

TREES ATLANTA, INC.

**Financial Statements
and
Independent Auditor's Report
Years Ended June 30, 2013 and 2012**

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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 nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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.

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, 2013, 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, 2012 financial statements, and our report dated September 26, 2012, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Respectfully submitted,

Hancock Robins & Co, LLP

Norcross, Georgia
October 11, 2013

Trees Atlanta, Inc.

Statements of Financial Position

<i>June 30,</i>	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,892,095	\$ 1,994,333
Investments, at fair market value	2,459,112	2,284,513
Trade receivables	307,654	91,506
Promises to give, less allowance of \$11,750	127,500	300,030
Prepaid expenses	39,998	30,528
Property and equipment, net	4,260,983	4,377,418
Total assets	\$ 9,087,342	\$ 9,078,328
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 109,375	\$ 27,670
Deferred tree maintenance liability	481,070	562,542
Total liabilities	590,445	590,212
Net assets		
Unrestricted	4,919,520	4,788,937
Board designated endowment-unrestricted	1,939,378	1,761,816
Board designated reserve-unrestricted	519,283	522,697
Temporarily restricted	1,118,716	1,414,666
Total net assets	8,496,897	8,488,116
Total liabilities and net assets	\$ 9,087,342	\$ 9,078,328

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

Trees Atlanta, Inc.

Statements of Activities

<i>Years ended June 30,</i>	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Revenue				
Contributions	\$ 391,267	\$ 809,103	\$ 1,200,370	\$ 2,293,156
Contract and maintenance revenue	719,358	-	719,358	647,748
Fundraising revenue	169,869	-	169,869	158,945
Contributed goods and services	68,506	-	68,506	109,456
Rental revenue	28,387	-	28,387	18,289
Investment income	57,783	-	57,783	65,097
Net realized gain on sale of investments	48,535	-	48,535	1,956
Net unrealized gain (loss) on investments	83,490	-	83,490	(63,769)
Net assets released from restrictions	1,105,053	(1,105,053)	-	-
Total revenue	2,672,248	(295,950)	2,376,298	3,230,878
Expenses				
Program activities	1,859,065	-	1,859,065	1,432,674
Management and general activities	299,053	-	299,053	341,709
Fundraising activities	209,399	-	209,399	172,697
Total expenses	2,367,517	-	2,367,517	1,947,080
Change in net assets	304,731	(295,950)	8,781	1,283,798
Net assets, beginning of year	7,073,450	1,414,666	8,488,116	7,204,318
Net assets, end of year	\$ 7,378,181	\$ 1,118,716	\$ 8,496,897	\$ 8,488,116

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

Trees Atlanta, Inc.

Statements of Cash Flows

<i>Years ended June 30,</i>	2013	2012
Operating activities		
Change in net assets	\$ 8,781	\$ 1,283,798
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	145,060	145,836
Net realized gain on sale of investments	(48,535)	(1,956)
Net unrealized (appreciation) depreciation of investments	(83,490)	63,769
Changes in assets and liabilities		
Trade receivables	(216,148)	(23,182)
Promises to give	172,530	(161,878)
Prepaid expenses	(9,470)	(6,503)
Accounts payable and accrued liabilities	81,705	13,760
Deferred revenue liability	-	(150,465)
Deferred tree maintenance liability	(81,472)	286,366
Cash (used in) provided by operating activities	(31,039)	1,449,545
Investing activities		
Purchase of investments	(760,758)	(518,600)
Proceeds from sales and maturities of investments	718,184	467,746
Purchase of property and equipment	(28,625)	(28,311)
Cash used in investing activities	(71,199)	(79,165)
(Decrease) increase in cash and cash equivalents	(102,238)	1,370,380
Cash and cash equivalents, beginning of year	1,994,333	623,953
Cash and cash equivalents, end of year	\$ 1,892,095	\$ 1,994,333

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.)

Temporarily Restricted (cont.) — 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, 2013 and 2012, respectively, approximately \$423,000 and \$486,000 of the funds were utilized for the 2011 Capital Campaign programs and released from temporarily restricted net assets.

At June 30, 2013 and 2012, the Organization had temporarily restricted net assets of approximately \$1,119,000 and \$1,415,000, respectively, restricted for use by the Organization’s various campaigns and programs. The temporarily restricted net assets balance at June 30, 2013 primarily relates to funds received related to the 2011 Capital Campaign.

Permanently Restricted — Those resources subject to a donor-imposed restriction that will be maintained permanently by the Organization. At June 30, 2013 and 2012, 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, 2013 and 2012, 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 statements of activities.

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

Deferred Tree Maintenance Liability (cont.)

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 \$276,000 and \$282,000 of funds are included within the deferred tree maintenance liability for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012, the Organization received approximately 17,900 and 13,600 hours of donated tree planting services at an estimated value of approximately \$397,000 and \$297,000, respectively.

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.

Subsequent Events

Subsequent events have been evaluated and disclosed through October 11, 2013, the date the financial statements were available to be issued.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 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:

<i>June 30,</i>	2013	2012
Receivable in less than one year	\$ 136,083	\$ 190,703
Receivable in one to four years	3,167	121,077
Total promises to give	139,250	311,780
Less allowance for uncollectible promises	11,750	11,750
Net promises to give	\$ 127,500	\$ 300,030

Trees Atlanta, Inc.

Notes to Financial Statements

4. Investments

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

	2013			2012		
	Cost	Market Value	Unrealized Gain/(Loss)	Cost	Market Value	Unrealized Gain/(Loss)
Cash	\$ 8,922	\$ 8,922	\$ -	\$ 11,434	\$ 11,434	\$ -
Equity securities	421,537	493,888	72,351	427,998	441,158	13,160
Mutual funds	2,008,932	1,956,302	(52,630)	1,908,850	1,831,921	(76,929)
	\$ 2,439,391	\$ 2,459,112	\$ 19,721	\$ 2,348,282	\$ 2,284,513	\$ (63,769)

5. Property and Equipment

Property and equipment consisted of the following:

<i>June 30,</i>	2013	2012
Land	\$ 1,250,000	\$ 1,250,000
Buildings and improvements	3,410,930	3,402,930
Furniture and equipment	131,255	131,255
Computers and software	157,896	130,374
Vehicles	133,930	123,352
Work in process	-	17,475
	5,084,011	5,055,386
Accumulated depreciation	(823,028)	(677,968)
	\$ 4,260,983	\$ 4,377,418

Depreciation expense was approximately \$145,000 and \$146,000 for the years ended June 30, 2013 and 2012, 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.

The following tables set forth (by level within the fair value hierarchy) the Organization’s investment assets at fair value as of June 30, 2013 and 2012. 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

<i>June 30, 2013</i>	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

**6. Fair Value of
Financial
Instruments
(cont.)**

Valuation Hierarchy (cont.)

<i>June 30, 2012</i>	Investment Assets at Fair Value				Total
	Level 1	Level 2	Level 3		
Cash	\$ 11,434	\$ -	\$ -	\$ 11,434	
Equity securities	441,158	-	-	441,158	
Mutual funds	1,831,921	-	-	1,831,921	
Total investments at fair value	\$ 2,284,513	\$ -	\$ -	\$ 2,284,513	

**7. 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, 2013 and 2012, the Organization made contributions amounting to \$4,856 and \$2,516, respectively.