TREES ATLANTA, INC.

Consolidated Financial Statements
and
Independent Auditor's Report

Years Ended June 30, 2022 and 2021

Trees Atlanta, Inc.

Contents

HANCOCK ASKEW & CO LLP
ACCOUNTANTS & ADVISORS

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Trees Atlanta, Inc. (the Organization) (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Trees Atlanta, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Trees Atlanta, Inc. June 30, 2021 financial statements, and our report, dated October 21, 2021, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statements presented on pages 21 - 22, are presented for purposes of additional analysis and are not part of the consolidated 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Statements on pages 21 - 22 are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hancock Askew & Co, LLP

Peachtree Corners, Georgia
October 15, 2022

Trees Atlanta, Inc.

Consolidated Statements of Financial Position

June 30,		**2022**		2021
ASSETS				
Cash and cash equivalents	**$**	**11,140,152**	$	6,095,594
Investments, at fair market value		**3,830,820**		4,370,053
Trade receivables, less allowance of $5,000		**1,357,785**		427,663
Promises to give, less allowance of $4,750		**1,027,518**		5,683,037
Note receivable (Note 10)		**12,126,800**		-
Prepaid expenses and other assets		**123,098**		118,658
Property and equipment, net		**9,701,225**		4,280,979
Assets held for sale (Note 6)		**-**		3,381,606
Total assets	**$**	**39,307,398**	$	24,357,590
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	**$**	**1,292,799**	$	742,489
Deferred tree maintenance liability		**696,179**		529,348
Deferred revenue		**76,971**		100,218
Loans payable (Note 11)		**16,578,528**		3,100,000
Total liabilities		**18,644,477**		4,472,055
Commitments and contingencies (Note 16)				
Net assets				
Without donor restrictions		**18,537,611**		10,852,392
With donor restrictions		**2,125,310**		9,033,143
Total net assets		**20,662,921**		19,885,535
Total liabilities and net assets	**$**	**39,307,398**	$	24,357,590

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

Trees Atlanta, Inc.

Consolidated Statements of Activities
(with Summarized Comparative Information for Fiscal 2021)

Years ended June 30,	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue				
Contributions	$ 939,033	$ 2,261,152	$ 3,200,185	$ 3,904,540
Contract and maintenance revenue	3,411,315	-	3,411,315	1,910,737
Fundraising revenue	459,678	-	459,678	309,290
Contributed goods and services	51,508	-	51,508	91,403
Rental revenue	56,954	-	56,954	12,105
Education fees	111,346	-	111,346	58,861
Investment income, net	38,128	-	38,128	37,999
Net realized gain on sale of investments	109,860	-	109,860	44,234
Net unrealized (loss) gain on investments	(561,897)	-	(561,897)	736,889
Gain on sale of asset	755,394	-	755,394	-
Net assets released from restrictions	9,168,985	(9,168,985)	-	-
Total revenue	14,540,304	(6,907,833)	7,632,471	7,106,058
Expenses				
Program activities	5,767,615	-	5,767,615	3,775,575
General and administrative activities	687,724	-	687,724	561,825
Fundraising activities	399,746	-	399,746	371,637
Total expenses	6,855,085	-	6,855,085	4,709,037
Change in net assets	7,685,219	(6,907,833)	777,386	2,397,021
Net assets, beginning of year	10,852,392	9,033,143	19,885,535	17,488,514
Net assets, end of year	$ 18,537,611	$ 2,125,310	$ 20,662,921	$ 19,885,535

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

Trees Atlanta, Inc.

