



**FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(with Summarized Totals for 2018)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
TreePeople, Inc.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TreePeople, Inc. (TreePeople) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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

## ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TreePeople as of December 31, 2019, 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.

## ***Emphasis of Matter***

As discussed in Note 2, beginning January 1, 2019, TreePeople adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited TreePeople's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of financial position and activities on pages 30 through 31 are presented for purposes of additional analysis and are not a required 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 consolidated 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Long Beach, California  
August 21, 2020

**TREEPEOPLE, INC.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,327,258	\$ 3,442,242
Restricted cash	651,005	-
Investments	2,734,112	657,677
Accounts and other receivables, net	2,334,325	817,308
Prepaid expenses and other assets	34,571	41,810
Property held for sale	1,210,080	-
Property and equipment, net	3,772,304	4,014,824
Property held for conservation	39,063	-
	<u>\$ 15,102,718</u>	<u>\$ 8,973,861</u>
<b>TOTAL ASSETS</b>	<u>\$ 15,102,718</u>	<u>\$ 8,973,861</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 311,954	\$ 246,535
Lines of credit	150,750	146,750
Accrued liabilities	341,585	294,683
Insurance proceeds liability	758,167	-
Note payable	1,200,000	1,048,088
Deferred revenue	455,237	487,000
Deferred compensation	515,846	466,044
	<u>3,733,539</u>	<u>2,689,100</u>

**COMMITMENTS AND CONTINGENCIES (Note 14)**

<b>NET ASSETS</b>		
Without donor restrictions	<u>4,104,672</u>	<u>2,534,474</u>
With donor restrictions		
Restricted for time and purpose	5,162,270	2,950,287
Restricted in perpetuity	2,102,237	800,000
	<u>7,264,507</u>	<u>3,750,287</u>
Total net assets	<u>11,369,179</u>	<u>6,284,761</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 15,102,718</u>	<u>\$ 8,973,861</u>

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

**TREEPEOPLE, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
<b>REVENUE, SUPPORT AND OTHER INCOME</b>				
Individuals	\$ 1,887,157	\$ 1,512,955	\$ 3,400,112	\$ 3,074,098
Bequests	584,781	500,000	1,084,781	55,430
Foundations	621,426	1,081,542	1,702,968	1,977,896
Corporations	210,301	32,500	242,801	406,741
Government	2,048,672	-	2,048,672	1,370,015
Special events (net of cost of direct donor benefits of \$221,164 and \$211,153)	259,172	-	259,172	331,386
Investment income (loss), net	39,614	59,711	99,325	(5,829)
Other income	25,543	-	25,543	-
Net assets released from restriction	<u>1,555,467</u>	<u>(1,555,467)</u>	<u>-</u>	<u>-</u>
Total Revenue, Support and Other Income	<u>7,232,133</u>	<u>1,631,241</u>	<u>8,863,374</u>	<u>7,209,737</u>
<b>EXPENSES</b>				
Program services	4,991,882	-	4,991,882	4,205,391
Management and general	1,071,414	-	1,071,414	958,749
Fundraising	<u>1,037,856</u>	<u>-</u>	<u>1,037,856</u>	<u>1,058,134</u>
Total Expenses	<u>7,101,152</u>	<u>-</u>	<u>7,101,152</u>	<u>6,222,274</u>
<b>CHANGE IN NET ASSETS</b>	130,981	1,631,241	1,762,222	987,463
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,534,474	3,750,287	6,284,761	5,297,298
<b>NET ASSETS ACQUIRED IN ACQUISITION</b>	<u>1,439,217</u>	<u>1,882,979</u>	<u>3,322,196</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,104,672</u>	<u>\$ 7,264,507</u>	<u>\$ 11,369,179</u>	<u>\$ 6,284,761</u>

