TREES ATLANTA, INC.

Consolidated Financial Statements
and
Independent Auditor's Report

Years Ended June 30, 2023 and 2022

Trees Atlanta, Inc.

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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, 2023, 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, 2023, 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, 2022 consolidated financial statements, and our report, dated October 15, 2022, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated 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 22 - 23, 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 22 - 23 are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hancock Askew & Co, LLP

Peachtree Corners, Georgia
November 01, 2023

Trees Atlanta, Inc.

Consolidated Statements of Financial Position

June 30,		2023		2022
ASSETS				
Cash and cash equivalents	**$**	**3,677,436**	$	11,364,214
Investments, at fair market value		**3,916,744**		3,606,758
Trade receivables, less allowance of $5,000		**1,926,478**		1,357,785
Promises to give, less allowance of $4,750		**414,899**		1,022,912
Refund receivable - employee retention credit		**206,602**		-
Note receivable (Note 8)		**12,126,800**		12,126,800
Prepaid expenses and other assets		**158,054**		129,904
Property and equipment, net		**17,573,328**		9,701,225
Total assets	**$**	**40,000,341**	$	39,309,598
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	**$**	**576,731**	$	1,292,799
Deferred tree maintenance liability		**492,924**		696,179
Rental deposit liability		**11,700**		2,200
Deferred revenue		**40,740**		76,971
Loans payable (Note 9)		**16,240,000**		16,578,528
Total liabilities		**17,362,095**		18,646,677
Commitments and contingencies (Note 14)				
Net assets				
Without donor restrictions		**21,213,886**		18,537,611
With donor restrictions		**1,424,360**		2,125,310
Total net assets		**22,638,246**		20,662,921
Total liabilities and net assets	**$**	**40,000,341**	$	39,309,598

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 2022)

Years ended June 30,	**Without Donor Restrictions**	**With Donor Restrictions**	**2023 Total**	2022 Total
Revenue				
Contributions	**$ 1,151,380**	**$ 1,898,777**	**$ 3,050,157**	$ 3,200,185
Contract and maintenance revenue	**3,667,305**	**-**	**3,667,305**	3,411,315
Fundraising revenue	**405,695**	**-**	**405,695**	459,678
Contributed goods and services	**671,822**	**-**	**671,822**	51,508
Rental revenue	**111,437**	**-**	**111,437**	56,954
Education fees	**109,503**	**-**	**109,503**	111,346
Investment income, net	**104,400**	**-**	**104,400**	38,128
Net realized gain on sale of investments	**12,965**	**-**	**12,965**	109,860
Net unrealized gain (loss) on investments	**244,514**	**-**	**244,514**	(561,897)
Gain on sale of asset	**-**	**-**	**-**	755,394
Interest income	**159,054**	**-**	**159,054**	-
Employee retention credit income	**474,646**	**-**	**474,646**	-
Net assets released from restrictions	**2,599,727**	**(2,599,727)**	**-**	-
Total revenue	**9,712,448**	**(700,950)**	**9,011,498**	7,632,471
Expenses				
Program activities	**5,911,188**	**-**	**5,911,188**	5,767,615
General and administrative activities	**798,278**	**-**	**798,278**	687,724
Fundraising activities	**326,707**	**-**	**326,707**	399,746
Total expenses	**7,036,173**	**-**	**7,036,173**	6,855,085
Change in net assets	**2,676,275**	**(700,950)**	**1,975,325**	777,386
Net assets, beginning of year	**18,537,611**	**2,125,310**	**20,662,921**	19,885,535
Net assets, end of year	**$ 21,213,886**	**$ 1,424,360**	**$ 22,638,246**	$ 20,662,921

