TREES ATLANTA, INC.

Financial Statements
and
Independent Auditor’s Report

Years Ended June 30, 2020 and 2019

Trees Atlanta, Inc.

Contents

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, 2020, and the related statements of activities, cash flows and functional expenses 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, 2020, and the changes in its net assets 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, 2019 financial statements, and our report dated October 4, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hancock Askew & Co., LLP

Peachtree Corners, Georgia
October 08, 2020

Trees Atlanta, Inc.

Statements of Financial Position

June 30,		**2020**		2019
ASSETS				
Cash and cash equivalents	**$**	**6,254,761**	$	3,912,347
Investments, at fair market value		**3,673,013**		3,635,385
Trade receivables, less allowance of $5,000 and $5,000		**520,492**		694,960
Promises to give, less allowance of $4,750 and $4,750		**4,099,701**		80,471
Prepaid expenses and other assets		**133,714**		129,601
Property and equipment, net		**7,198,404**		4,017,518
Total assets	**$**	**21,880,085**	$	12,470,282
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	**$**	**284,316**	$	237,316
Deferred tree maintenance liability		**729,513**		711,374
Deferred rent liability		**-**		15,977
Rental deposit liability		**6,038**		13,288
Refundable advance (Note 7)		**254,508**		-
Other liabilities		**17,196**		4,177
Note payable (Note 8)		**3,100,000**		-
Total liabilities		**4,391,571**		982,132
Commitments and contingencies (Note 13)				
Net assets				
Without donor restrictions		**9,302,944**		8,942,058
With donor restrictions		**8,185,570**		2,546,092
Total net assets		**17,488,514**		11,488,150
Total liabilities and net assets	**$**	**21,880,085**	$	12,470,282

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

Trees Atlanta, Inc.

Statements of Activities
(with Summarized Comparative Information for Fiscal 2019)

Years ended June 30,			**2020**	2019
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Revenue				
Contributions	**$ 944,819**	**$ 7,364,633**	**$ 8,309,452**	$ 1,187,332
Contract and maintenance revenue	**1,949,987**	**-**	**1,949,987**	1,848,301
Fundraising revenue	**94,404**	**-**	**94,404**	347,224
Contributed goods and services	**2,100**	**-**	**2,100**	48,752
Rental revenue	**107,528**	**-**	**107,528**	79,148
Education fees	**33,841**	**-**	**33,841**	132,634
Investment income	**73,653**	**-**	**73,653**	136,838
Net realized gain on sale of investments	**7,908**	**-**	**7,908**	5,634
Net unrealized loss on investments	**(23,022)**	**-**	**(23,022)**	(20,658)
Other income	**19,842**	**-**	**19,842**	-
Net assets released from restrictions	**1,725,155**	**(1,725,155)**	**-**	-
Total revenue	**4,936,215**	**5,639,478**	**10,575,693**	3,765,205
Expenses				
Program activities	**3,711,876**	**-**	**3,711,876**	3,699,714
General and administrative activities	**586,199**	**-**	**586,199**	397,185
Fundraising activities	**277,254**	**-**	**277,254**	317,063
Total expenses	**4,575,329**	**-**	**4,575,329**	4,413,962
Change in net assets	**360,886**	**5,639,478**	**6,000,364**	(648,757)
Net assets, beginning of year	**8,942,058**	**2,546,092**	**11,488,150**	12,136,907
Net assets, end of year	**$ 9,302,944**	**$ 8,185,570**	**$ 17,488,514**	$ 11,488,150

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

Trees Atlanta, Inc.

