

Trees for the Future, Inc.
Financial Statements
and Supplementary Information

For the Years Ended December 31, 2015 and 2014

1400 Spring Street, #150
Silver Spring, Maryland 20910

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Independent Auditor's Report

**To the Board of Directors
Trees for the Future, Inc.
Silver Spring, Maryland**

We have audited the accompanying financial statements of Trees for the Future, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trees for the Future, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Snyder Cohn, PC

SNYDER COHN, PC
North Bethesda, Maryland
May 13, 2016



Trees for the Future, Inc.
Statements of Financial Position

December 31	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 353,071	\$ 355,042
Investments	13,640	3,173
Pledges receivable, net	259,655	227,801
Prepaid expenses	7,559	17,835
Total current assets	<u>633,925</u>	<u>603,851</u>
Property and equipment, net	<u>6,582</u>	<u>6,704</u>
Other assets:		
Deposits	4,082	4,082
Intangible assets, net	69,747	17,369
Total other assets	<u>73,829</u>	<u>21,451</u>
Total assets	<u>\$ 714,336</u>	<u>\$ 632,006</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 20,347	\$ 9,468
Accrued expenses	28,918	32,301
Deferred rent, current portion	4,139	2,737
Capital lease, current portion	2,233	1,751
Total current liabilities	<u>55,637</u>	<u>46,257</u>
Other liabilities:		
Deferred rent, net of current portion	2,901	7,040
Capital lease, net of current portion	874	3,107
Total other liabilities	<u>3,775</u>	<u>10,147</u>
Total liabilities	<u>59,412</u>	<u>56,404</u>
Commitments		
Net assets:		
Unrestricted	600,585	502,475
Temporarily restricted	-	18,788
Permanently restricted	54,339	54,339
Total net assets	<u>654,924</u>	<u>575,602</u>
Total liabilities and net assets	<u>\$ 714,336</u>	<u>\$ 632,006</u>

See Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 1,565,754	\$ 263,174	\$ -	\$ 1,828,928
Donated materials and professional services	-	-	-	-
Interest and dividends	116	-	-	116
Investment gain (loss)	(1,443)	-	-	(1,443)
	<u>1,564,427</u>	<u>263,174</u>	<u>-</u>	<u>1,827,601</u>
Net assets released from restrictions	281,962	(281,962)	-	-
Total revenues	<u>1,846,389</u>	<u>(18,788)</u>	<u>-</u>	<u>1,827,601</u>
Expenses:				
Program expenses:				
Tree planting	1,238,232	-	-	1,238,232
Supporting services:				
Management and general	213,078	-	-	213,078
Fundraising	296,969	-	-	296,969
Total supporting services	<u>510,047</u>	<u>-</u>	<u>-</u>	<u>510,047</u>
Total expenses	<u>1,748,279</u>	<u>-</u>	<u>-</u>	<u>1,748,279</u>
Change in net assets	98,110	(18,788)	-	79,322
Net assets - beginning	<u>502,475</u>	<u>18,788</u>	<u>54,339</u>	<u>575,602</u>
Net assets - ending	<u>\$ 600,585</u>	<u>\$ -</u>	<u>\$ 54,339</u>	<u>\$ 654,924</u>

See Accompanying Notes

Trees for the Future, Inc.

Statement of Activities

For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	\$ 1,522,096	\$ 355,767	\$ -	\$ 1,877,863
Donated materials and professional services	7,631	-	-	7,631
Interest and dividends	93	-	-	93
Investment gain (loss)	(1,230)	-	-	(1,230)
	<u>1,528,590</u>	<u>355,767</u>	<u>-</u>	<u>1,884,357</u>
Net assets released from restrictions	356,979	(356,979)	-	-
Total revenues	<u>1,885,569</u>	<u>(1,212)</u>	<u>-</u>	<u>1,884,357</u>
Expenses:				
Program expenses				
Tree planting	<u>1,414,981</u>	<u>-</u>	<u>-</u>	<u>1,414,981</u>
Supporting services:				
Management and general	234,156	-	-	234,156
Fundraising	209,163	-	-	209,163
Total supporting services	<u>443,319</u>	<u>-</u>	<u>-</u>	<u>443,319</u>
Total expenses	<u>1,858,300</u>	<u>-</u>	<u>-</u>	<u>1,858,300</u>
Change in net assets	27,269	(1,212)	-	26,057
Net assets - beginning	<u>475,206</u>	<u>20,000</u>	<u>54,339</u>	<u>549,545</u>
Net assets - ending	<u>\$ 502,475</u>	<u>\$ 18,788</u>	<u>\$ 54,339</u>	<u>\$ 575,602</u>

See Accompanying Notes

Trees for the Future, Inc.