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

Consolidated Statements of Cash Flows

June 30,		**2023**		2022
Operating activities				
Change in net assets	**$**	**1,975,325**	$	777,386
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation expense		**297,739**		110,048
Bad debt expense		**25,000**		2,769
Net realized gain on sale of property		**-**		(755,394)
Net realized gain on sale of investments		**(12,965)**		(109,860)
Net unrealized (gain) loss on investments		**(244,514)**		561,897
Contributed nonfinancial assets		**(647,599)**		-
Changes in assets and liabilities				
Trade receivables		**(593,693)**		(932,891)
Promises to give		**608,013**		4,655,519
Employee retention credit refund receivable		**(206,602)**		-
Prepaid expenses and other assets		**(28,150)**		(4,440)
Accounts payable and accrued liabilities		**(716,068)**		550,310
Deferred tree maintenance liability		**(203,255)**		166,831
Deferred rent liability		**(36,231)**		(23,247)
Rental deposit liability		**9,500**		-
Cash provided by operating activities		**226,500**		4,998,928
Financing activities				
Repayments on notes payable		**(338,528)**		(8,568,573)
Proceeds from notes payable		**-**		22,047,101
Cash (used in) provided by financing activities		**(338,528)**		13,478,528
Investing activities				
Purchases of investments		**(63,014)**		(296,915)
Proceeds from sales and maturities of investments		**10,507**		608,173
Purchases of property and equipment		**(7,522,243)**		(5,530,294)
Disposal of property and equipment		**-**		4,137,000
Issuance of note receivable		**-**		(12,126,800)
Cash used in investing activities		**(7,574,750)**		(13,208,836)
(Decrease) increase in cash and cash equivalents		**(7,686,778)**		5,268,620
Cash and cash equivalents, beginning of year		**11,364,214**		6,095,594
Cash and cash equivalents, end of year	**$**	**3,677,436**	$	11,364,214
Supplemental disclosure of cash flow information				
Cash paid for interest	**$**	**160,793**	$	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 2022)

Years ended June 30,				**2023**	2022
	General and Administrative	**Program**	**Fundraising**	**Total**	Total
Salaries & wages	**$ 203,267**	**$ 2,584,390**	**$ 116,152**	**$ 2,903,809**	$ 2,475,740
Plant material expenses	**-**	**950,021**	**35,768**	**985,789**	1,208,493
Contractor expense	**-**	**714,405**	**-**	**714,405**	779,404
Facility expenses	**42,920**	**321,076**	**-**	**363,996**	262,273
Insurance	**32,018**	**299,603**	**2,586**	**334,207**	291,944
Depreciation expense	**44,629**	**238,234**	**14,876**	**297,739**	110,048
Payroll taxes & fees	**36,813**	**216,421**	**8,935**	**262,169**	202,881
Equipment & supplies	**4,313**	**201,874**	**-**	**206,187**	198,338
Professional fees	**155,364**	**26,230**	**-**	**181,594**	128,541
Interest expense	**158,422**	**-**	**-**	**158,422**	137,204
Vehicle expense	**-**	**138,968**	**-**	**138,968**	101,442
Special events	**-**	**-**	**91,129**	**91,129**	91,093
IT support	**38,951**	**35,227**	**-**	**74,178**	54,332
Accounting fees	**48,619**	**20,837**	**-**	**69,456**	20,196
Travel expenses	**7,057**	**59,296**	**-**	**66,353**	40,657
Organizational expenses	**12,920**	**25,059**	**10,848**	**48,827**	44,909
Marketing	**10,756**	**25,277**	**323**	**36,356**	25,464
In-kind	**-**	**2,387**	**24,223**	**26,610**	51,508
Bad debt expense	**-**	**25,000**	**-**	**25,000**	2,769
Retirement plan	**2,229**	**20,883**	**1,114**	**24,226**	22,796
Finance charges	**-**	**-**	**20,753**	**20,753**	30,054
Re-grant distributions	**-**	**6,000**	**-**	**6,000**	421,603
Building sale closing expenses	**-**	**-**	**-**	**-**	150,704
Campaign fundraising	**-**	**-**	**-**	**-**	2,692
Total expenses	**$ 798,278**	**$ 5,911,188**	**$ 326,707**	**$ 7,036,173**	$ 6,855,085

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 164,000 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 7).

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, 2022, from which the summarized information was derived.

Reclassifications

Certain amounts have been reclassified from the prior year presentation to conform to the current year presentation.