Consolidated Statements of Cash Flows

June 30,	**2022**	2021
Operating activities		
Change in net assets	**$ 777,386**	$ 2,397,021
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	**110,048**	193,811
Bad debt expense	**2,769**	92
Net realized gain on sale of property	**(755,394)**	-
Net realized gain on sale of investments	**(109,860)**	(44,234)
Net unrealized (gain) loss on investments	**561,897**	(736,889)
Changes in assets and liabilities		
Trade receivables	**(932,891)**	92,737
Promises to give	**4,655,519**	(1,583,336)
Prepaid expenses and other assets	**(4,440)**	15,056
Accounts payable and accrued liabilities	**550,310**	458,173
Deferred tree maintenance liability	**166,831**	(200,165)
Deferred rent liability	**(23,247)**	83,022
Rental deposit liability	**-**	(6,038)
Refundable advance	**-**	(254,508)
Cash provided by operating activities	**4,998,928**	414,742
Financing activities		
Repayments on notes payable	**(8,568,573)**	-
Proceeds from notes payable	**22,047,101**	-
Cash provided by financing activities	**13,478,528**	-
Investing activities		
Purchases of investments	**(408,946)**	(52,197)
Proceeds from sales and maturities of investments	**496,142**	136,280
Purchases of property and equipment	**(5,530,294)**	(657,992)
Disposal of property and equipment	**4,137,000**	-
Issuance of note receivable	**(12,126,800)**	-
Cash used in investing activities	**(13,432,898)**	(573,909)
Increase (decrease) in cash and cash equivalents	**5,044,558**	(159,167)
Cash and cash equivalents, beginning of year	**6,095,594**	6,254,761
Cash and cash equivalents, end of year	**$ 11,140,152**	$ 6,095,594
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 37,177**	$ -

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

Trees Atlanta, Inc.

Consolidated Statements of Functional Expenses
(with Summarized Comparative Information for Fiscal 2021)

Years ended June 30,				**2022**	2021
	General and Administrative	**Program**	**Fundraising**	**Total**	Total
Salaries & wages	**$ 272,331**	**$ 2,079,622**	**$ 123,787**	**$ 2,475,740**	$ 1,977,431
Plant material expenses	**-**	**1,154,309**	**54,184**	**1,208,493**	544,664
Contractor expense	**-**	**779,404**	**-**	**779,404**	198,378
Re-grant Distributions	**-**	**421,603**	**-**	**421,603**	396,580
Insurance	**28,687**	**260,647**	**2,610**	**291,944**	304,221
Facility expenses	**25,140**	**237,133**	**-**	**262,273**	101,093
Payroll taxes & fees	**33,293**	**160,375**	**9,213**	**202,881**	162,532
Equipment & supplies	**4,997**	**193,341**	**-**	**198,338**	150,905
Building sale closing expenses	**-**	**150,704**	**-**	**150,704**	-
Interest expense	**137,204**	**-**	**-**	**137,204**	105,292
Professional fees	**100,147**	**25,894**	**2,500**	**128,541**	93,934
Depreciation expense	**23,662**	**81,304**	**5,082**	**110,048**	193,811
Vehicle expense	**-**	**101,442**	**-**	**101,442**	68,216
Special events	**-**	**-**	**91,093**	**91,093**	26,588
It support	**29,098**	**25,234**	**-**	**54,332**	51,856
In-kind	**-**	**-**	**51,508**	**51,508**	91,403
Organizational expenses	**8,076**	**10,944**	**25,889**	**44,909**	45,620
Travel expenses	**1,248**	**39,328**	**81**	**40,657**	15,155
Finance charges	**-**	**-**	**30,054**	**30,054**	18,714
Marketing	**4,833**	**20,631**	**-**	**25,464**	19,257
Retirement plan	**2,102**	**19,641**	**1,053**	**22,796**	17,833
Accounting fees	**14,137**	**6,059**	**-**	**20,196**	21,185
Bad debt expense	**2,769**	**-**	**-**	**2,769**	92
Campaign fundraising	**-**	**-**	**2,692**	**2,692**	104,277
Total expenses	**$ 687,724**	**$ 5,767,615**	**$ 399,746**	**$ 6,855,085**	$ 4,709,037

The accompanying notes are an integral part of these consolidated 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 156,000 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.

Trees Atlanta Support Organization, Inc. (the Support Organization) was formed on October 21, 2021 for the purpose of facilitating a New Markets Tax Credit transaction (Note 9).

The Organization qualifies as a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Consolidation Policy

The accompanying consolidated financial statements include the accounts of Trees Atlanta, Inc. and Trees Atlanta Support Organization, Inc. All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Basis of Presentation

The accompanying consolidated 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 consolidated 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, 2021, from which the summarized information was derived.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

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

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

Net Asset Presentation

The consolidated 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 consolidated 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 consolidated 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, 2022 and 2021, 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.

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

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 consolidated 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.

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, 2022 and 2021 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, 2022 and 2021 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.

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

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 consolidated statements of activities. As of June 30, 2022 and 2021, the short-term portion of the deferred tree maintenance liability balance was $423,223 and $353,529, respectively, and the long-term portion was $272,956 and $175,819, respectively.

