

**TREES FOR LIFE, INC.**

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**Accountants' Report  
Financial Statements**

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**December 31, 2017 and 2016**

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**LARSON  
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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, 2017 and 2016, 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, 2017 and 2016, 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  
November 13, 2018

*Larson & Company, P.A.*

TREES FOR LIFE, INC.  
 Statements of Financial Position  
 December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 65,712	45,652
Inventory	<u>6,359</u>	<u>6,359</u>
Total current assets	<u>72,071</u>	<u>52,011</u>
Property and equipment, at cost:		
Office equipment	483,206	483,206
Software	88,254	88,254
Allowance for depreciation	<u>(569,196)</u>	<u>(566,625)</u>
Total property and equipment	<u>2,264</u>	<u>4,835</u>
Other assets:		
Restricted long-term investments (notes 2 and 3)	223,406	202,855
Endowment fund (notes 2 and 3)	456,450	584,050
Other investments (notes 2 and 3)	26,699	52,405
Intangibles, net of amortization	<u>5,833</u>	<u>5,833</u>
Total other assets	<u>712,388</u>	<u>845,143</u>
Total assets	<u>\$ 786,723</u>	<u>901,989</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 744	800
Accrued payroll tax	<u>3,930</u>	<u>3,797</u>
Total liabilities	<u>4,674</u>	<u>4,597</u>
Net assets:		
Unrestricted	514,416	648,630
Temporarily restricted (note 4)	262,633	243,762
Permanently restricted (note 4)	<u>5,000</u>	<u>5,000</u>
Total net assets	<u>782,049</u>	<u>897,392</u>
Total liabilities and net assets	<u>\$ 786,723</u>	<u>901,989</u>

TREES FOR LIFE, INC.  
Statements of Activities  
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue:</b>				
Contributions	\$ 104,870	820	-	105,690
In-kind contributions	96,667	-	-	96,667
Investment income (note 2)	21,371	9,145	-	30,516
Unrealized gains on investments (note 2)	48,103	11,406	-	59,509
<b>Total revenue</b>	<u>271,011</u>	<u>21,371</u>	<u>-</u>	<u>292,382</u>
<b>Expenses:</b>				
Program services:				
World program	320,512	2,500	-	323,012
Supporting services:				
General and administrative	67,772	-	-	67,772
Fundraising	16,941	-	-	16,941
<b>Total expenses</b>	<u>405,225</u>	<u>2,500</u>	<u>-</u>	<u>407,725</u>
<b>Change in net assets</b>	<u>(134,214)</u>	<u>18,871</u>	<u>-</u>	<u>(115,343)</u>
Net assets, beginning of year	<u>648,630</u>	<u>243,762</u>	<u>5,000</u>	<u>897,392</u>
Net assets, end of year	<u>\$ 514,416</u>	<u>262,633</u>	<u>5,000</u>	<u>782,049</u>

TREES FOR LIFE, INC.  
 Statements of Activities  
 Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue:				
Contributions	\$ 161,750	-	-	161,750
In-kind contributions	82,957	-	-	82,957
Investment income (note 2)	33,089	8,309	-	41,398
Gain from disposition of assets	1,725	-	-	1,725
Unrealized gains on investments (note 2)	5,266	5,628	-	10,894
Total revenue	<u>284,787</u>	<u>13,937</u>	<u>-</u>	<u>298,724</u>
Expenses:				
Program services:				
World program	319,290	-	-	319,290
Supporting services:				
General and administrative	65,775	-	-	65,775
Fundraising	16,442	-	-	16,442
Total expenses	<u>401,507</u>	<u>-</u>	<u>-</u>	<u>401,507</u>
Net assets released from restrictions	<u>518</u>	<u>(518)</u>	<u>-</u>	<u>-</u>
Change in net assets	(116,202)	13,419	-	(102,783)
Net assets, beginning of year	<u>764,832</u>	<u>230,343</u>	<u>5,000</u>	<u>1,000,175</u>
Net assets, end of year	<u>\$ 648,630</u>	<u>243,762</u>	<u>5,000</u>	<u>897,392</u>

TREES FOR LIFE, INC.  
Statement of Functional Expenses  
Year Ended December 31, 2017

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>World Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Bank and brokerage fees	\$ 2,600	693	173	3,466
Conferences and meeting	201	54	13	268
Contract labor	60,057	-	-	60,057
Depreciation and amortization	1,928	514	129	2,571
Dues and subscriptions	320	85	21	426
Insurance - employee health	7,030	1,875	468	9,373
Insurance	1,185	316	79	1,580
Office supplies	2,211	590	147	2,948
Professional fees	8,224	2,193	548	10,965
Postage	597	159	40	796
Printing	526	140	36	702
Rent expense	56,433	15,049	3,762	75,244
Repairs and maintenance	687	183	46	916
Retirement plan contributions (note 5)	2,961	790	197	3,948
Salaries	127,643	34,038	8,510	170,191
Software	11,044	2,945	737	14,726
Supplies	705	188	47	940
Taxes - payroll	9,865	2,631	657	13,153
Telephone	2,645	705	176	3,526
Transfers to other countries	6,313	-	-	6,313
Travel	7,750	2,067	516	10,333
Utilities	9,587	2,557	639	12,783
<b>Total</b>	<b>\$ 320,512</b>	<b>67,772</b>	<b>16,941</b>	<b>405,225</b>

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

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>World Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
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	368	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	199	3,994
Rent expense	56,440	15,051	3,762	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	425	8,487
Supplies	1,165	311	77	1,553
Taxes - payroll	10,103	2,694	673	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
 Total	 \$ 319,290	 65,775	 16,442	 401,507



