

TREES ATLANTA, INC.

**Financial Statements
and
Independent Auditors' Report**
Years Ended June 30, 2012 and 2011

Independent Auditors' Report	2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 - 13



HANCOCK ASKEW & CO LLP
ACCOUNTANTS & ADVISORS

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Trees Atlanta, Inc. (the Organization) as of June 30, 2012 and 2011, and the related statements of activities 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012 and 2011, and the results of its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Hancock Askew & Co, LLP

Norcross, Georgia
September 26, 2012

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Trees Atlanta, Inc.

Statements of Financial Position

<i>June 30,</i>	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,986,689	\$ 623,953
Investments, at fair market value	2,292,157	2,295,472
Trade receivables	91,506	68,324
Promises to give, less allowance of \$11,750	300,030	138,152
Prepaid expenses	30,528	24,025
Property and equipment, net	4,377,418	4,494,943
Total assets	\$ 9,078,328	\$ 7,644,869
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 27,670	\$ 13,910
Deferred revenue liability	-	150,465
Deferred tree maintenance liability	562,542	276,176
Total liabilities	590,212	440,551
Net assets		
Unrestricted	4,788,937	4,837,936
Board designated endowment	1,761,816	1,689,250
Board designated reserve	522,697	506,987
Temporarily restricted	1,414,666	170,145
Total net assets	8,488,116	7,204,318
Total liabilities and net assets	\$ 9,078,328	\$ 7,644,869

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

Trees Atlanta, Inc.

Statements of Activities

<i>Years ended June 30,</i>	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Revenue				
Contributions	\$ 335,263	\$ 1,957,893	\$ 2,293,156	\$ 540,978
Contract and maintenance revenue	647,748	-	647,748	825,734
Fundraising revenue	158,945	-	158,945	106,187
Contributed goods and services	109,456	-	109,456	141,079
Rental revenue	18,289	-	18,289	10,153
Investment income	65,097	-	65,097	64,746
Net realized gain on sale of investments	1,956	-	1,956	14,401
Net unrealized loss on investments	(63,769)	-	(63,769)	(31,133)
Net assets released from restrictions	713,372	(713,372)	-	-
Total revenue	1,986,357	1,244,521	3,230,878	1,672,145
Expenses				
Program activities	1,432,674	-	1,432,674	1,172,458
Management and general activities	341,709	-	341,709	388,660
Fundraising activities	172,697	-	172,697	116,929
Total expenses	1,947,080	-	1,947,080	1,678,047
Change in net assets	39,277	1,244,521	1,283,798	(5,902)
Net assets, beginning of year	7,034,173	170,145	7,204,318	7,210,220
Net assets, end of year	\$ 7,073,450	\$ 1,414,666	\$ 8,488,116	\$ 7,204,318

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

Trees Atlanta, Inc.

Statements of Cash Flows

<i>Years ended June 30,</i>	2012	2011
Operating activities		
Change in net assets	\$ 1,283,798	\$ (5,902)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Non-cash donation of property	-	(60,297)
Depreciation	145,836	141,899
Net realized gain on sale of investments	(1,956)	(14,401)
Net unrealized depreciation of investments	63,769	31,133
Changes in assets and liabilities		
Trade receivables	(23,182)	(1,071)
Promises to give	(161,878)	(82,041)
Prepaid expenses	(6,503)	(3,060)
Accounts payable and accrued liabilities	13,760	(11,466)
Deferred revenue liability	(150,465)	150,465
Deferred tree maintenance liability	286,366	(69,631)
Cash provided by operating activities	1,449,545	75,628
Investing activities		
Purchase of investments	(532,640)	(59,784)
Proceeds from sales and maturities of investments	474,142	13,094
Purchase of property and equipment	(28,311)	(37,164)
Cash used for investing activities	(86,809)	(83,854)
Increase (decrease) in cash and cash equivalents	1,362,736	(8,226)
Cash and cash equivalents, beginning of year	623,953	632,179
Cash and cash equivalents, end of year	\$ 1,986,689	\$ 623,953

Supplemental cash flow disclosures – Note 8

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 statement 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.)

Temporarily Restricted (cont.) — During the fiscal year ended June 30, 2012, Trees Atlanta 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 fiscal year ended June 30, 2012, approximately \$486,000 of the funds were utilized for the 2011 Capital Campaign programs and released from Temporarily Restricted Net Assets. In addition, approximately \$400,000 of the 2011 Capital Campaign funds were designated for the future maintenance and care of planted trees and this amount has been recorded in the Deferred Tree Maintenance Liability.

At June 30, 2012 and 2011, the Organization had temporarily restricted net assets of approximately \$1,415,000 and \$170,000, respectively, restricted for use by the Organization’s various campaigns and programs.