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.

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.

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 consolidated 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. The balance in deferred revenue was $76,971 and $100,218 as of June 30, 2022 and 2021, respectively.

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

Contributed Goods and Services

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. Contributed goods and services are recorded at fair market value at the date of the contribution. Items are valued at fair market value for that the Organization would have paid for them. At June 30, 2022, the balance in contributed goods and services consists primarily of silent auction items. At June 30, 2021, the balance in contributed goods consists primarily of donated silent auction items and real estate related legal work performed for the Organization

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 consolidated financial statements since it does not require a specialized skill. During the years ended June 30, 2022 and 2021, the Organization received approximately 38,000 and 22,000 hours of donated tree planting services at an estimated value of approximately $1,042,000 and $596,000, respectively.

Subsequent Events

Subsequent events have been evaluated and disclosed through October 15, 2022, the date the consolidated 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, 2022 and 2021, was approximately $10,400,000 and $5,520,000, respectively.

3. Promises to Give

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

June 30,		**2022**		2021
Receivable in less than one year	**$**	**774,935**	$	5,489,344
Receivable in one to four years		**257,333**		198,443
Total promises to give		**1,032,268**		5,687,787
Less allowance for uncollectible promises		**4,750**		4,750
Net promises to give	**$**	**1,027,518**	$	5,683,037

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 consolidated financial statements.

4. Investments

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

	2022			2021		
	Cost	**Market Value**	**Unrealized Gain/(Loss)**	Cost	Market Value	Unrealized Gain/(Loss)
Cash	**$ 43,450**	**$ 43,450**	**$ -**	$ 223,856	$ 223,856	$ -
Equity securities	**4,349,267**	**3,787,370**	**(561,897)**	3,409,308	4,146,197	736,889
	$ 4,392,717	**$ 3,830,820**	**$ (561,897)**	$ 3,633,164	$ 4,370,053	$ 736,889

Investment income is comprised of interest and dividends of $38,128 and $37,999, and is shown net of external and direct internal investment expenses in the amount of $23,303 and $15,390, for the years ended June 30, 2022 and 2021, respectively.

Refer to Note 7 for investment fair value hierarchy.

5. Property and Equipment

Property and equipment consisted of the following:

June 30,	**2022**	2021
Land	**$ 580,278**	$ -
Buildings and improvements	**3,205,912**	3,066,744
Furniture and equipment	**14,182**	153,350
Computers and software	**284,253**	284,253
Vehicles	**571,347**	440,510
Construction in progress	**5,737,283**	918,104
	10,393,255	4,862,961
Accumulated depreciation	**(692,030)**	(581,982)
	$ 9,701,225	$ 4,280,979

Depreciation expense amounted to $110,048 and $193,811 in 2022 and 2021, respectively.

6. Assets Held for Sale

Assets held for sale were as follows:

June 30,	**2022**	2021
Land	**$ -**	$ 1,250,000
Buildings and improvements	**-**	3,648,028
	-	4,898,028
Accumulated depreciation	**-**	(1,516,422)
	$ -	$ 3,381,606

6. Assets Held for Sale (cont.)

The Organization is currently constructing a new building to be used as its headquarters. The building used as their previous headquarters was listed for sale on April 23, 2021. Accordingly, the building, improvements, and associated land has been included in assets held for sale on the statement of financial position as of June 30, 2021. The building sold on October 21, 2021 for $4,137,000. The proceeds were used to repay the bridge loan and interest, various closing fees, and prepay 6 months of rent. As construction of the new headquarters is not yet complete, the Organization entered into a lease agreement with the buyer to allow them to remain in the space until the new building is ready.

7. 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, 2022 and 2021. 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, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 43,450**	**$ -**	**$ -**	**$ 43,450**
Equity securities	**3,787,370**	**-**	**-**	**3,787,370**
Total investments at fair value	**$ 3,830,820**	**$ -**	**$ -**	**$ 3,830,820**

June 30, 2021	Level 1	Level 2	Level 3	Total
Cash	$ 223,856	$ -	$ -	$ 223,856
Equity securities	4,146,197	-	-	4,146,197
Total investments at fair value	$ 4,370,053	$ -	$ -	$ 4,370,053

8. 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 had a 1% interest rate and was 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 considered this loan to be a conditional promise to give following guidance from FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition. Accordingly, the receipt of cash was accounted for as unearned revenue (presented as refundable advance) on the consolidated 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) were substantially met. The Organization 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, 2022 and 2021, the refundable advance balance was $0. The remaining amount of $254,508 was released into revenue during the year ended June 30, 2021, as the Organization received forgiveness of the loan from the SBA in fiscal 2021.