Statements of Cash Flows

June 30,		**2020**		2019
Operating activities				
Change in net assets	**$**	**6,000,364**	$	(648,757)
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation expense		**221,378**		168,740
Bad debt expense		**9,140**		796
Net realized gain on sale of investments		**(7,908)**		(5,634)
Net unrealized loss on investments		**23,022**		20,658
Changes in assets and liabilities				
Trade receivables		**165,328**		761,591
Promises to give		**(4,019,230)**		41,752
Prepaid expenses and other assets		**(4,113)**		(54,944)
Accounts payable and accrued liabilities		**47,000**		(55,901)
Deferred tree maintenance liability		**18,139**		24,509
Deferred rent liability		**(15,977)**		(11,340)
Rental deposit liability		**(7,250)**		13,288
Refundable advance		**254,508**		-
Other liabilities		**13,019**		(971)
Cash provided by operating activities		**2,697,420**		253,787
Financing activity				
Proceeds from note payable		**3,100,000**		**-**
Cash provided by financing activity		**3,100,000**		**-**
Investing activities				
Purchases of investments		**(119,719)**		(895,368)
Proceeds from sales and maturities of investments		**54,290**		692,661
Purchases of property and equipment		**(3,402,264)**		(211,313)
Cash used in investing activities		**(3,467,693)**		(414,020)
Increase (decrease) in cash and cash equivalents		**2,329,727**		(160,233)
Cash and cash equivalents, beginning of year		**3,925,034**		4,072,580
Cash and cash equivalents, end of year	**$**	**6,254,761**	$	3,912,347

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

Trees Atlanta, Inc.

Statements of Functional Expenses
(with Summarized Comparative Information for Fiscal 2019)

Years ended June 30,				**2020**	2019
	General and Administrative	**Program**	**Fundraising**	**Total**	Total
Salaries & wages	**$ 176,757**	**$ 1,689,007**	**$ 98,198**	**$ 1,963,962**	$ 1,931,609
Plant material expenses	**-**	**564,928**	**32,636**	**597,564**	597,711
Contractor expense	**-**	**418,654**	**-**	**418,654**	386,387
Insurance	**24,442**	**227,021**	**4,371**	**255,834**	221,708
Depreciation expense	**41,428**	**169,365**	**10,585**	**221,378**	168,740
Facility expenses	**32,584**	**158,364**	**-**	**190,948**	192,212
Payroll taxes & fees	**31,214**	**139,720**	**7,799**	**178,733**	169,485
Equipment & supplies	**7,340**	**147,688**	**-**	**155,028**	157,161
Professional fees	**104,785**	**27,148**	**508**	**132,441**	127,212
Interest expense	**96,927**	**-**	**-**	**96,927**	-
Campaign fundraising	**-**	**-**	**87,929**	**87,929**	13,762
Vehicle expense	**-**	**61,778**	**-**	**61,778**	52,646
IT support	**20,025**	**26,293**	**-**	**46,318**	50,258
Organizational expenses	**17,004**	**8,662**	**10,181**	**35,847**	58,104
Marketing	**6,237**	**22,920**	**1,516**	**30,673**	62,008
Travel expenses	**4,579**	**19,978**	**650**	**25,207**	32,119
Retirement plan	**1,014**	**16,988**	**1,525**	**19,527**	16,364
Accounting fees	**12,723**	**5,452**	**-**	**18,175**	16,500
Finance charges	**-**	**-**	**17,791**	**17,791**	14,909
Bad debt expense	**9,140**	**-**	**-**	**9,140**	796
Re-grant distributions	**-**	**5,810**	**-**	**5,810**	16,263
Special events	**-**	**-**	**3,565**	**3,565**	79,256
In-kind	**-**	**2,100**	**-**	**2,100**	48,752
Total expenses	**$ 586,199**	**$ 3,711,876**	**$ 277,254**	**$ 4,575,329**	$ 4,413,962

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 or Trees Atlanta) is a not-for profit organization that protects and improves Atlanta's urban forest by planting trees, conserving forests and educating youth and adults.

The Organization began in 1985, by planting 46 trees in downtown Atlanta and has since planted and cared for over 140,000 trees across metro Atlanta. The Organization plants and maintains the majority of trees with the assistance of community and corporate volunteers, creating the dual benefit of greater operating efficiency and a more involved and educated public. Volunteers also assist with the restoration of greenspaces that have been overrun by invasive plants, helping to return those areas to native landscapes and providing improved public access.

Trees Atlanta has made a concerted effort in recent years to expand educational programming for both youth and adults. The Organization aims to help Atlanta's citizens understand the benefits that the tree canopy provides and deliver the tools needed to protect and enhance the urban forest in their own backyards and neighborhoods.

