TREES ATLANTA, INC.

Financial Statements
and
Independent Auditor's Report
Years Ended June 30, 2014 and 2013

Trees Atlanta, Inc.

Contents

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 nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, 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, 2013 financial statements, and our report dated October 11, 2013, 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, 2013, 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
October 10, 2014

Statements of Financial Position

June 30,		2014		2013
ASSETS				
Cash and cash equivalents	$	**1,713,621**	$	1,892,095
Investments, at fair market value		**2,753,838**		2,459,112
Trade receivables, less allowance of $10,000 in 2014		**205,902**		307,654
Promises to give, less allowance of $11,750 in 2013		**11,307**		127,500
Prepaid expenses		**34,354**		39,998
Property and equipment, net		**4,140,032**		4,260,983
Total assets	$	**8,859,054**	$	9,087,342
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	$	**69,967**	$	109,375
Deferred tree maintenance liability		**486,591**		481,070
Total liabilities		**556,558**		590,445
Net assets				
Unrestricted		**5,050,587**		4,919,520
Board designated endowment-unrestricted		**2,235,208**		1,939,378
Board designated reserve-unrestricted		**518,630**		519,283
Temporarily restricted		**498,071**		1,118,716
Total net assets		**8,302,496**		8,496,897
Total liabilities and net assets	$	**8,859,054**	$	9,087,342

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

Statements of Activities

Years ended June 30,	2014			2013
	Unrestricted	**Temporarily Restricted**	**Total**	Total
Revenue				
Contributions	**$ 506,353**	**$ 203,415**	**$ 709,768**	$ 1,200,370
Contract and maintenance revenue	**745,970**	**-**	**745,970**	719,358
Fundraising revenue	**205,770**	**-**	**205,770**	169,869
Contributed goods and services	**105,804**	**-**	**105,804**	68,506
Rental revenue	**29,590**	**-**	**29,590**	28,387
Investment income	**54,258**	**-**	**54,258**	57,783
Net realized gain on sale of investments	**59,910**	**-**	**59,910**	112,304
Net unrealized gain on investments	**199,671**	**-**	**199,671**	19,721
Net assets released from restrictions	**824,060**	**(824,060)**	**-**	-
Total revenue	**2,731,386**	**(620,645)**	**2,110,741**	2,376,298
Expenses				
Program activities	**1,743,060**	**-**	**1,743,060**	1,859,065
Management and general activities	**268,379**	**-**	**268,379**	299,053
Fundraising activities	**293,703**	**-**	**293,703**	209,399
Total expenses	**2,305,142**	**-**	**2,305,142**	2,367,517
Change in net assets	**426,244**	**(620,645)**	**(194,401)**	8,781
Net assets, beginning of year	**7,378,181**	**1,118,716**	**8,496,897**	8,488,116
Net assets, end of year	**$ 7,804,425**	**$ 498,071**	**$ 8,302,496**	$ 8,496,897

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

Statements of Cash Flows

Years ended June 30,	2014	2013
Operating activities		
Change in net assets	$ **(194,401)**	$ 8,781
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	**140,045**	145,060
Net realized gain on sale of investments	**(59,910)**	(112,304)
Net unrealized gain on investments	**(199,671)**	(19,721)
Changes in assets and liabilities		
Trade receivables	**101,752**	(216,148)
Promises to give	**116,193**	172,530
Prepaid expenses	**5,644**	(9,470)
Accounts payable and accrued liabilities	**(39,408)**	81,705
Deferred tree maintenance liability	**5,521**	(81,472)
Cash used in operating activities	**(124,235)**	(31,039)
Investing activities		
Purchase of investments	**(404,565)**	(760,758)
Proceeds from sales and maturities of investments	**369,420**	718,184
Purchase of property and equipment	**(19,094)**	(28,625)
Cash used in investing activities	**(54,239)**	(71,199)
Decrease in cash and cash equivalents	**(178,474)**	(102,238)
Cash and cash equivalents, beginning of year	**1,892,095**	1,994,333
Cash and cash equivalents, end of year	$ **1,713,621**	$ 1,892,095

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, improving, and beautifying the metropolitan Atlanta area by planting and conserving trees.

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.

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.

