

**Trees Atlanta, Inc.**

**Financial Statements**

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**Years Ended**

**June 30, 2009 and 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, 2009 and 2008, and the related statement of activities, and changes in net assets, and cash flows for the years 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, 2009 and 2008, 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.

Jackson, Reece & Scott, P.C.  
October 2, 2009

**Trees Atlanta, Inc.**  
**Statement of Financial Position**  
**As of June 30, 2009 and 2008**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Current Assets</b>		
Cash (Note J)	\$ 653,964	\$ 1,577,147
Investments (Note C)	2,180,939	2,210,334
Accounts receivables (Note D)	662,806	371,206
Promises to give, net (Note E)	328,173	628,465
Prepaid insurance	<u>18,359</u>	<u>20,343</u>
<b>Total Current Assets</b>	<u>3,844,241</u>	<u>4,807,495</u>
<b>Fixed Assets</b>		
Land	1,250,000	1,250,000
Land improvements	82,427	80,321
Building	3,381,031	3,079,401
Furniture and equipment	39,672	38,157
Software	33,507	33,507
Vehicles	<u>103,319</u>	<u>90,287</u>
Total	4,889,956	4,571,673
Less: Accumulated depreciation	<u>(263,284)</u>	<u>(144,981)</u>
<b>Fixed Assets, net</b>	<u>4,626,672</u>	<u>4,426,692</u>
<b>Total Assets</b>	<u>\$ 8,470,913</u>	<u>\$ 9,234,187</u>
<b>Current Liabilities</b>		
Accounts payable	119,767	21,138
Tree maintenance liability (Note F)	589,606	154,731
Loan payable (Note G)	<u>-</u>	<u>970,000</u>
<b>Total Current Liabilities</b>	709,373	1,145,869
<b>Long Term Liabilities</b>		
Tree maintenance liability (Note F)	<u>138,468</u>	<u>36,190</u>
<b>Total Long Term Liabilities</b>	138,468	36,190
<b>Net Assets</b>		
Unrestricted (Note M)	7,308,954	7,326,855
Temporarily restricted (Note I)	<u>314,118</u>	<u>725,273</u>
<b>Total Net Assets</b>	<u>7,623,072</u>	<u>8,052,128</u>
<b>Total Liabilities &amp; Net Assets</b>	<u>\$ 8,470,913</u>	<u>\$ 9,234,187</u>

See accompanying notes to accountants' report

**Trees Atlanta, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Twelve Months ended June 30, 2009 and 2008**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Unrestricted Net Assets</b>		
<b>Support, Revenue and Gains</b>		
Contributions	\$ 313,131	\$ 584,797
City of Atlanta	1,464,310	1,228,961
Investment and interest (loss)/ income	(49,363)	81,186
Unrealized gain on investments	<u>37,908</u>	<u>70,743</u>
Total unrestricted support	<u>1,765,986</u>	<u>1,965,687</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	1,513,522	1,929,093
<b>Expenses</b>		
Tree planting and maintenance	329,156	308,625
City of Atlanta expenses	1,523,095	1,329,041
Neighborwoods expenses	158,045	127,811
Other program expenses	527,202	288,246
Administrative and general	182,705	264,602
Capital campaign expenses (Note M)	<u>143,488</u>	<u>200,155</u>
Total expenses	<u>2,863,691</u>	<u>2,518,480</u>
<b>Increase in Unrestricted Net Assets</b>	415,817	1,376,300
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions (Note I)	368,341	166,283
Contributions - capital campaign (Note M)	300,308	1,033,959
Net assets released from donor restrictions	<u>(1,513,522)</u>	<u>(1,929,093)</u>
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(844,873)</u>	<u>(728,851)</u>
<b>Total (Decrease) Increase in Net Assets</b>	(429,056)	647,449
<b>Net Assets, beginning of the year</b>	<u>8,052,128</u>	<u>7,404,679</u>
<b>Net Assets, end of year</b>	<u>\$ 7,623,072</u>	<u>8,052,128</u>

See accompanying notes to accountants' report

**Trees Atlanta, Inc.**  
**Statement of Cash Flows**  
**For the Twelve Months Ended June 30, 2009 and 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

	<u>2009</u>	<u>2008</u>
Change in net assets	\$ (429,056)	647,449
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,303	45,360
Donated services and vehicles	(600)	(78,444)
Investment management fees	25,591	16,200
(Increase)/Decrease in prepaid insurance	1,983	(20,343)
Increase in accounts receivable	(291,600)	(371,206)
Decrease in promises to give	300,292	147,719
Increase in carrying value of investments	(37,908)	(70,743)
Increase in accounts payable	97,503	11,881
Increase/(Decrease) in retirement payable	1,126	(9,775)
Increase in tree maintenance liability	<u>537,153</u>	<u>190,921</u>
Total Adjustments	751,843	(138,430)
Net cash provided by operating activities	322,787	509,019

