

**Trees Atlanta, Inc.**

**Financial Statements**

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**Years Ended**

**June 30, 2011 and 2010**

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

We have audited the accompanying statements of financial position of Trees Atlanta, Inc. (a nonprofit corporation) as of June 30, 2011 and 2010, 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 above present fairly, in all material respects, the financial position of Trees Atlanta, Inc. as of June 30, 2011 and 2010, 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.  
November 7, 2011

**Trees Atlanta, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2011 and 2010**

	2011	2010
<b>Current Assets</b>		
Cash & cash equivalents	\$ 623,953	\$ 632,179
Investments (Note D)	2,295,472	2,265,514
Accounts receivable	138,519	67,253
Promises to give, net	34,624	56,111
Prepaid insurance	24,025	20,964
<b>Total Current Assets</b>	<b>3,116,593</b>	<b>3,042,021</b>
<b>Fixed Assets</b>		
Land	1,250,000	1,250,000
Land improvements	82,427	82,427
Building	3,437,530	3,417,166
Furniture and equipment	56,305	39,672
Software	80,694	37,031
Vehicles	120,119	103,318
Total	5,027,075	4,929,614
Less: Accumulated depreciation	(532,132)	(390,233)
<b>Fixed Assets, net</b>	<b>4,494,943</b>	<b>4,539,381</b>
<b>Long- term Assets</b>		
Long- term accounts receivable	33,333	-
<b>Total Long- term Assets</b>	<b>33,333</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 7,644,869</b>	<b>\$ 7,581,402</b>

See accompanying notes to accountants' report

**Trees Atlanta, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2011 and 2010**

	2011	2010
<b>Current Liabilities</b>		
Accounts payable	\$ 13,910	\$ 25,377
Deferred Revenue	117,132	-
Tree maintenance liability (Note E)	173,336	205,111
<b>Total Current Liabilities</b>	304,378	230,488
<b>Long- term Liabilities</b>		
Deferred Revenue	33,333	-
Tree maintenance liability (Note E)	102,840	140,695
<b>Total Long- term Liabilities</b>	136,173	140,695
<b>Net Assets</b>		
Unrestricted		
Board Designated Endowment (Note M)	1,689,250	-
Board Designated Reserve (Note M)	506,987	2,265,514
Other Unrestricted Assets	5,008,081	4,506,055
Temporarily restricted (Note G)	-	438,650
<b>Total Net Assets</b>	7,204,318	7,210,219
<b>Total Liabilities &amp; Net Assets</b>	\$ 7,644,869	\$ 7,581,402

See accompanying notes to accountants' report

**Trees Atlanta, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**For the Twelve Months Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Unrestricted Net Assets</b>		
<b>Support, Revenue and Gains</b>		
Contributions	\$ 956,627	\$ 399,162
City of Atlanta	196,756	607,388
Other contracts and grants	731,488	430,176
Investment and interest income	80,095	32,586
Unrealized (loss) gain on investments	<u>(31,133)</u>	<u>94,403</u>
Total unrestricted support	<u>1,933,833</u>	<u>1,563,715</u>
<b>Net Assets Released from Restriction</b>	438,650	195,273
<b>Expenses</b>		
Program expenses:		
City of Atlanta	173,781	665,806
Urban Trees	228,715	546,879
Other programs	697,751	347,808
Tree maintenance	265,435	124,497
NeighborWoods	177,780	221,848
Capital campaign (Note K)	<u>31,648</u>	<u>76,595</u>
Total program expenses	1,575,110	1,983,434
Administrative and general	<u>364,625</u>	<u>320,940</u>
Total expenses	<u>1,939,735</u>	<u>2,304,374</u>
<b>Increase(Decrease) in Unrestricted Net Assets</b>	432,748	(545,386)
<b>Temporarily Restricted Net Assets</b>		
Contributions	-	327,806
Net assets released from donor restrictions	<u>(438,650)</u>	<u>(195,273)</u>
<b>(Decrease) Increase in Temporarily Restricted Net Assets</b>	<u>(438,650)</u>	<u>132,533</u>
<b>Total (Decrease) in Net Assets</b>	(5,902)	(412,853)
<b>Net Assets, beginning of the year</b>	<u>7,210,220</u>	<u>7,623,072</u>
<b>Net Assets, end of year</b>	<u>\$ 7,204,318</u>	<u>\$ 7,210,219</u>

See accompanying notes to accountants' report

**Trees Atlanta, Inc.**  
**Statements of Cash Flows**  
**For the Twelve Months Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Decrease) in net assets	\$ (5,902)	\$ (412,853)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	141,900	126,949
Investment management fees	17,872	25,877
Donated fixed assets	(60,297)	-
Unrealized (loss) gain on investments	(31,133)	94,405
(Increase) decrease in accounts receivable	(83,112)	595,553
Decrease in promises to give	-	272,062
(Increase) in prepaid expenses	(3,061)	(2,604)
Increase (decrease) in accounts payable	3,695	(93,265)
(Decrease) in other current liabilities	(15,160)	(1,126)
Increase in deferred revenue	150,465	-
(Decrease) in tree maintenance liability	(40,829)	(382,265)
	80,341	635,586
Total Adjustments		
Net cash provided by (used in) operating activities	74,438	222,733
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of securities	14,401	(36,100)
Net purchases of securities	(59,784)	(184,570)
Purchases of fixed assets	(37,165)	(39,659)
	(82,548)	(260,329)
Net cash provided by (used in) investing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(8,110)	(37,596)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	632,033	669,775
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 623,923	\$ 632,179

**Supplemental Disclosures**

**Schedule of non-cash operating activities:**

Contribution of fixed assets	\$ 60,297	\$ -
Other contributions of services and supplies	\$ 342,471	\$ 288,015

See accompanying notes to accountants' report

**Trees Atlanta, Inc.**  
**Notes to 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.

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.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to 2011 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.