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

**TREEPEOPLE, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2019</u>	<u>2018</u>
<b>PERSONNEL EXPENSES</b>					
Salaries	\$ 2,452,507	\$ 598,553	\$ 439,088	\$ 3,490,148	\$ 3,282,785
Employee benefits	147,404	47,097	21,153	215,654	301,789
Payroll taxes	<u>230,019</u>	<u>48,398</u>	<u>40,354</u>	<u>318,771</u>	<u>276,666</u>
Total personnel expenses	<u>2,829,930</u>	<u>694,048</u>	<u>500,595</u>	<u>4,024,573</u>	<u>3,861,240</u>
<b>OPERATIONAL EXPENSES</b>					
Deferred compensation expense	-	9,438	-	9,438	32,400
Depreciation	284,618	59,886	70,123	414,627	397,140
Direct mail expenses	-	-	235,491	235,491	257,127
Equipment and vehicles	189,078	10,979	14,195	214,252	137,590
Interest and account fees	30,766	66,893	10,344	108,003	104,455
Marketing and communications	23,577	2,077	3,272	28,926	37,724
Miscellaneous	2,759	3,000	-	5,759	-
Occupancy	124,243	5,523	6,163	135,929	74,235
Operations	261,229	23,779	34,391	319,399	137,543
Planting related	244,853	-	-	244,853	88,133
Professional services	764,718	138,681	124,464	1,027,863	799,001
Program expenses	49,445	532	723	50,700	39,629
Special events expenses	26,384	-	12,194	38,578	36,278
Staff development	5,305	9,738	76	15,119	10,022
Travel	52,009	6,580	3,652	62,241	48,608
Utilities and security	90,933	18,234	22,141	131,308	152,340
Volunteer recognition	12,035	4	32	12,071	8,809
Bad debt	-	<u>22,022</u>	-	<u>22,022</u>	-
Total operational expenses	<u>2,161,952</u>	<u>377,366</u>	<u>537,261</u>	<u>3,076,579</u>	<u>2,361,034</u>
<b>TOTAL 2019 FUNCTIONAL EXPENSES</b>	<u>\$ 4,991,882</u>	<u>\$ 1,071,414</u>	<u>\$ 1,037,856</u>	<u>\$ 7,101,152</u>	
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<u>\$ 4,205,391</u>	<u>\$ 958,749</u>	<u>\$ 1,058,134</u>		<u>\$ 6,222,274</u>

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

**TREEPEOPLE, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	For the Year Ended December 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,762,222	\$ 987,463
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	414,627	397,140
Net realized and unrealized (gains) losses on investments	(66,289)	5,829
Contributions restricted for investment in perpetuity	(300,000)	(300,000)
Change in operating assets and liabilities:		
Accounts receivable	(1,203,743)	(171,389)
Prepaid expenses and other assets	21,252	(7,533)
Accounts payable	(73,549)	10,734
Accrued liabilities	41,106	21,430
Insurance proceeds liability	(93,211)	-
Deferred revenue	(31,763)	(36,000)
Deferred compensation	49,802	(81,172)
Net Cash Provided By Operating Activities	520,454	826,502
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(167,047)	-
Reinvested interest and dividends	(33,396)	(33,304)
Purchase of investments	(955,845)	(204,153)
Proceeds on sale of investments	1,247,068	416,328
Cash, cash equivalents, and restricted cash received in acquisition	468,875	-
Net Cash Provided By Investing Activities	559,655	178,871
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net draw on line of credit	4,000	5,118
Payments on notes payable	(1,048,088)	(100,000)
Proceeds from debt issuance	1,200,000	-
Contributions restricted for investment in perpetuity	300,000	300,000
Net Cash Provided By Financing Activities	455,912	205,118
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	1,536,021	1,210,491
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	3,442,242	2,231,751
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR</b>	\$ 4,978,263	\$ 3,442,242
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 56,184	\$ 55,119
Noncash investing information:		
Net assets acquired in merger	\$ 2,853,321	\$ -

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



## TREEPEOPLE, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

#### NOTE 1 – Description of Organization

TreePeople, Inc. (TreePeople) is a California not-for-profit organization and has become the largest environmental movement headquartered in Los Angeles. Its mission is to inspire, engage and support people to take personal responsibility for the urban environment, making it safe, healthy, fun, sustainable and resilient and to share our process as a model for the world. TreePeople has inspired millions of people to come together to plant and care for trees, restore fire-scarred forests, harvest the rain, and renew depleted landscapes. TreePeople unites with communities to grow greener, shadier and more climate-resilient and water-secure communities through greening efforts in the national forest, local mountains and at homes, schools, parks, and public streets throughout many diverse neighborhoods. TreePeople engages with tens of thousands of volunteer leaders using its flagship *Community Forester* model, as well as with public agencies and the private sector, to promote climate and environmental literacy and innovative nature-based solutions for healthy, equitable, resilient and economically thriving communities.

Incorporated in August 1973, TreePeople has inspired communities throughout the world to come together to plant and care for countless numbers of trees and native plants, from the national forests to the mountains to the most over-paved urban streets. With the support of millions of volunteers, community members, teachers, students, philanthropists, the press, public agencies and the private sector, TreePeople has grown from the dreams and efforts of a small group of teenagers led by TreePeople founder Andy Lipkis who planted smog-tolerant seedlings in the San Bernardino Mountains while at camp into the largest movement of people planting and caring for trees and transforming their local landscapes through nature-based solutions.

Today, TreePeople has tens of thousands of supporters, a staff of over 70 professional foresters, educators, community organizers, researchers, and program and policy facilitators, a dedicated Board of Directors, and more than 10,000 volunteers. The organization touches diverse neighborhoods throughout the region and people throughout the world. TreePeople pioneers sustainable practices around forestry, environmental education, local water, healthy soil, and climate resilience that influence cities throughout the United States and the world.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Description of Organization (Continued)**

*Creating Climate-Resilient and Water-Secure Communities*

In response to mounting environmental, economic and public health threats from a changing climate and diminishing natural resources, TreePeople has dramatically expanded its scale of impact and its focus on equity and environmental justice.

