER

MANAGEMENT LETTER

October 3, 2016

To the Board of Directors of
TreesCharlotte
Charlotte, North Carolina

We have audited the financial statements of TreesCharlotte (the "Organization") for the year ended June 30, 2016, and have issued our report dated October 3, 2016. Professional standards require that we provide you with the following information related to our audit.

In planning and performing our audit of the financial statements of TreesCharlotte, as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management and staff within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

C. DeWitt Foard & Company, P.A.
C. DeWitt Foard & Company, PA
Certified Public Accountants