TREES ATLANTA, INC.

Financial Statements
and
Independent Auditor's Report
Years Ended June 30, 2017 and 2016

Trees Atlanta, Inc.

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HANCOCK ASKEW & CO LLP
ACCOUNTANTS & ADVISORS

Independent Auditor's Report

The Board of Directors
Trees Atlanta, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Trees Atlanta, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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 from 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.

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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, 2017, 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 Trees Atlanta, Inc. June 30, 2016 financial statements, and our report dated October 27, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,

Hancock Askew & Co, LLP

Norcross, Georgia
September 22, 2017

Trees Atlanta, Inc.

Statements of Financial Position

June 30,		**2017**		2016
ASSETS				
Cash and cash equivalents	**$**	**4,716,136**	$	4,544,888
Investments, at fair market value		**3,269,245**		3,033,850
Trade receivables, less allowance of $2,000		**740,828**		159,074
Promises to give, less allowance of $8,000		**196,438**		970,257
Tenant allowance receivable		**-**		28,958
Prepaid expenses and other assets		**69,860**		68,539
Property and equipment, net		**3,894,780**		4,014,670
Total assets	**$**	**12,887,287**	$	12,820,236
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	**$**	**305,844**	$	105,779
Deferred tree maintenance liability		**537,053**		421,148
Deferred rent liability		**36,619**		43,942
Total liabilities		**879,516**		570,869
Commitments and contingencies (Note 10)				
Net assets				
Unrestricted		**5,033,459**		4,962,691
Board designated endowment - unrestricted		**2,749,874**		2,503,286
Board designated reserve - unrestricted		**507,071**		518,358
Temporarily restricted		**3,717,367**		4,265,032
Total net assets		**12,007,771**		12,249,367
Total liabilities and net assets	**$**	**12,887,287**	$	12,820,236

The accompanying notes are an integral part of these financial statements.

Trees Atlanta, Inc.

Statements of Activities
(With Summarized Comparative Information for Fiscal June 30, 2016)

Years ended June 30,			**2017**	2016
	Unrestricted	**Temporarily Restricted**	**Total**	Total
Revenue				
Contributions	**$ 603,766**	**$ 480,237**	**$ 1,084,003**	$ 2,528,936
Contract and maintenance revenue	**1,676,911**	**-**	**1,676,911**	612,809
Fundraising revenue	**280,157**	**-**	**280,157**	264,336
Contributed goods and services	**63,417**	**-**	**63,417**	55,418
Rental revenue	**50,550**	**-**	**50,550**	54,150
Education fees	**77,409**	**-**	**77,409**	40,850
Investment income	**71,056**	**-**	**71,056**	64,234
Net realized gain on sale of investments	**42,476**	**-**	**42,476**	44,900
Net unrealized gain (loss) on investments	**146,886**	**-**	**146,886**	(88,393)
Net assets released from restrictions	**1,027,902**	**(1,027,902)**	**-**	-
Total revenue	**4,040,530**	**(547,665)**	**3,492,865**	3,577,240
Expenses				
Program activities	**3,066,209**	**-**	**3,066,209**	1,848,785
Management and general activities	**430,530**	**-**	**430,530**	355,967
Fundraising activities	**237,722**	**-**	**237,722**	249,812
Total expenses	**3,734,461**	**-**	**3,734,461**	2,454,564
Change in net assets	**306,069**	**(547,665)**	**(241,596)**	1,122,676
Net assets, beginning of year	**7,984,335**	**4,265,032**	**12,249,367**	11,126,691
Net assets, end of year	**$ 8,290,404**	**$ 3,717,367**	**$ 12,007,771**	$ 12,249,367