9. New Markets Tax Credit Transaction

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to attract investment capital to low-income communities by permitting investors to receive tax credit incentives in exchange for making equity investments in certified Community Development Entities (CDEs). Under this program, certain commercial banks and other investors are able to subsidize eligible projects that meet the NMTC Program requirements. The Organization's new facility is located within a census tract that is eligible for the NMTC Program. In order to benefit under the NMTC Program, in fiscal year 2022, the Organization entered into a series of agreements and transactions with two CDEs and Chase NMTC Trees Investment Fund, Inc. (Investment Fund) affiliated with a commercial bank.

The Organization formed the Trees Atlanta Support Organization, Inc. to facilitate the transaction, by issuance of a $12,126,800 note receivable (see Note 10) to the Investment Fund. A portion of the funds loaned were financed by two bridge loans with commercial banks in the amounts of $1,700,000 and $4,107,101 as discussed in Note 11. Also, see Note 11 for a note payable to the CDEs totaling $16,240,000.

10. Note Receivable

On December 8, 2021 the Organization executed a $12,126,800 note receivable with the Investment Fund as part of the NMTC transaction (see Note 9). The note receivable, including all accrued interest, is due in full on December 1, 2054. The note requires interest only payments for the initial seven-year period. The note then amortizes over the remaining 25 years. Interest accrues at 1.338% per annum. The first interest payment will commence on December 10, 2022. At June 30, 2022 the balance of the note receivable was $12,126,800.

11. Loans Payable

On July 16, 2019, the Organization entered into a note payable in the amount of $3,100,000 with Renasant Bank. The note had a fixed interest rate of 3.35% and was due on July 16, 2021. These funds were used to secure the property that will be the future headquarters of the Organization. The note was extended twice through November 16, 2021. This note was repaid using funds received from the sale of the headquarters on October 21, 2021 (see Note 6). Repayment included accrued interest in the amount of $10,097. As of June 30, 2022, the outstanding balance was $0.

On December 8, 2021, the Organization entered into a short-term bridge loan with JP Morgan in the amount of $4,107,101. The note was due on December 9, 2021 and had a default interest rate of 8.5%. This loan was used to fund the Organization's portion of the NMTC Program. The loan was repaid on December 8, 2021 using funds received by the Trees Atlanta Support Organization from the CDEs as described below. As of June 30, 2022, the outstanding balance was $0.

11. Loans Payable (cont.)

On December 8, 2021, the Organization entered into a bridge loan with Georgia Banking Company in the amount of $1,700,000. The note has a fixed interest rate of 2.27% and is due on November 30, 2024. This loan was used to fund the Organization's portion of the NMTC Program. As of June 30, 2022, the outstanding balance was $338,528.

On December 8, 2021, the Trees Atlanta Support Organization received loans amounting to $16,240,000 through the NMTC transaction. The notes which are due on December 1, 2061, require interest only payments for the initial seven-year period. The notes then amortize over the remaining 33 years. The notes bear interest at 1 % per annum. At June 30, 2022 the outstanding balance was $16,240,000.

12. Net Assets with Donor Restrictions

During the year ended June 30, 2021, 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, 2022, the 2020 Capital Campaign had raised approximately $10,000,000 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, 2022 and 2021, approximately $280,000 and $576,000, 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, 2022 and 2021, approximately $50,000 and $68,000, respectively, of the funds were utilized for 2011 Capital Campaign programs and released from net assets with donor restrictions.

At June 30, 2022 and 2021, the Organization had net assets with donor restrictions of approximately $2,125,000 and $9,033,000, respectively, restricted for use by the Organization's various campaigns and programs.

13. 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, 2022 and 2021, were approximately $3,349,000 and $3,865,000, respectively.

13. 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, 2022 and 2021 was approximately $482,000 and $505,000, 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 year ended June 30, 2022, the Board approved a distribution of 3% from the Endowment per the policy, and the proceeds were contributed to the new building construction funds. During the year ended June 30, 2021, the Board approved a distribution of 3% from the Endowment per the policy, and the proceeds were contributed to the new building construction funds. 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.