TreePeople is engaged in a global effort to mobilize people to grow climate-resilient urban communities with healthy tree canopy by pursuing three major goals:

1. Training, supporting and organizing neighborhoods to increase tree canopy cover to protect people against air pollution, wildfires, flooding, droughts, and extreme heat and severe weather, while improving public health, equity and livability.
2. Advocating for nature-based solutions, stormwater capture and an affordable, clean and reliable locally-sourced water supply to provide security against droughts, pollution, flooding, and other threats.
3. Promoting healthy urban soil policies to lower urban temperatures and absorb carbon dioxide.

To achieve these goals, TreePeople is working at both the community and public policy levels to promote systemic changes and holistic, nature-inspired solutions that transform urban landscapes to function like a natural forest. TreePeople is pioneering a new paradigm of urban environmental management and environmental justice that is crucial for the 21st century.

*Award-Winning Programs*

**TreePeople’s Environmental Education Programs** provide virtual and in-person hands-on, science-based environmental curricula and school greening opportunities to kindergarten through twelfth-grade students each year, providing direct and indirect benefit to nearly 350,000 local students and teachers. In addition to increasing science education in schools and greening schools, these programs are designed to inspire and empower future generations to take action for the environment. In addition, TreePeople’s virtual and in-person community education programs train thousands of people to plant and care for trees, transform their landscapes to be sustainable, and harvest rainwater.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Description of Organization (Continued)**

*Award-Winning Programs (Continued)*

**TreePeople’s Forestry and Urban Greening Programs** inspire thousands of volunteers to plant and care for trees, distribute fruit trees to low-income residents, and restore damaged natural ecosystems in parks, mountains, neighborhoods and school yards. Special focus is given to address equity and environmental justice in areas with low tree canopy. TreePeople’s pioneering *Community Forestry* model gives people the extraordinary ability to improve their environment by incorporating nature and "forest-mimicking" technologies into their urban landscape. In 2003, the United Nations World Forestry Organization recognized TreePeople’s forestry work as a global model for other large cities.

**TreePeople’s Policy and Research Programs** work with all levels of government to conduct cutting-edge scientific research and create progressive laws, policies and incentives to support 21<sup>st</sup> century “green” infrastructure, using nature and nature-based technologies to make communities resilient and sustainable. Over the past 20 years, TreePeople has played a leading role in demonstrating that it is technologically, socially and environmentally feasible to use multi-benefit green infrastructure to create a local water supply source and transform neighborhoods to be healthy and resilient. Faced with historic droughts, wildfires, flooding, and a changing climate, TreePeople’s thought leadership and innovations are needed more than ever. Policy successes include an innovative Multi-Agency Collaborative recognized by the U.S. Environmental Protection Agency, a 2014 leadership delegation to learn the lessons from Australia’s 12-year Millennium Drought, the development of the Los Angeles Department of Water and Power’s first-ever Stormwater Capture Master Plan, the completion of the first-ever Los Angeles County LIDAR tree canopy assessment and the launch of its forward-thinking *Healthy Urban Soils* research to develop policies, incentives and support for “brown” infrastructure.

**TreePeople Center for Community Forestry** is a renowned campus resource to accomplish the mission of educating, inspiring and supporting people to make a difference for nature and our environment. In partnership with the City of Los Angeles (the City), TreePeople is caretaker to the 45-acre Coldwater Canyon Park. Located in the heart of Los Angeles, on the ridgeline between Los Angeles and the San Fernando Valley, this magnificent Santa Monica Mountains setting and wildlife corridor attracts more than 200,000 visitors each year, including school children, hikers, community volunteers, and policy-makers.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Description of Organization (Continued)**

*Award-Winning Programs (Continued)*

The Center for Community Forestry’s campus of sustainably-designed buildings includes a Conference Center, which achieved the U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) highest rating of Platinum. These structures, as well as the parking grove, collect rainwater, which is then stored in a 216,000-gallon cistern, underground, for use in irrigating the gardens and trees.

An interpretive program provides visitors with innovative and inspiring displays, and an ongoing series of events and programs brings local and national leaders together to find solutions to the looming climate, water and energy crises facing Los Angeles and many other urban centers in the coming years.

*Mountain Restoration Trust*

Mountain Restoration Trust (MRT) is the only wholly owned subsidiary of TreePeople and is a non-profit land trust dedicated to preserving natural land in the Santa Monica Mountains through restoration, education and land acquisition. Founded in 1981, MRT collaborates with members of the public and public agencies in an ongoing effort to protect precious and ecologically important lands, restore open space and maintain a cooperative relationship between urbanization and native land, especially in the wildland-urban interface.