Permanently Restricted — Those resources subject to a donor-imposed restriction that will be maintained permanently by the Organization. At June 30, 2012 and 2011, the Organization did not have any permanently restricted 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.

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

Trade Receivables

Trade receivables are recorded at net realizable value and result from contracts to plant trees and other various services by the Organization. All amounts were deemed fully collectible as of June 30, 2012 and 2011, respectively. No allowance was deemed necessary.

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 contributions receivable at year end. Changes in the allowance for uncollectible contributions are charged to the provision for bad debt expense.

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	5 - 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 statement of activities.

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

Deferred Tree Maintenance Liability (cont.)

During the fiscal year ended June 30, 2012, Trees Atlanta 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 are designated for the maintenance of trees planted through the Marcia Bansley Atlanta Canopy and Atlanta BeltLine Arboretum programs. As a result, the Statements of Financial Position reflects the recording of approximately \$400,000 of funds within the Deferred Tree Maintenance Liability during 2012 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, 2012 and 2011, the balance in contributed goods consist 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, 2012 and 2011, the Organization received approximately 13,600 and 12,900 hours of donated tree planting services at an estimated value of approximately \$297,000 and \$262,000, respectively.

Notes to Financial Statements

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

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.

Reclassification

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 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.

3. Promises to Give

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

<i>June 30,</i>	2012	2011
Receivable in less than one year	\$ 190,703	\$ 116,569
Receivable in one to four years	121,077	33,333
Total promises to give	311,780	149,902
Less allowance for uncollectible promises	11,750	11,750
Net promises to give	\$ 300,030	\$ 138,152

4. Investments

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

	2012			2011		
	Cost	Market Value	Unrealized Gain/(Loss)	Cost	Market Value	Unrealized Gain/(Loss)
Cash	\$ 19,078	\$ 19,078	\$ -	\$ 4,734	\$ 4,734	\$ -
Equity securities	427,998	441,158	13,160	434,445	430,190	(4,255)
Government obligations	-	-	-	99,028	99,028	-
Mutual funds	1,908,850	1,831,921	(76,929)	1,788,398	1,761,520	(26,878)
	\$ 2,355,926	\$ 2,292,157	\$ (63,769)	\$ 2,326,605	\$ 2,295,472	\$ (31,133)

Notes to Financial Statements

5. Property and Equipment

Property and equipment consisted of the following:

<i>June 30,</i>	2012	2011
Land	\$ 1,250,000	\$ 1,250,000
Buildings and improvements	3,402,930	3,399,300
Furniture and equipment	131,255	131,255
Computers and software	130,374	126,401
Vehicles	123,352	120,119
Work in process	17,475	-
	5,055,386	5,027,075
Accumulated depreciation	(677,968)	(532,132)
	\$ 4,377,418	\$ 4,494,943

During the year ended June 30, 2011, computers and software in the amount of \$60,000 were donated to the Organization, and are being utilized in business activities. Depreciation expense was approximately \$146,000 and \$142,000 for the years ended June 30, 2012 and 2011, 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 (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.

6. Fair Value of Financial Instruments (cont.)

Valuation Hierarchy (cont.)

The following table sets forth (by level within the fair value hierarchy) the Organization's investment assets at fair value as of June 30, 2012 and 2011. As required by generally accepted accounting principles, 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

<i>June 30, 2012</i>	Level 1	Level 2	Level 3	Total
Cash	\$ 19,078	\$ -	\$ -	\$ 19,078
Equity securities	441,158	-	-	441,158
Government obligations	-	-	-	-
Mutual funds	1,831,921	-	-	1,831,921
Total investments at fair value	\$ 2,292,157	\$ -	\$ -	\$ 2,292,157

Investment Assets at Fair Value

<i>June 30, 2011</i>	Level 1	Level 2	Level 3	Total
Cash	\$ 4,734	\$ -	\$ -	\$ 4,734
Equity securities	430,190	-	-	430,190
Government obligations	99,028	-	-	99,028
Mutual funds	1,761,520	-	-	1,761,520
Total investments at fair value	\$ 2,295,472	\$ -	\$ -	\$ 2,295,472

7. Employee Benefit Plans

The Organization sponsors a 403(b)(7) Retirement Plan, covering substantially all employees meeting certain age and service requirements. The Organization made no contributions for the year ended June 30, 2011. For the year ended June 30, 2012, the Organization made contributions amounting to \$2,516.

- 8. Supplemental Cash Flow and Non-Cash Disclosures** The Organization received a donation of property during the year ended June 30, 2011 fair valued at approximately \$60,000 as discussed in Note 5.
- 9. Subsequent Events** Subsequent events have been evaluated and disclosed through September 26, 2012, the date the financial statements were available to be issued.