Statements of Cash Flows

For the year ended December 31	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 79,322	\$ 26,057
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Non-cash contributions - donated stock	(12,045)	(12,446)
Depreciation and amortization	4,681	3,384
Realized (gain) loss on sale of investments	295	(19)
Unrealized loss on sale of investments	1,283	1,249
(Increase) decrease in:		
Pledges receivable, net	(31,854)	(78,598)
Prepaid expenses	10,276	(1,697)
Other current assets	-	601
Increase (decrease) in:		
Accounts payable	10,879	(20,424)
Accrued expenses	(3,383)	24,625
Deferred rent	(2,737)	(1,375)
Net cash provided by (used in) operating activities	56,717	(58,643)
Cash flows from investing activities:		
Proceeds from sale of investments	-	10,289
Purchase of property and equipment	(2,417)	-
Payment for intangible assets	(54,520)	(18,500)
Net cash used in investing activities	(56,937)	(8,211)
Cash flows from financing activities:		
Payments made on capital lease obligation	(1,751)	(1,371)
Net cash used in financing activities	(1,751)	(1,371)
Net decrease in cash and cash equivalents	(1,971)	(68,225)
Cash and cash equivalents - beginning	355,042	423,267
Cash and cash equivalents - ending	\$ 353,071	\$ 355,042
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,007	\$ 1,074

See Accompanying Notes

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1: Summary of significant accounting policies:

Trees for the Future, Inc. ("the Organization") was incorporated under the laws of the State of Maryland in 1989 as a tax-exempt charitable organization. The Organization's purpose is to improve the livelihoods of impoverished families by planting trees that return prosperity to degraded lands. Trees for the Future aims to end hunger and poverty for a million people using its Forest Garden Approach, a four year training program that lifts subsistence farmers out of extreme poverty and provides opportunities, productivity and income never before imaginable.

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets consist of amounts received for country specific use with an aggregate balance of \$-0- and \$18,788 as of December 31, 2015 and 2014, respectively.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2015 and 2014, there were \$54,339 of permanently restricted net assets.

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

Cash and cash equivalents - Cash and cash equivalents consist of cash on deposit and highly liquid investments with an original maturity of three months or less.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1: Summary of significant accounting policies: (continued)

Pledges receivable - Pledges receivable consist of unconditional promises to give and are recorded at their net realizable value at the time the promises are received. At December 31, 2015 and 2014, all pledges receivable were expected to be collected within a year. Management reviews outstanding accounts periodically. A general allowance for pledges receivable is estimated by management taking into consideration past write-offs, the current status of delinquent accounts, and general economic conditions. An allowance for uncollectible pledges receivable of \$7,250 is included in pledges receivable at December 31, 2015 and 2014.

Investments - Investments, which consist of donated equity securities, are reported at fair value (all level 1 inputs), which is established at readily determinable current market values. Investments are sold as soon after donation as possible. As of December 31, 2015, \$13,640 of investments remained unsold for which the Organization had an unrealized loss of \$(1,283). As of December 31, 2014, \$3,173 of investments remained unsold for which the Organization had an unrealized loss of \$(1,249). The Organization had a realized gain (loss) on its investments of \$(295) and \$19 for the years ended December 31, 2015 and 2014, respectively.

Property and equipment - Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 15 years. The Organization capitalizes all additions to property and equipment over \$1,000. Depreciation expense for the years ended December 31, 2015 and 2014 was \$2,539 and \$2,253, respectively.

Revenue recognition - All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Donated materials and professional services - Donated materials and professional services are classified based on the nature of the contribution and are reflected as in-kind contributions at their estimated fair value, as determined by the donor, at the date of receipt. During the year ended December 31, 2015, there were no donated materials and professional services. During the year ended December 31, 2014, the Organization received donated materials and professional services of food for special events and advertising space totaling \$7,631.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1: Summary of significant accounting policies: (continued)

Functional allocation of expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the activities benefited.