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, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022, the short-term portion of the deferred tree maintenance liability balance was $221,021 and $423,223, respectively, and the long-term portion was $271,903 and $272,956, 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 $40,740 and $76,971 as of June 30, 2023 and 2022, 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 what the Organization would have paid for them. At June 30, 2023, the balance in contributed goods and services consists primarily of donated building materials. At June 30, 2022, 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, 2023 and 2022, the Organization received approximately 43,000 and 38,000 hours of donated tree planting services at an estimated value of approximately $1,261,895 and $1,042,000, respectively.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840*, *Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842;* ASU 2018-10, *Codification Improvements to Topic 842, Leases;* ASU 2018-11, *Leases (Topic 842): Targeted Improvements;* ASU 2018-20, *Narrow-scope Improvements for Lessors;* ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Organization adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. The Organization has elected to apply the short-term lease exception to all leases with an initial term of 12 months or less. Short-term leases are not recorded on the balance sheet. As all of the Organization's leases in which it was a lessee ended within 12 months of adoption, Topic 842 did not have a material impact on the Organization.

Subsequent Events

Subsequent events have been evaluated and disclosed through November 01, 2023, 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, 2023 and 2022, was approximately $3,000,000 and $10,400,000, respectively.

3. Promises to Give

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

June 30,		**2023**		2022
Receivable in less than one year	**$**	**286,949**	$	774,935
Receivable in one to four years		**132,700**		252,727
Total promises to give		**419,649**		1,027,662
Less allowance for uncollectible promises		**4,750**		4,750
Net promises to give	**$**	**414,899**	$	1,022,912

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:

	2023			2022		
	Cost	**Market Value**	**Unrealized Gain/(Loss)**	Cost	Market Value	Unrealized Gain/(Loss)
Cash	**$ 64,219**	**$ 64,219**	**$ -**	$ 43,450	$ 43,450	$ -
Money market	**180,612**	**180,612**	**-**	180,612	180,612	-
Mutual funds	**1,323,277**	**1,225,390**	**(97,887)**	-	-	-
ETF	**459,464**	**438,032**	**(21,432)**	-	-	-
Equity securities	**1,889,489**	**2,253,322**	**363,833**	4,168,655	3,606,758	(561,897)
	$ 3,917,061	**$ 4,161,575**	**$ 244,514**	$ 4,392,717	$ 3,830,820	$ (561,897)

Investment income is comprised of interest and dividends of $104,400 and $38,128, and is shown net of external and direct internal investment expenses in the amount of $20,210 and $23,303, for the years ended June 30, 2023 and 2022, respectively.

Refer to Note 6 for investment fair value hierarchy.

5. Property and Equipment

Property and equipment consisted of the following:

June 30,	**2023**	2022
Land	**$ 3,034,673**	$ 3,034,673
Buildings and improvements	**13,459,694**	751,517
Furniture and equipment	**1,113,764**	14,182
Computers and software	**284,253**	284,253
Vehicles	**670,713**	571,347
Construction in progress	**-**	5,737,283
	18,563,097	10,393,255
Accumulated depreciation	**(989,769)**	(692,030)
	$ 17,573,328	$ 9,701,225

Depreciation expense amounted to $297,739 and $110,048 in 2023 and 2022, respectively.

The Organization's building, used as their previous headquarters, was listed for sale on April 23, 2021. The building sold on October 21, 2021 for $4,137,000 resulting in a gain of $755,394 on the consolidated statements of activities for the year ended June 30, 2022. The proceeds were used to repay the bridge loan and interest, various closing fees, and prepay 6 months of rent. Construction of the new headquarters was completed in the current year and depreciation began on February 6, 2023, the date of occupancy. The Organization received contributed non-financial assets related to construction of the new headquarters in the amount of $647,599. These assets have been capitalized and depreciated based on their estimated useful lives.

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, 2023 and 2022. 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.