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, 2019, 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. Expenses common to several functions that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Depreciation	Building allocation

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

Net Asset Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, dated August 18, 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board may designate assets without restrictions for specific operations purposes from time to time. 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 net assets without donor restrictions. The Board of Directors can release these designations at its discretion. Additionally, donor-restricted resources, whose restrictions are met in the same reporting period that they are received, are also included in net asset without donor restriction.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2020 and 2019, the Organization did not have any funds to be maintained in perpetuity.

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 net assets without donor restrictions.

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 and presented net of related expenses on the statements of activities.

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.

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, 2020 and 2019 was $5,000.

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, 2020 and 2019 was $4,750.

Property and Equipment

The Organization capitalizes all property and equipment with a cost of $2,000 or greater if purchased, and a fair value of $2,000 or greater at the date of donation if received as a contribution. 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 - 5 years
Vehicles	5 - 10 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. As of June 30, 2020 and 2019, the short-term portion of the deferred tree maintenance liability balance was $400,207 and $422,341, respectively, and the long-term portion was $329,306 and $289,033, respectively.

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

Contributions

Contributions are reported as net assets with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported as an increase in net assets without donor restrictions.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis in fiscal 2020. As a result, there was no cumulative effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard, as amended, supersedes existing revenue recognition guidance and applies to all entities that enter into contracts to provide goods or services to customers, requiring them to account for revenue from contracts with customers under a single five-step model. The new standard became effective for the Organization on July 1, 2019, and was applied to open contracts as of that date using the modified retrospective approach. There was no material impact to the financial statements as a result of the new standard.

The majority of the Organization’s revenues are grants, investment income, donations and contributions, which are not included in the scope of ASC 606. Contributions and sponsorships are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contract revenues, rental income, and educational fees are accounted for as exchange transactions which are included under the scope of ASC 606. The performance obligations for the Organization related to contract revenues include the obligation to plant trees and other plants or remove invasives, as well as the obligation to perform follow-up maintenance visits to ensure the establishment of the plantings. Contracts for these services are typically paid for up front by the customer. The contract price is allocated to the performance obligations based on the Organization’s budgeted cost of the plantings and time required for maintenance. Revenue related to the planting of trees and other plants or to remove invasives, is recognized at a point in time when the plantings are completed. Revenue related to maintenance on the plantings is recognized over time based on the scheduled maintenance visits. Fees received for maintenance visits to occur in future years are deferred until the maintenance services are performed.

Rental revenue is recognized at a point in time when the Organization satisfies the performance obligation to allow the customer access to their property. Similarly, revenue from educational programs is recognized at a point in time when the performance obligation to host a class or summer camp is satisfied. All of the Organization’s contracts with customers define the fees for their services and there is no variable consideration.

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

Revenue Recognition (cont.)

Contract liabilities are related to deferred revenues. The Organization may receive advance payments for maintenance, event rentals, or educational programs which result in deferred revenue (contract liabilities) on the statements of financial position. Deferred revenues represent consideration received from the patron prior to the satisfaction of the related performance obligation. Deferred revenue is relieved when revenue is recognized, or the service has been completed.

Contributed Goods and Services

Contributed goods are recorded at fair market value at the date of the contribution. At June 30, 2020, the balance in contributed goods consists of a tree donation. At June 20, 2019, 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, 2020 and 2019, the Organization received approximately 31,000 and 39,000 hours of donated tree planting services at an estimated value of approximately $805,000 and $986,000, respectively.

Subsequent Events

Subsequent events have been evaluated and disclosed through October 08, 2020, 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 amounts that exceeded FDIC insured limits as of June 30, 2020 and 2019, was approximately $5,760,000 and $3,390,000, respectively.

3. Promises to Give

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

June 30,	**2020**	2019
Receivable in less than one year	**$ 3,729,517**	$ 83,721
Receivable in one to four years	**374,934**	1,500
Total promises to give	**4,104,451**	85,221
Less allowance for uncollectible promises	**4,750**	4,750
Net promises to give	**$ 4,099,701**	$ 80,471

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:

	2020			2019		
	Cost	**Market Value**	**Unrealized Gain/(Loss)**	Cost	Market Value	Unrealized Gain/(Loss)
Cash	**$ 36,729**	**$ 36,729**	**$ -**	$ 55,964	$ 55,964	$ -
Equity securities	**3,659,306**	**3,636,284**	**(23,022)**	3,600,079	3,579,421	(20,658)
	$ 3,696,035	**$ 3,673,013**	**$ (23,022)**	$ 3,656,043	$ 3,635,385	$ (20,658)

Investment income is comprised of interest and dividends of $73,653 and $136,838, and is shown net of external and direct internal investment expenses in the amount of $18,624 and $16,588, for the years ended June 30, 2020 and 2019, respectively.