TREES FOR LIFE, INC.  
 Statements of Cash Flows  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (115,343)	(102,783)
Depreciation	2,571	2,186
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gain on sale of asset	-	(1,725)
Capital gain from sale of investments (note 2)	-	(16,324)
Unrealized gain on investments (note 2)	(59,509)	(10,894)
Accounts payable and accrued payroll taxes	77	(1,857)
Net cash used in operating activities	<u>(172,204)</u>	<u>(131,397)</u>
Cash flows from investing activities:		
Reinvested earnings on investments, net of expenses	(28,309)	(22,636)
Distributions from endowment fund in excess of contributions	190,000	105,000
Distributions from other investments in excess of contributions	30,573	35,000
Net cash from investing activities	<u>192,264</u>	<u>117,364</u>
Net increase (decrease) in cash and cash equivalents	<u>20,060</u>	<u>(14,033)</u>
Cash and cash equivalents, beginning of year	<u>45,652</u>	<u>59,685</u>
Cash and cash equivalents, end of year	<u>\$ 65,712</u>	<u>45,652</u>

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2017 and 2016

**(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**

The Organization reports 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. Unrestricted net assets may be used at the discretion of the management to support the mission of the Organization.

*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. Once the donor restriction expires, that is the stipulated time restriction ends or the purpose of the restriction is accomplished, 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 require they be maintained permanently but permit the Organization to use all or part of the income (or other economic benefits) from 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, 2017 and 2016

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

(e) Inventory

Inventory consisting of Spanish language books are stated at contributed value. Value 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, 2017 and 2016 was \$2,571 and \$2,186, 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 2017 and 2016, transfers were made to Tisma totaling \$2,500 and \$7,340, respectively. During the same time periods, transfers supporting various other world programs were \$3,813 and \$8,152, respectively

(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, 2017 and 2016

(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 2017 and 2016 were \$96,667 and \$82,957, respectively. These amounts are reported as in-kind contributions in the statements of activities. The primary in-kind donation was commercial property use furnished by USD 259 in the amount of \$75,244 in both 2017 and 2016.

(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 fund raising 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. In 2017 and 2016, the Organization did not have any income from unrelated business activities. Accordingly, a provision for income taxes has not been included in the accompanying financial statements. 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, the disclosure or contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2017 and 2016

**(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.

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, 2017, and 2016, investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Trees for Life Endowment fund	\$ 456,450	584,050
Baird other investments	<u>26,699</u>	<u>52,405</u>
Total unrestricted	483,149	636,455
Temporarily restricted:		
Baird Seghal funds	<u>223,406</u>	<u>202,855</u>
Total investments	\$ <u>706,555</u>	<u>839,310</u>

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2017 and 2016

(2) **Investments (continued)**

The following schedule summarizes the investment activity of all investments for the years ended December 31, 2017 and 2016.

	Temporarily restricted Baird Seghal	Unrestricted Endowment fund	Unrestricted Baird investment	Total
Beginning balance, 1/1/2016	\$ 203,918	659,912	65,627	929,457
Interest and dividend income, net of fees	7,555	12,810	2,271	22,636
Realized gain	754	12,546	3,024	16,324
Unrealized gain	<u>5,628</u>	<u>3,782</u>	<u>1,483</u>	<u>10,893</u>
Subtotal	217,855	689,050	72,405	979,310
Less distributions	<u>15,000</u>	<u>105,000</u>	<u>20,000</u>	<u>140,000</u>
Ending balance, 12/31/2016	202,855	584,050	52,405	839,310
Interest and dividend income, net of fees	9,145	18,289	-	27,434
Realized gain	-	-	875	875
Unrealized gain	11,406	44,111	3,992	59,509
Contributions	<u>-</u>	<u>-</u>	<u>10,399</u>	<u>10,399</u>
Subtotal	223,406	646,450	67,671	937,527
Less distributions	<u>-</u>	<u>190,000</u>	<u>40,972</u>	<u>230,972</u>
Ending balance, 12/31/2017	\$ <u>223,406</u>	<u>456,450</u>	<u>26,699</u>	<u>706,555</u>

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2017 and 2016

**(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.

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, 2017 and 2016.

*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, 2017 and 2016 were Level 1 investments.

TREES FOR LIFE, INC.  
Notes to Financial Statements  
December 31, 2017 and 2016

(4) **Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purposes:

		<u>2017</u>		<u>2016</u>
Guatemala	\$	(4,187)		(4,187)
India		85,636		85,636
Teach for Life		<u>181,184</u>		<u>162,313</u>
 Total temporarily restricted net assets	 \$	 <u>262,634</u>		 <u>243,762</u>

Permanently restricted net assets as of December 31, 2017 and 2016 are available for the following purposes:

		<u>2017</u>		<u>2016</u>
Tisma sponsorship	\$	<u>5,000</u>		<u>5,000</u>

(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 \$3,948 and \$3,782 for the years ended December 31, 2017 and 2016, 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, 2017 or 2016.

(7) **Reclassification**

Certain amounts in the Statement of Activities for the year ended December 31, 2016 have been reclassified to conform to current year presentation. This reclassification has no effect on previously reported increase in net assets.

(8) **Subsequent Events**

Management has evaluated subsequent events through November 13, 2018, the date which the financial statements were available to be issued and determined that no events have occurred subsequent to December 31, 2017 that would require adjustment to, or disclosure in, the financial statements.