6. Fair Value of Financial Instruments (cont.)

June 30, 2023		**Level 1**		**Level 2**		**Level 3**		**Total**
Cash	**$**	**64,219**	**$**	**-**	**$**	**-**	**$**	**64,219**
Money market		**180,612**						**180,612**
Mutual funds		**1,225,390**						**1,225,390**
ETF		**438,032**						**438,032**
Equity securities		**2,253,322**		**-**		**-**		**2,253,322**
Total investments at fair value	**$**	**4,161,575**	**$**	**-**	**$**	**-**	**$**	**4,161,575**

June 30, 2022		Level 1		Level 2		Level 3		Total
Cash	$	43,450	$	-	$	-	$	43,450
Mutual funds		180,612		-		-		180,612
Equity securities		3,606,758		-		-		3,606,758
Total investments at fair value	$	3,830,820	$	-	$	-	$	3,830,820

7. 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 8) 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 9. Also, see Note 9 for a note payable to the CDEs totaling $16,240,000.

8. 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 7). 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 received commenced on December 10, 2022. For the year ended, June 30, 2023, interest income in the amount of $159,054 is included on the consolidated statements of activities. At June 30, 2023 and 2022, the balance of the note receivable was $12,126,800.

9. 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 is now the 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 5). Repayment included accrued interest in the amount of $10,097. As of June 30, 2023 and 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, 2023 and 2022, the outstanding balance was $0.

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. The loan was repaid during 2023. As of June 30, 2023, the outstanding balance was $0.

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, 2023 and 2022, the outstanding balance was $16,240,000.

10. 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 $11,300,000 million in funds with approximately $2,000,000 for the Tree Fund 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, 2023 and 2022, approximately $180,000 and $280,000, 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, 2023 and 2022, approximately $12,000 and $50,000, respectively, of the funds were utilized for 2011 Capital Campaign programs and released from net assets with donor restrictions.

At June 30, 2023 and 2022, the Organization had net assets with donor restrictions of approximately $1,424,000 and $2,125,000, respectively, restricted for use by the Organization’s various campaigns and programs.

11. 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, 2023 and 2022, were approximately $3,678,000 and $3,349,000, respectively.

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, 2023 and 2022 was approximately $483,000 and $482,000, 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. 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.

12. Liquidity

The Organization has financial assets for use within one year from the consolidated statement of financial position totaling $6,092,168 which includes capital campaign funds of $1,316,958 limited as stated in Note 10, operating cash of $1,650,673, non-operating cash of $709,805, and receivables of $2,414,732.

The Organization has highly liquid investments in a reserve account designated by the Board in the amount of approximately $483,145. In addition, the Board has designated funds held in an endowment for the long-term success of the Organization totaling $3,678,430 at June 30, 2023. 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 $110,000 for use within one year of June 30, 2023.

13. 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, 2023 and 2022, the Organization made contributions amounting to $24,226 and $22,796, respectively.

14. Commitment and Contingencies

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.

15. Leases

The Organization leased office space under an operating lease to stay in their old building until construction was complete on their new building. The lease commenced on October 21, 2021 with an initial expiration of November 30, 2022 and was extended until January 31, 2023. Rental expense included in the consolidated statements of activities was $62,499 and $86,459 for the year ended June 30, 2023 and 2022, respectively. We note that the Organization did not have any outstanding leases in which the Organization is the lessee as of June 30, 2023.

The Organization leases office space in their new headquarters to various tenants. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC Topic 842, a contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Organization reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed. The building leases are operating lease agreements with terms of five years. The Organization's lease agreements do not provide for variable rentals payments. Certain of the lease agreements provide early termination options with 90-day notice. Total rental income on the consolidated statements of activities for the year ended June 30, 2023 was $111,437. This includes various short-term event rentals in the amount of $44,270 and operating lease income in the amount of $67,167. Cash receipts from operating leases are classified within cash flows from operating activities. The carrying value of the building related to operating leases as of June 30, 2023 was $12,729,874.

The following is an analysis of the maturity of the undiscounted operating lease payments:

2024	$	130,320
2025		146,751
2026		151,107
2027		155,569
2028		73,994
Total	$	657,741

16. Significant Contributors

For the years ended June 30, 2023 and 2022, the Organization received 30% and 36%, respectively, of its revenue from its two largest contributors that are greater than 10 percent individually. In addition, two customer receivable balances represented 60% and 84% of total trade receivables as of June 30, 2023 and June 30, 2022, respectively. Additionally, as of June 30, 2023, three donor balances represented 74% of total promises to give. As of June 30, 2022, two donor receivable balances represented 61% of total promises to give.