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Years ended June 30,		**2017**		2016
Operating activities				
Change in net assets	**$**	**(241,596)**	$	1,122,676
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Non-cash donation of property		**4,950**		8,580
Depreciation		**153,039**		144,891
Net realized gain on sale of investments		**(42,476)**		(44,900)
Net unrealized (gain) loss on investments		**(146,886)**		88,393
Changes in assets and liabilities				
Trade receivables		**(581,754)**		34,360
Promises to give		**773,819**		48,439
Tenant allowance receivable		**28,958**		(28,958)
Prepaid expenses and other assets		**(6,271)**		(1,512)
Accounts payable and accrued liabilities		**200,065**		9,642
Deferred tree maintenance liability		**115,905**		2,191
Deferred rent liability		**(7,323)**		10,523
Cash provided by operating activities		**250,430**		1,394,325
Investing activities				
Purchase of investments		**(377,179)**		(664,236)
Proceeds from sales and maturities of investments		**331,146**		407,059
Purchase of property and equipment		**(33,149)**		(86,128)
Cash used in investing activities		**(79,182)**		(343,305)
Increase in cash and cash equivalents		**171,248**		1,051,020
Cash and cash equivalents, beginning of year		**4,544,888**		3,493,868
Cash and cash equivalents, end of year	**$**	**4,716,136**	$	4,544,888

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

General

Trees Atlanta, Inc. (the Organization), a not-for-profit organization, was formed in July 1984. The Organization is based in Atlanta, Georgia, and is dedicated to protecting Atlanta's urban forest through planting and maintaining trees, restoring forests and educating youth and adults.

The Organization qualifies as a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Use of Estimates

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

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their functional expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Net Asset Presentation

The Organization reports its information regarding its financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restriction. The following is a description of these classes of net assets:

> *Unrestricted* - Those resources over which the Board of Directors has discretionary control. Certain of these resources have been designated by the Board of Directors for specific purposes and are included in the accompanying statements of financial position in unrestricted board designated endowment and board designated reserve. The Board of Directors can release these designations at its discretion. All other unrestricted resources are included in unrestricted net assets.
>
> *Temporarily Restricted* - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time.
>
> *Permanently Restricted* - Those resources subject to a donor-imposed restriction that will be maintained permanently by the Organization. At June 30, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Board Designated Funds

The endowment and reserve amounts consist of funds designated as such by the Board of Directors. Endowment and reserve assets are pooled for investment purposes. Income, including interest, dividends, and realized and unrealized gains and losses from pooled investments, are included in unrestricted or board designated net assets.

Cash and Cash Equivalents

The Organization considers all short-term, highly liquid investments with original maturities at the purchase date of three months or less to be cash equivalents.

1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment income is recorded on an accrual basis.

Trade Receivables

Trade receivables are recorded at net realizable value and result from contracts to plant trees and other various services by the Organization.

An allowance for uncollectible contracts is provided based on management's evaluation of potential uncollectible trade receivables at year end. Changes in the allowance for uncollectible contracts are charged to the provision for bad debt expense. Trade receivables are charged-off when management deems them uncollectible. The allowance for uncollectible contracts as of June 30, 2017 and 2016 was $2,000.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are reported at their net realizable value. If material, unconditional promises to give that are expected to be collected in future years are discounted to their present value. Amortization of the discount is recorded as an adjustment to contribution revenue.

An allowance for uncollectible contributions is provided based on management's evaluation of potential uncollectible promises to give at year-end. Changes in the allowance for uncollectible contributions are charged to the provision for bad debt expense. The allowance for uncollectible contributions as of June 30, 2017 and 2016 was $8,000.

1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	5 - 10 years
Computers and software	3 - 10 years
Vehicles	5 years

Leasehold improvements are depreciated over the lesser of their useful lives or the term of the lease. The Organization reviews long lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred Tree Maintenance Liability

For each tree planted by the Organization, a portion of the corresponding revenue is deferred for future tree maintenance. The Organization recognizes the revenue over the related maintenance period. This revenue is recorded under contract and maintenance revenue on the statements of activities.