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Net proceeds from sales of securities	115,571	94,941
Net purchases of securities	(73,857)	(92,548)
Purchase of fixed assets	(13,032)	(38,531)
Purchase of property through use of capital campaign funds	(304,652)	(2,173,475)
Interest capitalized	<u>-</u>	<u>(45,028)</u>
Net cash (used in) investing activities	<u>(275,970)</u>	<u>(2,254,641)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments to loan	<u>(970,000)</u>	<u>-</u>
Net cash (used in) financing activities	(970,000)	-

Net decrease in cash	(923,183)	(1,745,622)
Cash, beginning of period	<u>1,577,147</u>	<u>3,322,769</u>
Cash, end of period	<u>\$ 653,964</u>	<u>1,577,147</u>

**SUPPLEMENTAL DISCLOSURE:**

Schedule of non-cash operating activities:

Contribution of services for relocation	\$ 600	78,444
Other contributions of services and supplies	\$ 297,701	373,755

See accompanying notes and accountants' report

**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, 2009, 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, 2009 and 2008:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 15,811	\$ 15,811	\$ 21	\$ 21
Mutual Funds	1,057,786	1,053,982	975,200	975,200
Government Bonds	904,409	899,146	330,072	327,227
Corporate Bonds	206,642	212,000	946,658	907,886
	<u>\$ 2,184,648</u>	<u>\$ 2,180,939</u>	<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 various contracts including the City of Atlanta for their outstanding balance. As of June 30, 2009 and June 30, 2008, the accounts are 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, 2009 and June 30, 2008, the organization had \$345,326 and \$645,634, promises to give and an allowance of \$17,153 and \$17,169, respectively. 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.

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

**NOTE F – COMMITMENTS**

In January 2008, the organization entered into a new contract with City of Atlanta and on October 3, 2008, the organization entered into a contract with City of Decatur. Within the contract with City of Atlanta, 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 planted pursuant to the Park Planning Work shall be maintained for a period of one year from the time that each tree was planted. For City of Decatur, the organization is responsible for restoring the woodland area of the Decatur Cemetery for a five year period. The organization is also responsible for ongoing maintenance for trees as a part of the Neighborhoods program for a period of one year. As of June 30, 2009 and June 30, 2008, the organization has estimated contract expenses of \$589,606 and \$154,731 for the next fiscal year and \$138,468 and \$36,190 for future years, respectively based on the date the various projects began.

**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 was charged monthly at LIBOR plus 2%. No amounts were outstanding on this line as of June 30, 2009. The term is one year and is secured by property at Chester Avenue. For 2009, no interest was capitalized to construction in progress. Interest paid and expensed was \$34,289. In 2008, interest of \$45,028 was capitalized to construction in progress and \$15,513 was expensed for a total of \$60,541 paid.

**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, 2009 and June 30, 2008, the Organization recorded approximately \$289,301 and \$452,199 of tree planting and other professional services at their estimated fair market value, respectively.

For the year ended June 30, 2009, the Organization's new building was completed and occupied; therefore, they did not receive donated office space. For the year ended June 30, 2008, the Organization received donated office space. The Organization recorded \$32,000 as a contribution and rent expense for 2008. The amount for 2008 was calculated using a rate obtained from the company donating the office space.

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

**NOTE I - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following:

	<u>2009</u>	<u>2008</u>
Plantings at specified locations	\$ 193,000	\$ 23,000
Education Programming & Equipment	39,033	32,000
Capital Campaign	<u>82,085</u>	<u>670,273</u>
	<u>\$ 314,118</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.

**NOTE J – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in bank deposit accounts with three U.S. banks. The bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 during 2008 and as of October 3, 2008, the FDIC increased the deposit insurance to \$250,000. As of June 30, 2009 the organization had amounts in excess of the federally insured limits of \$74,838 and June 30, 2008, the organization did not have amounts in excess of the federally insured limits.

During the year ended June 30, 2009 and 2008, the Organization had revenue from City of Atlanta that represented approximately 60% and 40%, respectively of total support and 95% and approximately 100%, respectively of total accounts receivable.

**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 \$57,314 for 2009 and \$60,591 for 2008 are included in the program services and administrative and general expenses.

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

**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 2008 is \$15,500. Participants who are age 50 or over at the end of the calendar year can also make catch-up employee elective contributions of \$5,000. 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 calendar year- ended 2008, the employer contribution was 2% or \$6,818 and for 2007, the employer contribution was 2% or \$6,609.

**NOTE M – CAPITAL CAMPAIGN**

For 2009, 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, 2009 and 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 \$143,488. The majority of these expenses are related to the Beltline Arboretum project, the Kudzo Removal project and loan interest. Additional costs associated with this campaign have been recorded in various expenses. In 2008, the Organization had capital campaign expenses of \$200,155 which the majority of the expenses were related to printing and consulting services provided by Coxe, Curry & Associates.

As of June 30, 2009 and 2008, the organization has unrestricted assets of \$7,308,954 and \$7,326,855, respectively.

**NOTE N – RELATED PARTY TRANSACTIONS**

During 2009, the organization received donated services related to the maintenance 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 \$2,920. In 2008, the Organization had donated services similar to 2009 and estimated the value of these services at \$45,125.