

**TREES FOR LIFE, INC.**

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**Accountants' Report  
Financial Statements**

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**December 31, 2016 and 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Trees for Life, Inc.

We have audited the accompanying financial statements of Trees for Life, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Trees for Life, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wichita, Kansas  
September 13, 2017

*Larson & Company P.A.*

TREES FOR LIFE, INC.  
 Statements of Financial Position  
 December 31, 2016 and 2015

		<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$	45,652	59,685
Inventory		6,359	6,359
Total current assets		52,011	66,044
Property and Equipment, at cost			
Automobiles		-	29,516
Office Equipment		483,206	483,206
Software		88,254	94,009
Allowance for depreciation		(566,625)	(601,436)
Total property and equipment		4,835	5,295
Other Assets			
Restricted long-term investments (notes 2)		202,855	203,918
Edowment fund		584,050	659,912
Other Investments (note 2)		52,405	65,627
Intangibles, net of amortization		5,833	5,833
Total other assets		845,143	935,290
Total assets	\$	901,989	1,006,629
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable	\$	800	1,904
Accrued payroll tax		3,797	4,550
Total liabilities		4,597	6,454
Net assets:			
Unrestricted		648,630	764,832
Temporarily restricted (note 4)		243,762	230,343
Permanantly restricted (note 4)		5,000	5,000
Total net assets		897,392	1,000,175
Total liabilities and net assets	\$	901,989	1,006,629

TREES FOR LIFE, INC.  
 Statements of Activities  
 Years Ended December 31, 2016 and 2015

	2016			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
<b>Revenue</b>				
Contributions	\$ 161,750	-	-	161,750
In-kind contributions	82,957	-	-	82,957
Interest income ( note 2)	17,521	7,555	-	25,076
Gain from disposition of assets	1,725	-	-	1,725
Gain on investments ( note 2)	20,834	6,382	-	27,216
<b>Total revenue</b>	<b>284,787</b>	<b>13,937</b>	<b>-</b>	<b>298,724</b>
<b>Expenses:</b>				
<b>Program services:</b>				
World program	319,288	-	-	319,288
<b>Supporting services:</b>				
General and administrative	65,775	-	-	65,775
Fund raising	16,444	-	-	16,444
<b>Total expenses</b>	<b>401,507</b>	<b>-</b>	<b>-</b>	<b>401,507</b>
<b>Net assets released from restrictions</b>	<b>518</b>	<b>(518)</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(116,202)</b>	<b>13,419</b>	<b>-</b>	<b>(102,783)</b>
<b>Net assets, beginning of year</b>	<b>764,832</b>	<b>230,343</b>	<b>5,000</b>	<b>1,000,175</b>
<b>Net assets, end of year</b>	<b>\$ 648,630</b>	<b>243,762</b>	<b>5,000</b>	<b>897,392</b>

See accompanying notes to financial statements.

TREES FOR LIFE, INC.  
 Statements of Activities  
 Years Ended December 31, 2016 and 2015

	2015			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
<b>Revenue</b>				
Contributions	\$ 270,169	-	-	270,169
In-kind contributions	85,894	-	-	85,894
Interest income ( note 2)	18,170	10,228	-	28,398
Gain on sale of asset	-	-	-	-
Gain (loss) on investments ( note 2)	(56,019)	2,295	-	(53,724)
<b>Total revenue</b>	<u>318,214</u>	<u>12,523</u>	<u>-</u>	<u>330,737</u>
<b>Expenses:</b>				
<b>Program services:</b>				
World program	379,767	-	-	379,767
<b>Supporting services:</b>				
General and administrative	71,632	-	-	71,632
Fund raising	39,543	-	-	39,543
<b>Total expenses</b>	<u>490,942</u>	<u>-</u>	<u>-</u>	<u>490,942</u>
Net assets released from restrictions	113,952	(113,952)	-	-
<b>Change in net assets</b>	<u>(58,776)</u>	<u>(101,429)</u>	<u>-</u>	<u>(160,205)</u>
Net assets, beginning of year	823,608	331,772	5,000	1,160,380
Net assets, end of year	<u>\$ 764,832</u>	<u>230,343</u>	<u>5,000.00</u>	<u>1,000,175</u>

See accompanying notes to financial statements.

TREES FOR LIFE, INC.  
Statement of Functional Expenses  
Year Ended December 31, 2016

	Program Services	Supporting Services		Total
	World Program	General and Administrative	Fund Raising	
Automobile	\$ 518	138	35	691
Bank and Brokerage Fees	2,638	703	176	3,517
Conferences and Meeting	4,007	1,068	267	5,342
Contract Labor	57,137	-	-	57,137
Depreciation and Amortization	1,640	437	109	2,186
Dues and Subscriptions	438	117	29	584
Insurance - Employee Health	5,528	1,474	369	7,370
Insurance	3,056	815	204	4,075
Office supplies	807	215	54	1,076
Professional Fees	6,038	1,610	403	8,051
Postage	1,027	274	68	1,369
Printing	2,996	799	200	3,994
Rent Expense	56,440	15,051	3,763	75,253
Repairs and Maintenance	484	129	32	645
Retirement Plan Contributions (note 5)	2,837	756	189	3,782
Salaries	130,664	34,844	8,711	174,219
Software	6,365	1,697	424	8,487
Supplies	1,165	311	78	1,553
Taxes - Payroll	10,103	2,694	674	13,470
Telephone	3,179	848	212	4,239
Transfers to Other countries	15,492	-	-	15,492
Utilities	6,731	1,795	449	8,975
<b>Total</b>	<b>\$ 319,288</b>	<b>65,775</b>	<b>16,444</b>	<b>401,507</b>

See accompanying notes to financial statements.