MRT achieves its goal of preserving the Santa Monica Mountains’ natural resources by implementing three distinct programs: Acquisitions, Restoration and Education.

**Program 1 – Acquisition / Real Estate:** MRT owns approximately 1,321 acres in fee title, 1,355 acres in conservation easements, and roughly 5.2 acres of trail easements. There are 12 acres of leased land and building at Headwaters Corner in the City of Calabasas. MRT acquires land to protect the significant ecological areas of Cold Creek, La Sierra, and other strategic habitats.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 1 – Description of Organization (Continued)**

*Mountain Restoration Trust (Continued)*

**Program 2 – Land Stewardship and Restoration:** The Santa Monica Mountains contain renowned ecosystems for biodiversity, and are, in fact, recognized as a global “biodiversity hotspot”. Mediterranean-climates, found here and on only 2.25% of the world’s surface, support nearly 50,000 plant species. It also supports a significant amount of humans, human developments and invasive species due to its short wet winters and long dry summers. MRT has a staff of field specialists and technicians working 6 days a week at various restoration sites across the Santa Monica Mountains to remove invasive plants and aquatic species, provide native plantings and restore critical habitats, including oak woodlands, riparian streams, chaparral and sage-scrub hillsides across the approximately 3,000 acres owned or managed by MRT. MRT also continues to work with state and national park units on collaborative projects, as well as jurisdictional agencies on mitigation for unavoidable impacts.

**Program 3 – Environmental Education:** MRT has five naturalists providing outdoor education field trips for K-12 students from the Greater Los Angeles region. The one-day field trips provide hands-on and experiential environmental science education for approximately 2,500 students per year, primarily from schools with high percentages of unduplicated pupil counts from under resourced communities.

**NOTE 2 – Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

*Principles of Consolidation*

These consolidated financial statements include the accounts of TreePeople and MRT (collectively, the Organization). Any intercompany transactions would be eliminated in consolidation.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Recently Adopted Accounting Standards***

Beginning January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2016-09) and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

Beginning May 1, 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* (ASU 2016-18). The amendment requires companies to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The Organization has applied the new standard retrospectively.

***Reclassifications***

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format.

***Classes of Net Assets***

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Classes of Net Assets (Continued)*

Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

***Without Donor Restrictions*** - These generally result from revenue generated by receiving contributions without donor restrictions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

***With Donor Restrictions*** – The Organization reports gifts of cash and other assets as donor-restricted support 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 the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose or time restrictions. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity but permits the Organization to expend all of the income (or other economic benefits) derived from the donated assets.

***Cash, Cash Equivalents, and Restricted Cash***

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Organization places its cash and cash equivalents with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash.

The Organization has certain cash funds that are required by donors to be restricted from general operating funds.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Cash, Cash Equivalents, and Restricted Cash (Continued)*

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents	\$ 4,327,258	\$ 3,442,242
Restricted cash	<u>651,005</u>	<u>-</u>
	<u>\$ 4,978,263</u>	<u>\$ 3,442,242</u>

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities and money market funds are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

*Accounts and Other Receivables*

The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, collection efforts, type of customer, the age of outstanding receivables and existing economic conditions. At December 31, 2019 and 2018, the allowance for doubtful accounts was \$22,022 and \$140, respectively.

*Property and Equipment*

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvements is over the term of the lease agreement. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.



**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Property and Equipment (Continued)***

The estimated useful lives of property and equipment are as follows:

Buildings	Lesser of life of asset or term of lease
Furniture and Equipment	7 years
Computer Equipment and Software	3-5 years
Leasehold Improvements	Term of lease
Transportation Equipment	5 years

***Property Held for Conservation***

Property held for conservation purposes includes purchased or donated properties to be sold or transferred to governmental agencies or other individuals and organizations for conservation purposes or maintained as a nature preserve in perpetuity. Land and conservation easements are treated as commitments and are recorded in property held for conservation purposes at a minimal value of \$1,000 for each parcel of land and \$1 for each easement, due to deed restrictions, which affect potential sales and the principal market value.

***Long-Lived Assets***

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2019.

***Deferred Revenue***

Fees for services that are paid for in advance are deferred and recognized as revenue in the period when the services are rendered.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Bequests***

The Organization records all legacies and bequests as revenue when donors' wills have been declared valid by the probate court and the amount is determinable.

***Revenue Recognition***

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met.

Revenue from cost-reimbursable federal, state, and county grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a receivable or an advance, whichever is applicable. The Organization is party to cost-reimbursable grants with grant terms through June 2024 and additional funding of approximately \$12,140,000 that has not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

***Contributed Goods and Services***

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have donated significant amounts of their time to the Organization. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Concentration of Credit Risks*

The accounts receivable balance outstanding at December 31, 2019 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Organization receivables consist of earned fees from contract programs granted by governmental agencies.