Refer to Note 6 for investment fair value hierarchy.

5. Property and Equipment

Property and equipment consisted of the following:

June 30,	**2020**	2019
Land	**$ 1,250,000**	$ 1,250,000
Buildings and improvements	**6,714,772**	3,680,099
Furniture and equipment	**153,350**	153,350
Computers and software	**284,253**	274,440
Vehicles	**440,510**	342,844
Construction in progress	**260,112**	-
	9,102,997	5,700,733
Accumulated depreciation	**(1,904,593)**	(1,683,215)
	$ 7,198,404	$ 4,017,518

Depreciation expense amounted to $221,378 and $168,740 in 2020 and 2019, 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, 2020 and 2019. 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.

June 30, 2020		**Level 1**		**Level 2**		**Level 3**		**Total**
Cash	**$**	**36,729**	**$**	**-**	**$**	**-**	**$**	**36,729**
Equity securities		**3,636,284**		**-**		**-**		**3,636,284**
Total investments at fair value	**$**	**3,673,013**	**$**	**-**	**$**	**-**	**$**	**3,673,013**

June 30, 2019		Level 1		Level 2		Level 3		Total
Cash	$	55,964	$	-	$	-	$	55,964
Equity securities		3,579,421		-		-		3,579,421
Total investments at fair value	$	3,635,385	$	-	$	-	$	3,635,385

7. Refundable Advance

The Organization entered into a Paycheck Protection Promissory Note with Renasant Bank on April 17, 2020, in the amount of $436,300. The loan has a 1% interest rate and is due on April 17, 2022. Additionally, the loan was made under and is subject to the terms and conditions of the Paycheck Protection Program which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The Organization intends to seek forgiveness for this loan and has considered it a conditional promise to give following guidance from FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition. Accordingly, the receipt of cash has been accounted for as unearned revenue (presented as refundable advance) on the statements of financial position until the conditions (including incurring eligible expenses, limitations on reductions to compensation and meeting certain full-time equivalent (FTE) headcount requirements) have been substantially met. The Organization has elected to use a 24-week period as recommended by the SBA to spread the release of the liability into revenue. As of June 30, 2020, $254,508 of the refundable advance remains on the statements of financial position with $181,792 released into revenue.

8. Note Payable

On July 16, 2019, the Organization entered into a note payable in the amount of $3,100,000 with Renasant Bank. The note has a fixed interest rate of 3.35% and is due on July 16, 2021. These funds were used to secure the property that will be the future headquarters of the Organization. The full note balance was outstanding at June 30, 2020, to assist with liquidity for building construction costs. The Organization intends to repay or refinance the note by the due date, dependent upon the timing of pledge payments and construction invoicing. For the year ended June 30, 2020, the Organization incurred interest expenses related to this note in the amount of $96,927, which also approximates interest paid for the fiscal year.

9. Net Assets with Donor Restrictions

During the year ended June 30, 2020, the Organization launched a capital campaign (the 2020 Capital Campaign) to raise funds related to the construction of their new headquarters and to expand tree planting efforts. As of June 30, 2020, the 2020 Capital Campaign had raised approximately $6,800,000 million in funds which are included in net assets with donor restrictions. These funds will be released as they are utilized over the next several years.

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. The 2014 Capital Campaign raised approximately $5,000,000 million in funds. The funds raised through the 2014 Capital Campaign are being utilized over several years and are recorded in net assets with donor restrictions. During the years ended June 30, 2020 and 2019, approximately $994,000 and $766,000, respectively, of the funds were utilized for 2014 Capital Campaign programs and released from net assets with donor restrictions.