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, 2011 and June 30, 2010, the accounts are current and no reserve for uncollectible accounts is considered necessary.

**Trees Atlanta, Inc.**  
**Notes to Financial Statements**

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, 2011 and June 30, 2010, the organization had \$46,374 and \$80,034, in promises to give and an allowance of \$11,750 and \$23,923, 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.

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.

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. Unrestricted net assets include all contributions received without donor restrictions, and all revenues and expenses. Unrestricted net assets include both undesignated and board designated funds. Undesignated net assets may be used at the discretion of management to support the mission of the Organization and consist of net assets accumulated from the results of operations. Designated endowment funds are unrestricted net assets designated by the Board of Directors as an endowment to be used for the purpose of funding operations. A board designated reserve fund has been designated by the Board of Directors from operating surpluses.

Deferred Revenue

Revenue for programs to be implemented will be recognized over the periods where the costs are incurred for implementation.



**Trees Atlanta, Inc.**  
**Notes to Financial Statements**

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, 2011, no provision for income taxes has been made.

Subsequent Events

We have performed subsequent event procedures through the date of the report.

**NOTE C – FAIR VALUE MEASUREMENTS**

The Organization follows a policy that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

The Organization accounts for its investments at fair value. In accordance with the policy the Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**NOTE D – INVESTMENTS**

The Organization utilized Bernstein Global Wealth Management in 2011 and SunTrust Investment Securities, Inc. in 2010 as custodians of its investments and consisted of the following as of June 30, 2011 and 2010:

**Trees Atlanta, Inc.**  
**Notes to Financial Statements**

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 1,754,229	\$ 1,762,962	\$ 1,100,459	\$ 1,124,282
Government Bonds	-	98,411	499,531	504,980
Corporate Bonds	-	-	608,218	636,252
Stocks	434,445	430,189	-	-
Cash	-	3,910	-	-
	<u>\$ 2,188,674</u>	<u>\$ 2,295,472</u>	<u>\$ 2,208,208</u>	<u>\$ 2,265,514</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, government and corporate bonds, and stocks.

Realized gains of \$14,401 and losses of \$36,100 for 2011 and 2010 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 losses of \$31,133 and gains of \$94,405 for 2011 and 2010 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 E – 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, 2011 and June 30, 2010, the organization has estimated contract expenses of \$173,336 and \$205,111 for the next fiscal year and \$102,840 and \$140,695 for future years, respectively based on the date the various projects began.

**NOTE F - DONATED ASSETS, SERVICES, AND GIFTS-IN-KIND**

**Trees Atlanta, Inc.**  
**Notes to Financial Statements**

The Organization receives contributed services from individuals and companies in the form of accounting work, public relations, 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, 2011 and 2010, the Organization recorded approximately \$342,471 and \$288,015 of tree planting and other professional services at their estimated fair market value, respectively.

The Organization received donated computer equipment and software from various organizations. These assets are currently being used in the business activities of the Organization and will be depreciated over the useful life of each asset. For the year ended June 30, 2011, the Organization recorded approximately \$60,297 of donated fixed assets.

**NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were \$438,650 primarily for 2010. As of June 30, 2011, there are no temporarily restricted assets.

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

**NOTE H – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash in bank accounts that, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

**NOTE I – 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 \$102,102 for 2011 and \$65,689 for 2010 are included in the program services and administrative and general expenses.

**Trees Atlanta, Inc.**  
**Notes to Financial Statements**

**NOTE J – 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 employer contributes a discretionary percentage of the employees compensation determined annually. For calendar years-ended 2011 and 2010, no contributions were made.

**NOTE K – CAPITAL CAMPAIGN**

The Organization utilized 2006 capital campaign funds for program expenses in the amounts of \$31,648 and \$76,594 in 2011 and 2010 respectively. The majority of these expenses are related to the 2006 Capital Campaign Kudzu Removal project.

**NOTE L – RELATED PARTY TRANSACTIONS**

During 2011 and 2010, the organization received services provided by 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 \$24,195 and \$9,920 respectively.

**NOTE M – BOARD DESIGNATED ENDOWMENT AND RESERVE FUNDS**

The Organization moved its investing from SunTrust Banking to Bernstein Investments as of December 2010. They established two accounts: the Trees Atlanta Reserve Account and the Trees Atlanta Endowment Account in this move. The Reserve Account will have an objective of low risk, preservation of capital and ready access to liquidity. The opening balance for the Reserve Account will be \$500,000. The Endowment Account will have an objective of long-term growth in excess of inflation at a modest risk level. The opening balance was \$1,600,000.

**NOTE N – TRANSITION EXPENSE**

During 2011, the Organization had a change in leadership in the Executive Director position. As a result, they incurred transition expenses of \$12,375 in 2011. Part of this expense was a \$16,000 agency fee for assisting in the search for a new director. \$8,000 of this amount was paid in fiscal year 2011 and the remaining \$8,000 will be paid in fiscal year 2012.

The Organization also approved compensation for future services of \$85,000 for a former employee. Amounts will be paid over the next three years.