

Trees Atlanta, Inc.

Financial Statements

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Years Ended

June 30, 2010 and 2009

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Trees Atlanta, Inc. as of June 30, 2010 and 2009, and the related statements 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, 2010 and 2009, 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 8, 2010

Trees Atlanta, Inc.
Statement of Financial Position
As of June 30, 2010 and 2009

	2010	2009
Current Assets		
Cash & cash equivalents (Note I)	\$ 632,179	\$ 669,775
Investments (Note C)	2,265,514	2,165,128
Accounts receivable (Note D)	67,253	662,806
Promises to give, net (Note E)	56,111	328,173
Prepaid insurance	20,964	18,359
Total Current Assets	3,042,021	3,844,241
Fixed Assets		
Land	1,250,000	1,250,000
Land improvements	82,427	82,427
Building	3,417,166	3,381,031
Furniture and equipment	39,672	39,672
Software	37,031	33,507
Vehicles	103,318	103,319
Total	4,929,614	4,889,956
Less: Accumulated depreciation	(390,233)	(263,284)
Fixed Assets, net	4,539,381	4,626,672
Total Assets	7,581,402	8,470,913
Current Liabilities		
Accounts payable	25,377	119,767
Tree maintenance liability (Note F)	205,111	589,606
Total Current Liabilities	230,488	709,373
Long term Liabilities		
Tree maintenance liability (Note F)	140,695	138,468
Total Long term Liabilities	140,695	138,468
Net Assets		
Unrestricted	6,771,569	7,308,954
Temporarily restricted (Note H)	438,650	314,118
Total Net Assets	7,210,219	7,623,072
Total Liabilities & Net Assets	\$ 7,581,402	\$ 8,470,913

See accompanying notes to accountants' report

Trees Atlanta, Inc.
Statement of Activities and Changes in Net Assets
For the Twelve Months ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets		
Support, Revenue and Gains		
Contributions	\$ 399,162	\$ 278,995
City of Atlanta	607,388	1,464,310
Other contracts and grants	430,176	34,136
Investment and interest income/(loss)	32,586	(49,363)
Unrealized gain on investments	<u>94,403</u>	<u>37,908</u>
Total unrestricted support	<u>1,563,715</u>	<u>1,765,986</u>
Net Assets Released from Restriction	195,273	1,513,522
Expenses		
Program expenses:		
City of Atlanta	665,806	1,523,095
Urban Trees	546,879	123,116
Other programs	316,620	404,086
Tree planting and maintenance	315,633	329,156
NeighborWoods	221,848	158,045
Capital campaign (Note L)	76,595	143,488
Total program expenses	<u>2,143,381</u>	<u>2,680,986</u>
Administrative and general	160,993	182,705
Total expenses	<u>2,304,374</u>	<u>2,863,691</u>
(Decrease)/Increase in Unrestricted Net Assets	(545,386)	415,817
Temporarily Restricted Net Assets		
Contributions	70,515	368,341
Contributions - capital campaign	257,291	300,308
Net assets released from donor restrictions	<u>(195,273)</u>	<u>(1,513,522)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>132,533</u>	<u>(844,873)</u>
Total (Decrease) in Net Assets	(412,853)	(429,056)
Net Assets, beginning of the year	<u>7,623,072</u>	<u>8,052,128</u>
Net Assets, end of year	<u>\$ 7,210,219</u>	<u>\$ 7,623,072</u>

See accompanying notes to accountants' report

Trees Atlanta, Inc.
Statement of Cash Flows
For the Twelve Months Ended June 30, 2010 and 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2010</u>	<u>2009</u>
Change in net assets	\$ (412,853)	\$ (429,056)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,949	118,303
Donated services and vehicles	-	(600)
Investment management fees	25,877	25,591
(Increase)/Decrease in prepaid insurance	(2,604)	1,983
Decrease/(Increase) in accounts receivable	595,553	(291,600)
Decrease in promises to give	272,062	300,292
(Increase) in carrying value of investments	(94,405)	(37,908)
(Decrease)/Increase in accounts payable	(93,265)	97,503
(Decrease)/Increase in retirement payable	(1,126)	1,126
(Decrease)/Increase in tree maintenance liability	<u>(382,265)</u>	<u>537,153</u>
Total Adjustments	446,776	751,843
Net cash provided by operating activities	<u>33,923</u>	<u>322,787</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net proceeds from sales of securities	36,100	115,571
Net purchases of securities	(67,960)	(58,046)
Purchase of fixed assets	(39,659)	(13,032)
Purchase of property through use of capital campaign funds	<u>-</u>	<u>(304,652)</u>
Net cash (used in) investing activities	<u>(71,519)</u>	<u>(260,159)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on loan payable	<u>-</u>	<u>(970,000)</u>
Net cash (used in) financing activities	<u>-</u>	<u>(970,000)</u>
Net (decrease) in cash	<u>(37,596)</u>	<u>(907,372)</u>
Cash, beginning of period	<u>669,775</u>	<u>1,577,147</u>
Cash, end of period	<u>\$ 632,179</u>	<u>\$ 669,775</u>