17. Employee Retention Credit

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA). The ARPA includes several provisions, such as measures that extend and expand the employee retention credit, previously enacted under the CARES Act, through December 31, 2021. For the year ended June 30, 2023, the Organization recorded two employee retention credits in the amounts of $206,602 related to the tax period ended December 31, 2020, and $268,044 related to the tax period ended March 31, 2021. Management believed collection was probable as the conditions in order to receive the refund were met. This credit was recorded as an employee retention credit refund receivable on the consolidated statements of financial position and as employee retention credit income on the consolidated statements of activities at June 30, 2023. As of June 30, 2023, $206,602 of the receivable balance was still outstanding. This balance was received subsequent to fiscal year end in 2024.

SUPPLEMENTAL SCHEDULES

Trees Atlanta, Inc.

Consolidating Statement of Financial Position

June 30, 2023	Trees Atlanta	Trees Atlanta Support Organization	Consolidated Total
ASSETS			
Cash and cash equivalents	$ **3,074,163**	$ **603,273**	$ **3,677,436**
Investments, at fair market value	**3,916,744**	**-**	**3,916,744**
Trade receivables, less allowance of $5,000	**1,926,478**	**-**	**1,926,478**
Promises to give, less allowance of $4,750	**414,899**	**-**	**414,899**
Refund receivable - employee retention credit	**206,602**	**-**	**206,602**
Note receivable (Note 8)	**12,126,800**	**-**	**12,126,800**
Prepaid expenses and other assets	**622,233**	**(464,179)**	**158,054**
Property and equipment, net	**1,835,298**	**15,738,030**	**17,573,328**
Total assets	$ **24,123,217**	$ **15,877,124**	$ **40,000,341**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	$ **481,993**	$ **94,738**	$ **576,731**
Deferred tree maintenance liability	**492,924**	**-**	**492,924**
Rental deposit liability	**11,700**	**-**	**11,700**
Deferred revenue	**40,740**	**-**	**40,740**
Loans payable (Note 9)	**-**	**16,240,000**	**16,240,000**
Total liabilities	**1,027,357**	**16,334,738**	**17,362,095**
Commitments and contingencies (Note 14)			
Net assets (deficit)			
Without donor restrictions	**21,671,500**	**(457,614)**	**21,213,886**
With donor restrictions	**1,424,360**	**-**	**1,424,360**
Total net assets (deficit)	**23,095,860**	**(457,614)**	**22,638,246**
Total liabilities and net assets	$ **24,123,217**	$ **15,877,124**	$ **40,000,341**

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

Trees Atlanta, Inc.

Consolidating Statement of Activities

Year ended June 30,						**2023**
		Trees Atlanta		**Trees Atlanta Support Organization**		**Consolidated Total**
Revenue						
Contributions	$	**3,050,157**	$	**-**	$	**3,050,157**
Contract and maintenance revenue		**3,667,305**		**-**		**3,667,305**
Fundraising revenue		**405,695**		**-**		**405,695**
Contributed goods and services		**671,822**		**-**		**671,822**
Rental revenue		**111,437**		**-**		**111,437**
Education fees		**109,503**		**-**		**109,503**
Investment income, net		**104,400**		**-**		**104,400**
Net realized gain on sale of investments		**12,965**		**-**		**12,965**
Net unrealized gain on investments		**244,514**		**-**		**244,514**
Interest income		**159,054**		**-**		**159,054**
Employee retention credit income		**474,646**		**-**		**474,646**
Total revenue		**9,011,498**		**-**		**9,011,498**
Expenses						
Program activities		**5,803,947**		**107,241**		**5,911,188**
General and administrative activities		**545,602**		**252,676**		**798,278**
Fundraising activities		**320,018**		**6,689**		**326,707**
Total expenses		**6,669,567**		**366,606**		**7,036,173**
Change in net assets		**2,341,931**		**(366,606)**		**1,975,325**
Net assets (deficit), beginning of year		**20,753,929**		**(91,008)**		**20,662,921**
Net assets (deficit), end of year	**$**	**23,095,860**	**$**	**(457,614)**	**$**	**22,638,246**

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