During the year ended June 30, 2012, the Organization conducted a capital campaign (the 2011 Capital Campaign) to honor the retirement of the Organization's founder and Executive Director, Marcia Bansley. The 2011 Capital Campaign raised over $2 million in funds for the Marcia Bansley Atlanta Canopy tree planting program, the Atlanta BeltLine Arboretum and the Leadership Transition Fund. Certain portions of the funds raised were designated for the maintenance of trees planted through the Marcia Bansley Atlanta Canopy and Atlanta BeltLine Arboretum programs. As a result, approximately $22,600 and $61,000 of funds are included within the deferred tree maintenance liability for the years ended June 30, 2017 and 2016, respectively, for the future watering, pruning and mulching of planted trees.

Contributions

Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the 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 as unrestricted net assets and are reported as an increase in unrestricted net assets.

1. Nature of Operations and Summary of Significant Accounting Policies (cont.)

Contract Revenue

Contract revenue consists of revenue from contracts to plant trees and other various services by the Organization. Such revenue is recognized once the services have been performed by the Organization.

Contributed Goods and Services

Contributed goods are recorded at fair market value at the date of the contribution. At June 30, 2017 and 2016, the balance in contributed goods consists primarily of donated silent auction items.

A substantial number of volunteers have made significant contributions of their time to the Organization's programs. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. During the years ended June 30, 2017 and 2016, the Organization received approximately 34,000 and 30,000 hours of donated tree planting services at an estimated value of approximately $814,000 and $693,000, respectively.

Subsequent Events

Subsequent events have been evaluated and disclosed through September 22, 2017, the date the financial statements were available to be issued.

2. Concentrations of Credit Risk

The Organization maintains cash balances in financial institutions which may at times exceed the insured amount covered by the Federal Deposit Insurance Corporation. The Organization believes it is not exposed to any significant credit risks on cash.

3. Promises to Give

The Organization's contributions receivable consists of unconditional promises to give as follows:

June 30,	**2017**	2016
Receivable in less than one year	**$ 130,188**	$ 817,158
Receivable in one to four years	**74,250**	161,099
Total promises to give	**204,438**	978,257
Less allowance for uncollectible promises	**8,000**	8,000
Net promises to give	**$ 196,438**	$ 970,257

Promises to give that are expected to be collected in future years have not been discounted to their present value due to the immaterial effect of discounting on the financial statements.

4. Investments

Investments are stated at fair value and consist of the following:

	2017			2016		
	Cost	**Market Value**	**Unrealized Gain/(Loss)**	Cost	Market Value	Unrealized Gain/(Loss)
Cash	**$ 3,424**	**$ 3,424**	**$ -**	$ 2,146	$ 2,146	$ -
Equity securities	**1,681,188**	**1,923,010**	**241,822**	857,194	951,448	94,254
Mutual funds	**1,393,713**	**1,342,810**	**(50,903)**	2,135,832	2,080,256	(55,576)
	$ 3,078,325	**$ 3,269,244**	**$ 190,919**	$ 2,995,172	$ 3,033,850	$ 38,678

5. Property and Equipment

Property and equipment consisted of the following:

June 30,	**2017**	2016
Land	**$ 1,250,000**	$ 1,250,000
Buildings and improvements	**3,508,861**	3,502,149
Furniture and equipment	**153,350**	153,350
Computers and software	**188,529**	185,555
Vehicles	**170,851**	147,993
	5,271,591	5,239,047
Accumulated depreciation	**(1,376,811)**	(1,224,377)
	$ 3,894,780	$ 4,014,670

Depreciation expense was approximately $153,000 and $144,900 for the years ended June 30, 2017 and 2016, respectively.

6. Fair Value of Financial Instruments

Valuation Hierarchy

Accounting principles generally accepted in the United States of America establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

6. Fair Value of Financial Instruments (cont.)

Valuation Hierarchy (cont.)