Advertising expense - Advertising costs are expensed as incurred. Advertising expense was \$3,139 and \$27,073 for the years ended December 31, 2015 and 2014, respectively.

Accounting for uncertainty in income taxes - The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax effect is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for uncertain tax positions. Interest and penalties, if any, are accrued as a component of general and administrative expenses when assessed. The Organization has identified its tax status as a tax exempt entity under Section 501(c)(3) and its determination that it has no unrelated business income as tax positions; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Income tax years ended prior to December 31, 2012 are no longer subject to audit by taxing authorities.

Fair value measurements - The FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1: Summary of significant accounting policies: (continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 2: Property and equipment:

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 17,059	\$ 14,642
Capital lease equipment	7,960	7,960
	<u>25,019</u>	<u>22,602</u>
Less: accumulated depreciation	<u>(18,437)</u>	<u>(15,898)</u>
Property and equipment, net	<u>\$ 6,582</u>	<u>\$ 6,704</u>

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 3: Intangible assets:

During 2014, the Organization purchased the rights to their website domain name. This purchase is stated at cost and is amortized over an estimated useful life of 15 years.

During 2015, the Organization incurred website development costs. The Organization accounts for website development costs in accordance with ASC 350-40 (Accounting for Internal Use Software Costs). Under ASC 350-40, all costs related to the planning activities of software and website development costs are expensed as incurred. Costs incurred as part of the application development stage can be capitalized, and costs associated with post implementation should be expensed as incurred. This purchase is stated at cost and is amortized over an estimated useful life of 5 years.

Intangible assets consist of the following at December 31, 2015:

	<u>2015</u>	<u>2014</u>
Website domain	\$ 18,500	\$ 18,500
Website development costs	<u>54,520</u>	<u>-</u>
	73,020	18,500
Less: accumulated amortization	<u>(3,273)</u>	<u>(1,131)</u>
Intangible assets, net	<u>\$ 69,747</u>	<u>\$ 17,369</u>

Amortization expense for the years ended December 31, 2015 and 2014 was \$2,142 and \$1,131, respectively.

At December 31, 2015 estimated amortization expense is as follows:

For the years ending December 31,

2016	\$ 12,137
2017	12,137
2018	12,137
2019	12,137
2020	11,228
Thereafter	<u>9,971</u>
	<u>\$ 69,747</u>

Trees for the Future, Inc.
Notes to Financial Statements

December 31, 2015 and 2014

Note 4: Commitments:

During 2012, the Organization entered into a 5 year, 3 month operating lease agreement for office space in Silver Spring, Maryland. The lease has an initial term expiring on July 31, 2017 with an option to renew for an additional five year term. The lease calls for monthly base rental payments plus additional rent for operating expenses and real estate taxes as described in the operating lease agreement.

Future minimum lease payments for the years ending December 31 are as follows:

2016	\$	48,146
2017		28,571
		\$ 76,717

Rent expense under this lease agreement for the years ended December 31, 2015 and 2014 was \$49,011 and \$44,006, respectively.

Note 5: Capital lease:

During 2012, the Organization entered into a capital lease for a telephone system with a capitalized cost of \$7,960. Depreciation expense included \$1,592 for the equipment under capital lease for the years ended December 31, 2015 and 2014. At December 31, 2015 and 2014, accumulated depreciation related to this lease was \$5,771 and \$4,179, respectively. The lease includes a \$1 purchase option at the end of the lease period. Future minimum lease payments for the years ending December 31 are as follows:

2016	\$	2,757
2017		919
		3,676
Less: amount representing interest		569
Present value of minimum lease payment		3,107
Less: current portion		2,233
Long-term portion	\$	874

Trees for the Future, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

Note 6: Concentrations:

The Organization maintains its cash balances at various financial institutions. The accounts at each of these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At various times throughout the year, cash balances at these institutions exceeded the federally insured limits. The Organization has not experienced any losses with respect to its cash balances.