The Organization holds investments in the form of money market funds, corporate bonds, mutual funds and common stocks of publicly held companies. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Finance Committee of the Board of Directors.

*Income Taxes*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is also exempt under California Revenue and Taxation Code Section 23701(d).

The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

*Functional Allocation of Expenses*

The costs of providing the Organization programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses full-time equivalents to allocate indirect costs.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Use of Estimates*

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Comparative Totals*

The consolidated financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Organization consolidated financial statements for the year ended December 31, 2018 from which the summarized financial information was derived.

*Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 - Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

*Fair Value Measurements (Continued)*

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and, therefore, have little or no price transparency are classified as level 3.

*Recently Issued Accounting Pronouncement*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. During June 2020, the FASB approved a deferral of the effective date of *Topic 842* until annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard.

*Subsequent Events*

The Organization has evaluated subsequent events from the consolidated statement of financial position date through August 21, 2020, the date the consolidated financial statements were available to be issued for the year ended December 31, 2019.

**NOTE 3 – Acquisition**

Effective November 1, 2019, TreePeople obtained control over MRT through an agreement where TreePeople became the sole member of MRT. The transaction has been treated as an acquisition and assets and liabilities were valued at their fair value at the date of the transaction. No cash consideration was exchanged as part of the agreement, and MRT continues to be operated as a separate entity. Due to the restricted nature of some of the assets, they are classified as net assets with donor restrictions in the consolidated financial statements.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 3 – Acquisition (Continued)**

The assets, liabilities, and net assets of MRT at the transaction date included the following:

Cash, cash equivalents, and restricted cash	\$ 468,875
Investments	2,267,973
Accounts and other receivables, net	313,274
Prepaid expenses and other assets	14,013
Property held for sale	1,210,080
Property and equipment, net	5,060
Property held for conservation	<u>39,063</u>
 Total Assets	 <u>\$ 4,318,338</u>
 Accounts payable and other liabilities	 <u>\$ 996,142</u>
 Net assets without donor restrictions	 1,439,217
Net assets with donor restrictions	<u>1,882,979</u>
	<u>3,322,196</u>
 Total Liabilities and Net Assets	 <u>\$ 4,318,338</u>

**NOTE 4 – Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of position date, comprise the following:

Cash and cash equivalents	\$ 4,327,258
Investments	2,734,112
Accounts and other receivables	<u>2,334,325</u>
	9,395,695
 Funds held for deferred compensation with contractual restrictions	 (515,846)
Donor-imposed restrictions:	
Funds subject to purpose or time restrictions	(5,345,593)
Funds restricted in perpetuity	<u>(2,102,237)</u>
	 <u>\$ 1,432,019</u>

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 4 – Liquidity and Availability (Continued)**

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has two committed lines of credit with a remaining capacity of approximately \$599,000 as of December 31, 2019, which it could draw upon.

**NOTE 5 – Investments**

Investments measured at fair value consists of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2019:</b>				
Mutual funds	\$ 2,152,050	\$ -	\$ -	\$ 2,152,050
Marketable equity securities	460,854	-	-	460,854
Debt securities	<u>121,208</u>	<u>-</u>	<u>-</u>	<u>121,208</u>
	<u>\$ 2,734,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,734,112</u>
<b>December 31, 2018:</b>				
Mutual funds	\$ 424,987	\$ -	\$ -	\$ 424,987
Marketable equity securities	92,772	-	-	92,772
Debt securities	<u>139,918</u>	<u>-</u>	<u>-</u>	<u>139,918</u>
	<u>\$ 657,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,677</u>

**NOTE 6 – Property Held for Sale**

Property held for sale at December 31, 2019 consists of the following:

	<u>Acres</u>	<u>Value</u>
Land - Los Angeles County, CA	82.88	\$ 1,210,080

This land can be sold and the proceeds used towards the programs or they can be contributed to other organizations.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 7 – Property and Equipment**

Property and equipment at December 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Conference center	\$ 5,396,286	\$ 5,396,286
Environmental Learning Center	3,182,470	3,182,470
Furniture and equipment	670,348	670,348
Computer equipment and software	220,667	219,590
Leasehold improvements	323,379	323,379
Transportation equipment	<u>352,554</u>	<u>175,896</u>
	10,145,704	9,967,969
Less accumulated depreciation and amortization	<u>(6,373,400)</u>	<u>(5,953,145)</u>
Property and equipment, net	<u>\$ 3,772,304</u>	<u>\$ 4,014,824</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$414,627 and \$397,140, respectively.

**NOTE 8 – Property Held for Conservation**

At December 31, 2019, the Organization held 1,232 acres in Los Angeles County that it valued at \$39,000, which is restricted for use in its programs and conservation.