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following tables set forth (by level within the fair value hierarchy) the Organization's investment assets at fair value as of June 30, 2017 and 2016. As required by accounting principles generally accepted in the United States of America, assets and liabilities are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Investment Assets at Fair Value

June 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 3,424**	**$ -**	**$ -**	**$ 3,424**
Equity securities	**1,923,011**	**-**	**-**	**1,923,011**
Mutual funds	**1,342,810**	**-**	**-**	**1,342,810**
Total investments at fair value	**$ 3,269,245**	**$ -**	**$ -**	**$ 3,269,245**

Investment Assets at Fair Value

June 30, 2016	Level 1	Level 2	Level 3	Total
Cash	$ 2,146	$ -	$ -	$ 2,146
Equity securities	951,448	-	-	951,448
Mutual funds	2,080,256	-	-	2,080,256
Total investments at fair value	$ 3,033,850	$ -	$ -	$ 3,033,850

7. Temporarily Restricted Net Assets

During the year ended June 30, 2015, the Organization launched a capital campaign (the 2014 Capital Campaign) to enhance education programs, accelerate tree planting efforts, expand conservation initiatives and extend the Atlanta BeltLine Arboretum. As of June 30, 2017, the 2014 Capital Campaign raised approximately $5 million in funds. The funds raised through the 2014 Capital Campaign will be utilized over several years and are recorded in temporarily restricted net assets. During the years ended June 30, 2017 and 2016, approximately $727,000 and $650,000, respectively, of the funds were utilized for 2014 Capital Campaign programs and released from temporarily restricted net assets.

During the year ended June 30, 2012, the Organization conducted a capital campaign (the 2011 Capital Campaign) to honor the retirement of the Organization's founder and Executive Director, Marcia Bansley. The 2011 Capital Campaign raised over $2 million in funds for the Marcia Bansley Atlanta Canopy tree planting program, the Atlanta BeltLine Arboretum and the Leadership Transition Fund. The funds raised through the 2011 Capital Campaign will be utilized over several years and are recorded in temporarily restricted net assets. During the years ended June 30, 2017 and 2016, approximately $9,000 and $24,000, respectively, of the funds were utilized for 2011 Capital Campaign programs and released from temporarily restricted net assets.

At June 30, 2017 and 2016, the Organization had temporarily restricted net assets of approximately $3,717,000 and $4,265,000, respectively, restricted for use by the Organization's various campaigns and programs. The temporarily restricted net assets balance at June 30, 2017 primarily relates to funds received related to the 2014 Capital Campaign.

8. Board Designated Funds

The board designated endowment consists of funds established to provide a solid foundation for the Organization's long-term operational success. The endowment is focused on long-term growth and capital appreciation. The board designated reserve consists of liquid securities designated for use in the event of cash shortfalls.

As required by the accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of board designations.

The Organization has adopted investment and spending policies for endowment assets that seek to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term capital growth in excess of inflation while assuming a moderate level of investment risk.

8. Board Designated Funds (cont.)

To satisfy its long-term return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Organization has a policy allowing for the distribution of approximately $60,000 annually, to be distributed on a quarterly basis, to support operating cash flows. However, during the years ended June 30, 2017 and 2016 all investment income and gains were reinvested into the endowment. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow annually.

9. Employee Benefit Plans

The Organization sponsors a 403(b)(7) retirement plan, covering substantially all employees meeting certain age and service requirements. For the years ended June 30, 2017 and 2016, the Organization made contributions amounting to approximately $6,200 and $4,500, respectively.

10. Commitment and Contingencies

The Company leases office space under a non-cancelable operating lease expiring in August 2020. Rental expense included in the statements of activities was approximately $62,000 and $60,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2017 are as follows:

June 30,		
2018	$	67,924
2019		69,962
2020		72,061
2021		12,309
	$	222,256

11. Significant Contributors

For the years ended June 30, 2017 and 2016, the Organization received 45% and 31%, respectively, of its revenue from its two largest contributors. In addition, one customer receivable balance represented 52% of total trade receivables as of June 30, 2017. As of June 30, 2016, one customer receivable balance represented 57% of total trade receivables. Additionally, as of June 30, 2017, two donor receivable balances represented 24% and 20% of total promises to give. As of June 30, 2016, two donor receivable balances represented 38% and 33% of total promises to give.