14. Liquidity

The Organization has financial assets for use within one year from the consolidated statement of financial position totaling $13,268,122, which includes capital campaign funds of $1,666,784 limited as stated in Note 12, operating cash of $9,473,368 and receivables of $2,127,970.

The Organization has highly liquid investments in a reserve account designated by the Board in the amount of approximately $481,941. In addition, the Board has designated funds held in an endowment for the long-term success of the Organization totaling $3,348,879 at June 30, 2022. 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. The Board could approve a distribution of approximately $100,000 for use within one year of June 30, 2022. During the year ended June 30, 2022, a 3% distribution was made from the endowment and remaining investment income and gains were reinvested into the endowment.

15. 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, 2022 and 2021, the Organization made contributions amounting to $22,796 and $17,833, respectively.

16. Commitment and Contingencies

The Organization leased office space under an operating lease to stay in the building sold until construction is complete. The lease commenced on October 21, 2021 and expires on November 30, 2022. Rental expense included in the consolidated statements of activities was $86,459 for the year ended June 30, 2022. Future minimum lease payments under this lease are expected to be $52,084 in fiscal year 2023.

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.

17. Significant Contributors

For the years ended June 30, 2022 and 2021, the Organization received 36% and 28%, respectively, of its revenue from its two largest contributors that are greater than 10 percent individually. In addition, two customer receivable balances represented 84% and 70% of total trade receivables as of June 30, 2022 and June 30, 2021, respectively. Additionally, as of June 30, 2022, two donor balances represented 61% of total promises to give. As of June 30, 2021, three donor receivable balances represented 78% of total promises to give.

18. 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. 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 2023.

SUPPLEMENTAL SCHEDULES

Trees Atlanta, Inc.

Consolidating Statement of Financial Position

June 30, 2022	Trees Atlanta	Trees Atlanta Support Organization	Consolidated Total
ASSETS			
Cash and cash equivalents	$ 2,974,614	$ 8,165,538	$ 11,140,152
Investments, at fair market value	3,830,820	-	3,830,820
Trade receivables, less allowance of $5,000	1,357,785	-	1,357,785
Promises to give, less allowance of $4,750	1,027,518	-	1,027,518
Note receivable	12,126,800	-	12,126,800
Prepaid expenses and other assets	616,297	(493,199)	123,098
Property and equipment, net	348,854	9,352,371	9,701,225
Total assets	$ 22,282,688	$ 17,024,710	$ 39,307,398
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	$ 417,081	$ 875,718	$ 1,292,799
Deferred tree maintenance liability	696,179	-	696,179
Deferred revenue	76,971	-	76,971
Loans payable (Note 11)	338,528	16,240,000	16,578,528
Total liabilities	1,528,759	17,115,718	18,644,477
Commitments and contingencies (Note 16)			
Net assets			
Without donor restrictions	18,628,619	(91,008)	18,537,611
With donor restrictions	2,125,310	-	2,125,310
Total net assets	20,753,929	(91,008)	20,662,921
Total liabilities and net assets	$ 22,282,688	$ 17,024,710	$ 39,307,398

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

Trees Atlanta, Inc.

Consolidating Statement of Activities

Year ended June 30,			2022
	Trees Atlanta	**Trees Atlanta Support Organization**	**Consolidated Total**
Revenue			
Contributions	$ 3,200,185	$ -	$ 3,200,185
Contract and maintenance revenue	3,411,315	-	3,411,315
Fundraising revenue	459,678	-	459,678
Contributed goods and services	51,508	-	51,508
Rental revenue	56,954	-	56,954
Education fees	111,346	-	111,346
Investment income, net	38,128	-	38,128
Net realized gain on sale of investments	109,860	-	109,860
Net unrealized loss on investments	(561,897)	-	(561,897)
Gain on sale of asset	755,394	-	755,394
Total revenue	7,632,471	-	7,632,471
Expenses			
Program activities	5,767,615	-	5,767,615
General and administrative activities	596,716	91,008	687,724
Fundraising activities	399,746	-	399,746
Total expenses	6,764,077	91,008	6,855,085
Change in net assets	868,394	(91,008)	777,386
Net assets, beginning of year	19,885,535	-	19,885,535
Net assets, end of year	$ 20,753,929	$ (91,008)	$ 20,662,921

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