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 $2,000,000 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 are being utilized over several years and are recorded in net assets with donor restrictions. During the years ended June 30, 2020 and 2019, approximately $16,000 and $3,000, respectively, of the funds were utilized for 2011 Capital Campaign programs and released from net assets with donor restrictions.

At June 30, 2020 and 2019, the Organization had net assets with donor restrictions of approximately $8,186,000 and $2,546,000, respectively, restricted for use by the Organization's various campaigns and programs.

10. Board-Designated Funds

Board-designated funds are included in net assets without donor restrictions and consist of the board-designated endowment and board designated operating reserve 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 amount of board-designated endowment funds for the years ended June 30, 2020 and 2019, were approximately $3,150,000 and $3,103,000, respectively.

10. Board-Designated Funds (cont.)

The board-designated reserve consists of liquid securities designated for use in the event of cash shortfalls and is made up of excess operating reserves held in investment and money market accounts. The reserve ensures the stability of the mission, programs, employment, and ongoing operations of the Organization and is intended to provide an internal source of funds for situations, such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The amount of board-designated reserve funds for the years ended June 30, 2020 and 2019 was approximately $523,000 and $520,000, respectively.

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 no greater than 3% of the total Endowment market value in a given calendar year. During the years ended June 30, 2020 and 2019, 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.

11. Liquidity

The Organization has financial assets for use within one year from the statement of financial position totaling $10,500,020, which includes capital campaign funds of $5,059,398 limited as stated in Note 9, operating cash of $1,195,363 and receivables of $4,245,259.

The Organization has highly liquid investments in a reserve account designated by the Board in the amount of approximately $523,035. In addition, the Board has designated funds held in an endowment for the long-term success of the Organization totaling $3,150,131 at June 30, 2020. These funds may be used in the event of financial distress or an immediate liquidity need resulting from events outside of the Organization’s routine course of business. The Board allows distributions from the endowment up to 3% of the total market value of the funds within a calendar year. This equates to approximately $95,000 for use within one year of June 30, 2020. During the years ended June 30, 2020 and 2019, all investment income and gains were reinvested into the endowment.

12. 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, 2020 and 2019, the Organization made contributions amounting to $19,527 and $16,364, respectively.

13. Commitment and Contingencies

The Organization leases office space under an operating lease that was originally set to expire in August 2020. Rental expense included in the statements of activities was $62,270 and $62,966 for the years ended June 30, 2020 and 2019, respectively. The Organization terminated the lease early on April 30, 2020, forfeiting their security deposit in the amount of $5,309.

On August 1, 2017, the Organization entered into a license agreement with the Atlanta Development Authority through its designated special agent, Atlanta Beltline, Inc. to use a portion of real property located in the City of Atlanta. The Organization utilizes this property as a storage site for materials and equipment and to park vehicles. In return, the Organization agreed to make improvements to the building located on the property. The Organization capitalized construction costs totaling $171,239 associated with these improvements and began depreciating these costs when construction was completed in February 2019. Depreciation will continue until the license expires on July 31, 2023. The property, building, and improvements remain the property of the Licensor.

14. Significant Contributors

For the years ended June 30, 2020 and 2019, the Organization received 58% and 36%, respectively, of its revenue from its two largest contributors that are greater than 10 percent individually. In addition, three customer receivable balances represented 57% of total trade receivables as of June 30, 2020. As of June 30, 2019, two customer receivable balances represented 79% of total trade receivables. Additionally, as of June 30, 2020, two donor receivable balances represented 37% and 49% of total promises to give. As of June 30, 2019, one donor receivable balances represented 68% of total promises to give.

15. COVID-19 Considerations

In December 2019, a novel strain of coronavirus (COVID-19) surfaced and was officially declared a global pandemic by the World Health Organization on March 11, 2020. The virus has had significant impacts on the economy globally. As a result, the Organization has been impacted materially by the societal changes required in order to effectively combat COVID-19.

In response to the pandemic, the Organization has made accommodations to continue operating and fulfill its mission. The Organization adopted and trained the staff on new health and safety protocols and social distancing and later re-engaged with volunteers with small group and individual projects. In addition, the Organization cancelled both the annual spring fundraising event and youth summer camp. It is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, operations, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.