At December 31, 2015, two corporate donors made up 37% of the total pledges receivable balance. At December 31, 2014, four corporate donors made up 76% of the total pledges receivable balance. During 2015, approximately 27% of the Organization's support was provided by contributions from two corporate donors. During 2014, approximately 22% of the Organization's support was provided by contributions from two corporate donors.

Note 7: Subsequent events:

Subsequent events have been evaluated through May 13, 2016, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY
INFORMATION**

Independent Auditor's Report on Supplementary Information

To the Board of Directors
Trees for the Future, Inc.
Silver Spring, Maryland

We have audited the financial statements of Trees for the Future, Inc. as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated May 13, 2016, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Snyder Cohn, PC

SNYDER COHN, PC
North Bethesda, Maryland
May 13, 2016



Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 669	\$ -	\$ 2,470	\$ 3,139
Bank and credit card charges	-	21,083	-	21,083
Computer expenses	2,231	647	720	3,598
Consulting	59,766	6,162	77,339	143,267
Depreciation and amortization expense	2,902	843	936	4,681
Dues & subscriptions	-	674	-	674
Field office expense	148,435	774	860	150,069
Field stipends	188,696	-	-	188,696
Insurance	16,313	7,988	7,478	31,779
Interest expense	-	1,007	-	1,007
Legal and accounting	-	72,115	-	72,115
Licenses and permits	-	5,963	-	5,963
Marketing and public relations	1,039	-	2,378	3,417
Meals and entertainment	1,582	145	9	1,736
Miscellaneous	-	(672)	-	(672)
Other direct project expenses	7,170	-	-	7,170
Postage and delivery	198	541	8,004	8,743
Printing and copying	-	666	7,143	7,809
Rent	30,387	8,822	9,802	49,011
Repairs and maintenance	90	26	29	145
Salaries	394,084	75,064	156,383	625,531
Seeds and planting materials	109,773	-	-	109,773
Special events	-	-	931	931
Storage	-	772	-	772
Taxes:				
Other	2,522	732	814	4,068
Payroll	37,355	7,115	14,823	59,293
Telephone	-	-	-	-
Tools and equipment	151,265	71	79	151,415
Training	655	-	-	655
Travel	34,248	2,540	3,812	40,600
Vehicle expense	-	-	-	-
Website expense	308	-	2,959	3,267
Workshop expenses	48,544	-	-	48,544
Total expenses	\$ 1,238,232	\$ 213,078	\$ 296,969	\$ 1,748,279

See Independent Auditor's Report on Supplementary Information

Trees for the Future, Inc.

Schedule of Functional Expenses

For the year ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 11,172	\$ -	\$ 15,901	\$ 27,073
Bank and credit card charges	-	20,977	-	20,977
Computer expenses	6,165	1,790	1,989	9,944
Consulting	117,064	14,653	32,807	164,524
Depreciation and amortization expense	2,098	609	677	3,384
Dues & subscriptions	-	149	-	149
Field office expense	29,373	627	697	30,697
Field stipends	191,178	-	-	191,178
Insurance	34,267	9,974	6,832	51,073
Interest expense	-	1,074	-	1,074
Legal and accounting	-	74,945	-	74,945
Licenses and permits	-	9,324	-	9,324
Marketing and public relations	-	-	4,638	4,638
Meals and entertainment	-	811	1,152	1,963
Other direct project expenses	44,399	-	-	44,399
Postage and delivery	258	865	1,616	2,739
Printing and copying	309	4,007	6,646	10,962
Rent	27,284	7,921	8,801	44,006
Repairs and maintenance	-	-	-	-
Salaries	528,755	75,216	105,417	709,388
Seeds and planting materials	130,559	-	-	130,559
Special events	22,649	-	10,716	33,365
Storage	-	641	-	641
Taxes:				
Other	-	-	-	-
Payroll	45,334	6,449	9,038	60,821
Telephone	3,192	927	1,030	5,149
Tools and equipment	43,216	63	70	43,349
Training	27,047	-	-	27,047
Travel	69,714	3,134	635	73,483
Vehicle expense	20,382	-	-	20,382
Website expense	-	-	501	501
Workshop expenses	60,566	-	-	60,566
Total expenses	\$ 1,414,981	\$ 234,156	\$ 209,163	\$ 1,858,300

See Independent Auditor's Report on Supplementary Information