Additionally, at December 31, 2019, the Organization held the following easements that are restricted for use in its programs:

	<u>Acres</u>	<u>Value</u>
Los Angeles County, CA	830.00	\$ 59
Los Angeles County, CA	<u>456.56</u>	<u>4</u>
	<u>1,286.56</u>	<u>\$ 63</u>



**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 9 – Lines of Credit**

The Organization has a working capital line of credit with an interest rate of 3.0%, capacity of \$250,000, and a maturity date of April 2020. The balance outstanding on the line of credit of \$146,750 at both December 31, 2019 and 2018. The line of credit was paid down and not renewed subsequent to year-end.

In 2019, the Organization entered into a second working capital line of credit, with an interest rate of 0.25% above prime, (4.75% as of December 31, 2019), with a capacity of \$500,000, and a maturity date of December 2021. The balance outstanding on the line of credit at December 31, 2019 was \$4,000.

**NOTE 10 – Accrued Liabilities**

Accrued liabilities at December 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Accrued expenses	\$ 55,405	\$ -
Accrued vacation	144,845	196,168
Accrued payroll and payroll taxes	134,847	86,545
Accrued interest	<u>6,488</u>	<u>11,970</u>
Total accrued liabilities	<u>\$ 341,585</u>	<u>\$ 294,683</u>

**NOTE 11 – Insurance Proceeds Liability**

MRT sustained significant damages due to a fire in 2016, destroying a building and a bridge. Insurance proceeds were received by the lessor and are required to be used to rebuild the building and bridge, as well as to cover overhead expenses directly related to repairing the fire damage. As of December 31, 2019, insurance proceeds received, but not yet used, totaled \$758,167 and are considered to be conditional for use of rebuilding after the fires.

**NOTE 12 – Note Payable**

At December 31, 2019, the note payable was composed of a term loan with an interest rate of 4.95%, with monthly payments of principal and interest of \$9,504, and remaining principal and interest due December 2024.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 12 – Note Payable (Continued)**

At December 31, 2018, the Organization held a different note payable that was paid down in 2019 with the issuance of a new note payable.

The note payable is collateralized by 1<sup>st</sup> position UCC-1 filing on the Organization’s business assets.

The note payable is due to be repaid as follows:

<u>Year Ending December 31,</u>	
2020	\$ 54,909
2021	57,899
2022	60,872
2023	63,999
2024	<u>962,321</u>
	<u>\$ 1,200,000</u>

**NOTE 13 – Deferred Revenue**

During 2001, the Organization began receiving Proposition K funding from the City to be used to build a conference center and an environmental learning center and to pave the parking lot. The total funding received was \$1,080,000 and repayment of this amount consists of providing services annually valued at \$36,000 for 30 years in lieu of cash repayments. No cash repayments to the City are required unless the above services are not performed.

The Organization recognized revenue of \$36,000 under this contract for each of the years ended December 31, 2019 and 2018.

At December 31, 2019 and 2018, deferred revenue consists of funding from the City for the construction of the conference center and related amenities totaled \$451,000 and \$487,000, respectively. At December 31, 2019 and 2018, deferred revenue for advance payments on tours consisted of \$4,237 and \$0, respectively.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 13 – Deferred Revenue (Continued)**

This funding contract has been incorporated into the lease agreement with the City as described below. Any default under this contract will also constitute a default under the lease agreement. These services are itemized as follows:

- Provide interactive displays at the environmental learning center as the starting point for Eco-Tours
- Provide interactive youth conferences
- Maintain the park as a place for self-guided hikes and tours for families

**NOTE 14 – Commitments and Contingencies**

*Contracts*

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provision for the possible disallowance of program costs on its consolidated financial statements.

*Obligations under Operating Leases*

The Organization has various month-to-month leases. Total rent expense was \$33,622 and \$32,938 for the years ended December 31, 2019 and 2018, respectively. In addition, the Organization has a lease agreement with the City for the use of the facilities and park where its forestry, education, and administrative operations are centered. In exchange for use of the park and its facilities, the Organization has agreed to maintain the park grounds, trails and buildings. The agreement expires in 2029. The cost to maintain the park and trails totaled \$357,737 and \$318,423 for the years ended December 31, 2019 and 2018, respectively.

In addition, MRT has a \$1 per year lease agreement with the City of Calabasas commencing on October 1, 2014, and terminating on September 30, 2024. Additionally, MRT is granted the right to extend the lease term for one additional period of ten years, until September 30, 2034.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 15 – Deferred Compensation Plan**

The Organization adopted a deferred compensation (Rabbi) trust in December 2000 for the purpose of providing a deferred compensation plan for its President in recognition of 27 years of commitment to the Organization. A second such trust was adopted in December 2014. The deferred compensation trusts permit deferral of a portion of the President’s salary until future years. All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts are subject to the claims of the Organization’s general creditors in the event of insolvency and otherwise are subject only to the right of the President of TreePeople or his designated beneficiary. Under the terms of the agreements, the trust will be distributed over a 9-year period, beginning at the President’s 70<sup>th</sup> birthday. At December 31, 2019 and 2018, the Organization has recorded a deferred compensation liability of \$515,846 and \$466,044, respectively. The Organization recognized \$9,438 and \$32,400 as compensation expense related to the plan for the years ended December 31, 2019 and 2018, respectively.