TREES FOR LIFE, INC.  
Statement of Functional Expenses  
Year Ended December 31, 2015

	Program Services	Supporting Services		Total
	World Program	General and Administrative	Fund Raising	
Advertising & Media	\$ 82	82	-	164
Automobile	(36)	(36)	(36)	(108)
Bank and Brokerage Fees	-	3,990	-	3,990
Conferences and Meeting	2,800	959	162	3,921
Contract Labor	53,750	-	-	53,750
Depreciation and Amortization	8,054	1,397	1,505	10,956
Insurance	1,518	1,518	1,518	4,554
Insurance - Employee Health	5,306	5,129	387	10,822
Miscellaneous	(100)	48	-	(52)
Office supplies	218	766	283	1,267
Professional Fees	5,534	8,217	1,702	15,453
Postage and Shipping	1,480	539	1,370	3,389
Printing and Publications	295	3,114	2,308	5,717
Rent Expense	75,244	-	-	75,244
Repairs and Maintenance	524	524	524	1,572
Retirement Plan Contributions (note 5)	-	-	4,134	4,134
Salaries	141,877	30,888	13,167	185,932
Software	3,384	2,177	-	5,561
Supplies	172	3,246	54	3,472
Taxes - Payroll	10,651	3,244	1,005	14,900
Telephone	1,429	1,429	7,045	9,903
Transfers to Other Countries	57,231	-	-	57,231
Travel	26	-	-	26
Utilities	4,401	4,401	4,401	13,203
Volunteer Expenses	5,927	-	14	5,941
	<u>\$ 379,767</u>	<u>71,632</u>	<u>39,543</u>	<u>490,942</u>



TREES FOR LIFE, INC.  
 Statements of Cash Flows  
 Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (102,783)	(160,205)
Depreciation	2,186	64
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gain on sale of asset	(1,725)	-
Capital loss (gain) from sale of investments (note 2)	(16,324)	-
Unrealized (gain) loss on investments (note 2)	(10,894)	19,612
Accounts payable and accrued payroll taxes	(1,857)	(1,120)
Net cash used in operating activities	<u>(131,397)</u>	<u>(141,649)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	8,271
Other investments, net	-	370,425
Reinvested earnings on investments, net of expenses	(22,636)	-
Distributions from endowment fund in excess of contributions	105,000	-
Distributions from other investments in excess of contributions	35,000	-
Purchase of restricted long-term investments	-	(249,424)
Net cash from investing activities	<u>117,364</u>	<u>129,272</u>
Net decrease in cash and cash equivalents	<u>(14,033)</u>	<u>(12,377)</u>
Cash and cash equivalents, beginning of year	<u>59,685</u>	<u>72,062</u>
Cash and cash equivalents, end of year	<u>\$ 45,652</u>	<u>59,685</u>

See accompanying notes to financial statements.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2016 and 2015

(1) **Nature of Activities and Significant Accounting Policies**

This summary of significant accounting policies of Trees for Life, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

(a) **Organization and Business Activities**

Trees for Life, Inc. was incorporated on March 15, 1984 in the state of Kansas as a not-for-profit organization. It is a people-to-people grassroots movement that empowers people by demonstrating that in helping each other, we can unleash extraordinary power that impacts our lives. This movement started by enabling people around the world to plant fruit trees in developing countries. The movement has now matured to where the Organization provides a platform for people of various disciplines to work on long-term fundamental solutions to problems in the areas of education, health and environment.

(b) **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(c) **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standards Codification 958-205, "Not-for-Profit Entities-Presentation of Financial Statements." Under FASB ASC 958-205-05-6, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The definitions of the three classes are as follows:

*Unrestricted net assets* – Net assets that are not subject to grantor or donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the Organization to use all or part of the assets for general or specific purposes.

(d) **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers cash in demand deposit accounts and certificates of deposit to be cash equivalents.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2016 and 2015

**(1) Nature of Activities and Significant Accounting Policies (continued)**

**(e) Inventory**

Inventory consisting of Spanish language books are stated at contributed value. Cost was determined as the fair value at the date of contribution.

**(f) Property and Equipment**

Property and equipment, capitalized at cost if purchased or fair market value if contributed, are depreciated over their estimated useful lives. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expenses as incurred.

