

Trees Atlanta, Inc.
Financial Statements

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Year Ended
June 30, 2008





Independent Auditor's Report

To the Board of Directors
Trees Atlanta, Inc.
Atlanta, Georgia

We have audited the accompanying statement of financial position of Trees Atlanta, Inc. as of June 30, 2008, and the related statement of activities, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Trees Atlanta, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jackson, Reece & Scott, P.C.

Jackson, Reece & Scott, P.C.
October 20, 2008

Trees Atlanta, Inc.
Statement of Financial Position
As of June 30, 2008

June 30, 2008

Current Assets	
Cash (Note J)	\$ 1,577,147
Investments (Note C)	2,210,334
Accounts receivables (Note D)	371,206
Promises to give, net (Note E)	628,465
Prepaid insurance	20,343
Total Current Assets	4,807,495
Fixed Assets	
Furniture and equipment	38,157
Software	33,507
Vehicles	90,287
Building	3,079,401
Land	1,250,000
Land improvements	80,321
Total	4,571,673
Less: Accumulated depreciation	(144,981)
Fixed Assets, net	4,426,692
Total Assets	\$ 9,234,187
Current Liabilities	
Accounts payable	21,138
Tree maintenance liability (Note F)	154,731
Loan payable (Note G)	970,000
Total Current Liabilities	1,145,869
Long Term Liabilities	
Tree maintenance liability (Note F)	36,190
Total Long Term Liabilities	36,190
Net Assets	
Unrestricted (Note M)	7,326,855
Temporarily restricted (Note I)	725,273
Total Net Assets	8,052,128
Total Liabilities & Net Assets	\$ 9,234,187

See accompanying notes to accountants' report

Trees Atlanta, Inc.
Statement of Activities and Changes in Net Assets
For the Twelve Months ended June 30, 2008

June 30, 2008

Unrestricted Net Assets

Support, Revenue and Gains

Contributions	\$ 584,797
City of Atlanta	1,228,961
Investment and interest income	81,186
Unrealized gain on investments	70,743
	1,965,687

Total unrestricted support

1,965,687

NET ASSETS RELEASED FROM RESTRICTION

1,929,093

Expenses

Tree planting and maintenance	308,625
City of Atlanta expenses	1,329,041
Neighborhoods expenses	127,811
Other program expenses	288,246
Administrative and general	264,602
Capital campaign expenses (Note M)	200,155
	2,518,480

Total expenses

2,518,480

Increase in Unrestricted Net Assets

1,376,300

TEMPORARILY RESTRICTED NET ASSETS

Contributions (Note I)	166,283
Contributions - capital campaign (Note M)	1,033,959
Net assets released from donor restrictions	(1,929,093)
	(728,851)

DECREASE IN TEMPORARILY RESTRICTED NET ASSETS

(728,851)

Total Increase in Net Assets

647,449

Net Assets, beginning of the year

7,404,679

Net Assets, end of year

\$ 8,052,128

Trees Atlanta, Inc.
Statement of Cash Flows
For the Twelve Months Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets
Adjustments to reconcile change in net
assets to net cash provided by
operating activities: \$ 647,449

Depreciation	45,360
Donated services and vehicles	(78,444)
Investment management fees	16,200
Increase in prepaid insurance	(20,343)
Increase in accounts receivable	(371,206)
Decrease in promises to give	147,719
Increase in carrying value of investments	(70,743)
Increase in accounts payable	11,881
Decrease in retirement payable	(9,775)
Increase in tree maintenance liability	190,921
Total Adjustments	<u>(138,430)</u>

Net cash provided by operating activities 509,019

CASH FLOWS FROM INVESTING ACTIVITIES:

Net proceeds from sales of securities	94,941
Net purchases of securities	(92,548)
Purchase of fixed assets	(38,531)
Purchase of property through use of capital campaign funds	(2,173,475)
Interest capitalized	<u>(45,028)</u>
Net cash (used in) investing activities	<u>(2,254,641)</u>

Net decrease in cash (1,745,622)

Cash, beginning of period 3,322,769

Cash, end of period \$ 1,577,147

SUPPLEMENTAL DISCLOSURE:

Schedule of non-cash operating activities:

Contribution of services for relocation	\$ 78,444
Other contributions of services and supplies	\$ 373,755

**TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A - NATURE OF ORGANIZATION

Trees Atlanta, Inc. (the Organization) is a not-for-profit organization formed in Georgia in 1984 by the Central Atlanta Progress, the City of Atlanta's Commissioner of Parks, and the Junior League of Atlanta, Inc. The Organization is dedicated to protecting, improving and beautifying the metropolitan Atlanta environment by planting and conserving trees.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

Trees Atlanta, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor 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.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to the property accounts while repairs and maintenance are charged to expense as incurred. Depreciation is provided by the straight-line method over the estimated useful life of the assets.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the year. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of Section 509(a) of the Code. The Organization is subject to federal and state income taxes on income that is determined to be unrelated to its exempt purpose. Since the Organization had no unrelated income during the year ended June 30, 2008, no provision for income taxes has been made.

**TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE C – INVESTMENTS

The Organization utilizes SunTrust Investment Securities, Inc. as custodian of its investments and consisted of the following as of June 30, 2008:

	2008	
	Cost	Fair Value
Money Market	\$ 975,221	\$ 975,221
Government Bonds	330,072	327,227
Corporate Bonds	946,658	907,886
	<u>\$ 2,251,951</u>	<u>\$ 2,210,334</u>

The investments are carried at quoted market value. Investment income is reported as unrestricted support.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from the contract ending June 30, 2008 with the City of Atlanta for their outstanding balance. As of June 30, 2008, the account is current and no reserve for uncollectible accounts is considered necessary.

NOTE E – PROMISES TO GIVE

Unconditional promises to give are recognized as revenue in the period received and as assets. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of June 30, 2008, the organization had \$645,634 promises to give and an allowance of \$17,169. All promises are expected to be collected within one year and therefore, no discount rate is applied. An allowance for uncollectible promises to give is based upon the organization's judgment.

NOTE F – COMMITMENTS

In January, 2007, the organization entered into a contract with City of Atlanta. Within the contract, the organization is responsible for maintaining each of the new trees planted for a period of three years from the time that each tree was planted, except that new trees

**TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

planted pursuant to the Park Planning Work shall be maintained for a period of one year from the time that each tree was planted. As of June 30, 2008, the organization has estimated tree maintenance expenses of \$154,731 for the next fiscal year and \$36,190 for future years, based on the date the trees were planted.

NOTE G - LINE OF CREDIT

The organization entered into an agreement for a line of credit with SunTrust Bank as of February 17, 2006 and renewed the agreement on May 8, 2008. Interest is charged monthly at LIBOR plus 2%. The amount outstanding as of June 30, 2008, was \$970,000. The credit limit is \$970,000. The term is one year and is secured by property at Chester Avenue. Interest of \$45,028 was capitalized to construction in progress and \$15,513 was expensed for a total interest paid of \$60,541 in 2008.

NOTE H - DONATED SERVICES, FACILITIES AND GIFTS-IN-KIND

The Organization receives contributed services from individuals and companies in the form of clerical work, tree planting and maintenance. Contributed services are only recorded if the service is specialized and the Organization would have purchased the service had it not been contributed. For the year ended June 30, 2008, the Organization recorded approximately \$ 452,199 of tree planting and other professional services at their estimated fair market value.

The Organization has received donated office space. For the year ended June 30, 2008, the Organization has recorded \$ 32,000 as a contribution and rent expense. The amount was calculated using a rate obtained from the company donating the office space.

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2008 are available for the following:

	<u>2008</u>
Plantings at specified locations	\$ 23,000
Education Programming & Equipment	32,000
Capital Campaign	<u>670,273</u>
	<u>\$ 725,273</u>

Temporarily restricted assets are recorded as released from restrictions when the specific project is completed or when the time restriction has lapsed.

TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE J – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in bank deposit accounts with three U.S. banks. These balances may at times exceed the federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash.

NOTE K – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising expenses totaling \$60,591 for 2008 and are included in the program services and administrative and general expenses.

NOTE L – RETIREMENT PLAN

The organization maintains a 403(b) retirement Plan. This plan allows employees to contribute a percentage of their compensation to the plan. The maximum deferral is 100% of income and the calendar year legal limit for 2007 is \$15,500. Additionally, the organization has approved a non-elective employer contribution for all employees after one year of service. The employer contributes a percentage of the employees compensation determined annually. For 2007, the employer contribution was 2% or \$6,609.

NOTE M – CAPITAL CAMPAIGN

For 2008, the organization continues its capital campaign. The campaign is for program enhancements and the purchase of permanent office and storage space. The campaign goal is \$5,500,000. As of June 30, 2008, the organization has collected or received pledges of approximately ninety-nine percent of its goal.

The organization had capital campaign expenses of \$200,155. The majority of these expenses are related to printing and consulting services provided by Cox, Curry & Associates. Additional costs associated with this campaign have been recorded in various expenses.

As of June 30, 2008, the organization has unrestricted assets of \$7,396,101. A significant portion of these assets have been designated for the construction of a new facility, program enhancements and a maintenance reserve of \$750,000.

**TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE N – RELATED PARTY TRANSACTIONS

During 2008, the organization received donated services related to the purchase of the new location. These services included legal and landscape architecture. These services were provided by current and past board members. The value of such services is reflected in these financial statements at their fair value at date of receipt. The organization estimates the value at \$45,125.