**NOTE 16 – Net Assets With Donor Restrictions**

*Net Assets Restricted in Perpetuity*

Net assets with donor restrictions that are in perpetuity at December 31, 2019 and 2018 totaled \$2,102,237 and \$800,000, respectively. The earnings from the investments are available for the general support of the Organization’s programs and operations.

*Net Assets Restricted for Time and Purpose*

Net assets with donor restrictions for time and purpose are restricted for the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
“Make Everyone TreePeople” campaign	\$ 1,441,702	\$ -
Mountain Forestry/Forest Aid	897,545	1,283,391
Policy and research	846,335	145,000
Land projects	731,904	-
Residential stormwater retrofit projects	677,343	1,180,035
Land mitigation and restoration	206,992	-
Urban cooling	101,496	135,000
Parking lot renovation	95,000	-

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 16 – Net Assets With Donor Restrictions (Continued)**

*Net Assets Restricted for Time and Purpose (Continued)*

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Education	\$ 62,500	\$ 38,936
Urban Forestry Initiative	30,831	-
Emergency fire recovery fund	27,000	-
Yurt Village renovations	22,012	-
Huntington Park project	20,897	77,147
School Greening Initiative	713	22,411
Financial and development capacity building	-	55,148
Other	-	13,219
	<u>\$ 5,162,270</u>	<u>\$ 2,950,287</u>

**NOTE 17 – Endowments**

The Organization’s endowments consist of funds established by donor-restricted gifts and bequests to an endowment held in perpetuity to provide a permanent source of income to the Organization.

The Organization’s management and Board of Directors understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. The Organization’s Board of Directors is in the process of developing a spending policy to distribute accumulated earnings on an annual basis to further the purposes of the individual donor-designated funds as of December 31, 2019.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 17 – Endowments (Continued)**

The changes in the endowments for the year ended December 31, 2019 are as follows:

Endowment net assets – December 31, 2018	\$ 800,000
Endowment net assets – acquired from merger	1,002,237
Contributions	<u>300,000</u>
Endowment net assets – December 31, 2019	<u>\$ 2,102,237</u>

**NOTE 18 – Related-Party Transactions**

The Organization receives donations from board members, who are considered related parties to the Organization. The Organization hired the spouse of a current employee for graphic design services. Fees paid to this individual for the year ended December 31, 2019 were \$11,500. The Organization also engaged Greenberg Glusker LLP, at which a board member is a partner. Fees paid for these legal services for the year ended December 31, 2019 were \$93,144. There were no fees paid to either related party for the year ended December 31, 2018.

**NOTE 19 – Subsequent Events**

Subsequent to year-end, TreePeople and MRT were granted loans in the amounts of approximately \$737,000 and \$154,000, respectively, pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (PPP), which was enacted March 27, 2020. The loans, which are in the form of notes payable, mature April 2022 and May 2020, respectively, and bear interest at a rate of 1.0% per annum, payable monthly commencing November 2020. The loans and accrued interest may be forgivable, in whole or in part, should the Organization utilize the loan proceeds for eligible expenditures in accordance with the guidelines of the loan program. The Organization intends to use the proceeds strictly for eligible purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions under the agreement for forgiveness, in part.

**TREEPEOPLE, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

**NOTE 19 – Subsequent Events (Continued)**

As a result of the spread of the COVID-19 coronavirus, disruption and uncertainty have arisen across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the Organization's donors, employees, and vendors. Beginning in March, the Organization reduced non-essential expenditures to improve liquidity in response. Additionally, they adapted their services to include virtual tours, symposiums, and other remote-learning opportunities. Due to the nature of the Organization's work, it is considered an essential business, and the Organization has continued to provide many of its forestry services. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and consolidated financial statements.