Office furniture and equipment are being depreciated using the straight-line method over 5 years. Software is being depreciated using the straight-line method over 3 years. Depreciation expense for the years ended December 31, 2016 and 2015 was \$2,186 and \$10,956, respectively.

**(g) Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as an increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**(h) Transfers to Other Countries**

Costs associated with the support of other entities are recognized in the accompanying financial statements as world programs. In 2016, transfers totaling \$7,340 were made to Tisma and \$8,152 were made in support of various other world programs. In 2015, Transfers totaling \$19,858 were made in support of Books for Life International and \$31,614 were made in support of various other world programs.

**(i) Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. Temporarily restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**(j) In-Kind Contributions**

In-kind contribution consists of donated materials, donated services and donated facility. Donated materials are valued at their fair value at the date of receipt. Donated services are measured at their fair value as determined by the board.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2016 and 2015

(1) **Nature of Activities and Significant Accounting Policies (continued)**

(j) **In-Kind Contributions (continued)**

Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: (1) the service requires specialized skills, (2) the service is provided by individuals who possess these skills, and (3) the service would typically need to be purchased if not donated.

Total contributed materials, services and facilities recognized in the financial statements for 2016 and 2015 were \$82,957 and \$85,894, respectively. These amounts are reported as in-kind contributions in the statement of activities.

(k) **Fundraising**

The Organization does certain fundraising events each year. Revenues generated from these events are recorded as unrestricted revenues and support. The related costs are recorded as fundraising expenses.

(l) **Functional Allocation of Expenses**

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) **Income Tax Status**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income from unrelated business activities. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Return of Organization Exempt from Income Tax (Form 990) is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress.

(n) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(2) **Investments**

The Organization has invested monies with the Greater Wichita Community Foundation (the Foundation) to establish the Trees for Life Endowment Fund and is entitled to an annual distribution of earnings based on the Foundation's spending policy. The Organization may request a distribution of principal and income in excess of the annual distribution subject to the approval of the Foundation.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2016 and 2015

(2) **Investments (continued)**

The Organization has also invested in equities with Baird. The investments are presented in the financial statements at fair value using Level 1 fair value measures (quoted prices in active markets).

As of December 31, 2016, and 2015, investments consisted of the following:

	<u>2016</u>	<u>2015</u>
Trees for Life Endowment Fund:		
Mutual funds	\$ 584,050	659,912
Baird:		
Seghal funds account	202,855	203,918
Investment account	<u>52,405</u>	<u>65,627</u>
Total investments	\$ <u>839,310</u>	<u>725,539</u>

The following schedule summarizes the investment return of all investments for the years ended December 31, 2016 and 2015, respectively. Income from the Seghal funds account are temporarily restricted.

	<u>2016</u>	<u>2015</u>
Interest, dividends and realized gain (losses) gains	\$ 41,398	(5,714)
Unrealized gains (losses)	10,894	(19,612)
Management fees	<u>(2,423)</u>	<u>(3,990)</u>
Total investment return	\$ <u>49,869</u>	<u>(29,316)</u>

(3) **Fair Value Measurements**

Financial Accounting Standards Board ASC No. 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC No. 820 are described as follows:

Level 1 – Inputs are based upon unadjusted quoted prices for identical assets traded in active markets. Examples include common stocks, publicly traded mutual funds, corporate bonds and U.S. government securities.

Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, or model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset. Examples include restricted common stocks, non-publicly traded mutual funds, collective investment trusts and pooled separate accounts.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2016 and 2015

**(3) Fair Value Measurements (continued)**

Level 3 – Inputs are both unobservable and significant to the fair value measurement. Assets are not actively traded and require significant professional judgment in determining the fair value. Examples include guaranteed investment contracts with insurance companies and real estate investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2016 and 2015.

*Cash:* Valued at account balance held by the Organization at year end.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Organization at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments held by the Organization as of and during the years ended December 31, 2016 and 2015 were Level 1 investments.

**(4) Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Guatemala	\$ (4,187)	(4,187)
Books for Life	-	154,626
India	85,636	79,904
Teach for Life	<u>162,313</u>	<u>-</u>
Total temporarily restricted net assets	\$ <u>243,762</u>	<u>230,343</u>

Permanently restricted net assets as of December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Tisma sponsorship	\$ <u>5,000</u>	<u>5,000</u>

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2016 and 2015

(5) **Retirement Plan**

The Organization sponsors a SIMPLE IRA plan for its employees. The Organization makes a matching contribution up to 3% of the employee's compensation, provided that the employee contributes an equal or greater amount. Total contributions to the plan were \$3,782 and \$4,134 for the years ended December 31, 2016 and 2015, respectively.

(6) **Concentration of Risk**

The Organization maintains one bank account with one financial institution whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. There was no excess amount over the FDIC limit as of December 31, 2016 or 2015.

(7) **Subsequent Events**

Management has evaluated subsequent events through September 13 2017, the date which the financial statements were available to be issued, and determined that no events have occurred subsequent to December 31, 2016 that would require adjustment to, or disclosure in, the financial statements.