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.

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

Net Asset Presentation (cont.)

Permanently Restricted — Those resources subject to a donor-imposed restriction that will be maintained permanently by the Organization. At June 30, 2014 and 2013, 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.

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, 2014 was $10,000. No allowance for uncollectible contracts was deemed necessary as of June 30, 2013.

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

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. All amounts were deemed fully collectible as of June 30, 2014, and no allowance was deemed necessary. The allowance for uncollectible contributions as of June 30, 2013 was $11,750.

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

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.

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

Deferred Tree Maintenance Liability

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 $223,000 and $276,000 of funds are included within the deferred tree maintenance liability for the years ended June 30, 2014 and 2013, 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.

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, 2014 and 2013, 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, 2014 and 2013, the Organization received approximately 22,600 and 17,900 hours of donated tree planting services at an estimated value of approximately $500,000 and $397,000, respectively.

Subsequent Events

Subsequent events have been evaluated and disclosed through October 10, 2014, the date the financial statements were available to be issued.

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

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. These reclassifications have no effect on the previously reported change in net assets.

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 consist of unconditional promises to give as follows:

June 30,	**2014**	2013
Receivable in less than one year	$ **11,307**	$ 136,083
Receivable in one to four years	-	3,167
Total promises to give	**11,307**	139,250
Less allowance for uncollectible promises	-	11,750
Net promises to give	$ **11,307**	$ 127,500

4. Investments

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

	2014			2013		
	Cost	**Market Value**	**Unrealized Gain/(Loss)**	Cost	Market Value	Unrealized Gain/(Loss)
Cash	$ **11,089**	$ **11,089**	$ **-**	$ 8,922	$ 8,922	$ -
Equity securities	**729,395**	**875,450**	**146,055**	421,537	493,888	72,351
Mutual funds	**1,813,683**	**1,867,299**	**53,616**	2,008,932	1,956,302	(52,630)
	$ **2,554,167**	$ **2,753,838**	$ **199,671**	$ 2,439,391	$ 2,459,112	$ 19,721

5. Property and Equipment

Property and equipment consisted of the following:

June 30,		2014		2013
Land	$	**1,250,000**	$	1,250,000
Buildings and improvements		**3,414,930**		3,410,930
Furniture and equipment		**131,255**		131,255
Computers and software		**157,896**		157,896
Vehicles		**149,024**		133,930
		5,103,105		5,084,011
Accumulated depreciation		**(963,073)**		(823,028)
	$	**4,140,032**	$	4,260,983

Depreciation expense was approximately $140,000 and $145,000 for the years ended June 30, 2014 and 2013, 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:

Level 1 - inputs to the valuation methodology are quoted prices (unadjus liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for sin active markets, and inputs that are observable for the asset or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and sig 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, 2014 and 2013. 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.

6. Fair Value of Financial Instruments (cont.)

Valuation Hierarchy (cont.)

Investment Assets at Fair Value

June 30, 2014	Level 1	Level 2	Level 3	Total
Cash	$ 11,089	$ -	$ -	$ 11,089
Equity securities	875,450	-	-	875,450
Mutual funds	1,867,299	-	-	1,867,299
Total investments at fair value	$ 2,753,838	$ -	$ -	$ 2,753,838

Investment Assets at Fair Value

June 30, 2013	Level 1	Level 2	Level 3	Total
Cash	$ 8,922	$ -	$ -	$ 8,922
Equity securities	493,888	-	-	493,888
Mutual funds	1,956,302	-	-	1,956,302
Total investments at fair value	$ 2,459,112	$ -	$ -	$ 2,459,112

7. 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, 2014 and 2013, respectively, approximately $499,000 and $423,000 of the funds were utilized for the 2011 Capital Campaign programs and released from temporarily restricted net assets.

At June 30, 2014 and 2013, the Organization had temporarily restricted net assets of approximately $498,000 and $1,119,000, respectively, restricted for use by the Organization's various campaigns and programs. The temporarily restricted net assets balance at June 30, 2014 primarily relates to funds received related to the 2011 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.

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, 2014 and June 30, 2013, respectively, 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, 2014 and 2013, the Organization made contributions amounting to $4,886 and $4,856, respectively.