**TREEPEOPLE, INC.**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

**ASSETS**

	<b>TreePeople</b>	<b>MRT</b>	<b>Elimination</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,268,156	\$ 59,102	\$ -	\$ 4,327,258
Restricted cash	-	651,005	-	651,005
Investments	685,817	2,048,295	-	2,734,112
Accounts and other receivables, net	1,902,579	431,746	-	2,334,325
Prepaid expenses and other assets	21,233	13,338	-	34,571
Property held for sale	-	1,210,080	-	1,210,080
Property and equipment, net	3,769,381	2,923	-	3,772,304
Property held for conservation	-	39,063	-	39,063
<b>TOTAL ASSETS</b>	<b>\$ 10,647,166</b>	<b>\$ 4,455,552</b>	<b>\$ -</b>	<b>\$ 15,102,718</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 169,702	\$ 142,252	\$ -	\$ 311,954
Lines of credit	150,750	-	-	150,750
Accrued liabilities	334,153	7,432	-	341,585
Insurance proceeds liability	-	758,167	-	758,167
Note payable	1,200,000	-	-	1,200,000
Deferred revenue	455,237	-	-	455,237
Deferred compensation	515,846	-	-	515,846
	2,825,688	907,851	-	3,733,539

**COMMITMENTS AND CONTINGENCIES (Note 14)**

**NET ASSETS**

Without donor restrictions	2,498,106	1,606,566	-	4,104,672
With donor restrictions				
Restricted for time and purpose	4,223,372	938,898	-	5,162,270
Restricted in perpetuity	1,100,000	1,002,237	-	2,102,237
	5,323,372	1,941,135	-	7,264,507
Total net assets	7,821,478	3,547,701	-	11,369,179

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,647,166</b>	<b>\$ 4,455,552</b>	<b>\$ -</b>	<b>\$ 15,102,718</b>
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The Independent Auditors' Report should be read in conjunction with these statements.



## TREEPEOPLE, INC.

### CONSOLIDATING STATEMENT OF ACTIVITIES

	For the Year Ended December 31, 2019			For the Period November 1, 2019 to December 31, 2019			Consolidated			
	TreePeople			MRT						
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND OTHER INCOME</b>										
Individuals	\$ 1,862,456	\$ 1,483,976	\$ 3,346,432	\$ 24,701	\$ 28,979	\$ 53,680	\$ -	\$ 1,887,157	\$ 1,512,955	\$ 3,400,112
Bequests	584,781	500,000	1,084,781		-	-	-	584,781	500,000	1,084,781
Foundations	580,226	1,081,542	1,661,768	41,200	-	41,200	-	621,426	1,081,542	1,702,968
Government	1,956,815	-	1,956,815	91,857	-	91,857	-	2,048,672	-	2,048,672
Corporations	209,785	32,500	242,285	516	-	516	-	210,301	32,500	242,801
Special events (net of cost of direct donor benefits of \$221,164 and \$211,153)	251,372		251,372	7,800	-	7,800	-	259,172	-	259,172
Investment income (loss), net	41,614	-	41,614	(2,000)	59,711	57,711	-	39,614	59,711	99,325
Other income	-	-	-	25,543	-	25,543	-	25,543	-	25,543
Net assets released from restriction	1,524,933	(1,524,933)	-	30,534	(30,534)	-	-	1,555,467	(1,555,467)	-
<b>Total Revenue, Support and Other Income</b>	<b>7,011,982</b>	<b>1,573,085</b>	<b>8,585,067</b>	<b>220,151</b>	<b>58,156</b>	<b>278,307</b>	<b>-</b>	<b>7,232,133</b>	<b>1,631,241</b>	<b>8,863,374</b>
<b>EXPENSES</b>										
Program services	4,909,283	-	4,909,283	82,599	-	82,599	-	4,991,882	-	4,991,882
Management and general	1,104,307	-	1,104,307	(32,893)	-	(32,893)	-	1,071,414	-	1,071,414
Fundraising	1,034,760	-	1,034,760	3,096	-	3,096	-	1,037,856	-	1,037,856
<b>Total Expenses</b>	<b>7,048,350</b>	<b>-</b>	<b>7,048,350</b>	<b>52,802</b>	<b>-</b>	<b>52,802</b>	<b>-</b>	<b>7,101,152</b>	<b>-</b>	<b>7,101,152</b>
<b>CHANGE IN NET ASSETS</b>	<b>(36,368)</b>	<b>1,573,085</b>	<b>1,536,717</b>	<b>167,349</b>	<b>58,156</b>	<b>225,505</b>	<b>-</b>	<b>130,981</b>	<b>1,631,241</b>	<b>1,762,222</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,534,474</b>	<b>3,750,287</b>	<b>6,284,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,534,474</b>	<b>3,750,287</b>	<b>6,284,761</b>
<b>NET ASSETS ACQUIRED IN ACQUISITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,439,217</b>	<b>1,882,979</b>	<b>3,322,196</b>	<b>-</b>	<b>1,439,217</b>	<b>1,882,979</b>	<b>3,322,196</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,498,106</b>	<b>\$ 5,323,372</b>	<b>\$ 7,821,478</b>	<b>\$ 1,606,566</b>	<b>\$ 1,941,135</b>	<b>\$ 3,547,701</b>	<b>\$ -</b>	<b>\$ 4,104,672</b>	<b>\$ 7,264,507</b>	<b>\$ 11,369,179</b>

The Independent Auditors' Report should be read in conjunction with these statements.