SUPPLEMENTAL DISCLOSURE:

Schedule of non-cash operating activities:

Contribution of services for relocation	\$ -	\$ 600
Other contributions of services and supplies	\$ 288,015	\$ 297,701

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

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to 2009 presentation.

Cash and Cash Equivalents

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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.

TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

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, 2010, no provision for income taxes has been made.

NOTE C – INVESTMENTS

The Organization utilizes SunTrust Investment Securities, Inc. as custodian of its investments and consisted of the following as of June 30, 2010 and 2009:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 1,100,459	\$ 1,124,282	\$ 1,057,786	\$ 1,053,982
Government Bonds	499,531	504,980	904,409	899,146
Corporate Bonds	608,218	636,252	206,642	212,000
	<u>\$ 2,208,208</u>	<u>\$ 2,265,514</u>	<u>\$ 2,168,837</u>	<u>\$ 2,165,128</u>

The Organization establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Fair value was determined as quoted market prices for identical instruments in active markets (Level 1) for mutual funds and government and corporate bonds.

TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

Realized losses of \$36,100 and \$5,896 for 2010 and 2009 respectively are included in the changes in net assets and are reported in the statement of activities as a component of investment and interest income/(loss).

Unrealized gains of \$94,403 and \$64,199 for 2010 and 2009 respectively are included in the changes in net assets and are reported in the statement of activities as unrealized gain on investments.

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 for their outstanding balance. As of June 30, 2010 and June 30, 2009, 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, 2010 and June 30, 2009, the organization had \$80,034 and \$345,326, in promises to give and an allowance of \$23,923 and \$17,153, 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.

NOTE F – COMMITMENTS

Pursuant to various contracts and grants, the organization is responsible for maintaining each of the new trees planted for a period of time. As of June 30, 2010 and June 30, 2009, the organization has estimated contract expenses of \$205,111 and \$589,606 for the next fiscal year and \$140,695 and \$138,468 for future years, respectively based on the date the various projects began.

NOTE G - 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, 2010 and 2009, the

TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

Organization recorded approximately \$288,015 and \$298,301 of tree planting and other professional services at their estimated fair market value, respectively.

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following:

	<u>2010</u>	<u>2009</u>
Plantings at Specified Locations	\$ 230,750	\$ 193,000
Education Programming & Equipment	18,256	39,033
Capital Campaign	<u>189,644</u>	<u>82,085</u>
	<u>\$ 438,650</u>	<u>\$ 314,118</u>

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

NOTE I – 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 \$250,000. As of June 30, 2010 and 2009 respectively, the organization had amounts in excess of the federally insured limits of \$94,082 and \$74,838 in excess of the federally insured limits.

During the years ended June 30, 2010 and 2009, the Organization had revenue from City of Atlanta that represented approximately 32% and 60%, respectively of total support and 12% and approximately 95%, respectively of total accounts receivable.

NOTE J – 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 \$65,689 for 2010 and \$57,313 for 2009 are included in the program services and administrative and general expenses.

TREES ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE K – 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 2009 is \$16,500. Participants who are age 50 or over at the end of the calendar year can also make catch-up employee elective contributions of \$5,500. Additionally, the organization has approved a non-elective employer contribution for all employees after one year of service.

The employer contributes a discretionary percentage of the employees compensation determined annually. For calendar year-ended 2009, no contribution was made. For 2008, the employer contribution was 2% or \$6,818.

NOTE L – CAPITAL CAMPAIGN

The Organization had ongoing capital campaign expenses of \$76,595 and \$143,488 in 2010 and 2009 respectively. The majority of these expenses are related to the Beltline Arboretum project and the Kudzo Removal project.

NOTE M – RELATED PARTY TRANSACTIONS

During 2010 and 2009, the organization received legal services 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 \$9,920 and \$2,920 respectively.