



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(with Summarized Totals for 2022)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreePeople, Inc.

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of TreePeople, Inc. (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 consolidating statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
November 25, 2024

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

ASSETS

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,993,234	\$ 6,363,353
Investments (Note 4)	6,278,963	5,450,451
Accounts and other receivables, net	6,348,687	5,993,490
Prepaid expenses and other assets	484,534	401,123
Property held for sale (Note 5)	1,210,080	3,810,080
Property and equipment, net (Note 6)	2,688,744	3,054,308
Property held for conservation (Note 7)	45,064	39,064
Operating lease right-of-use assets (Note 17)	12,856	26,380
TOTAL ASSETS	\$ 23,062,162	\$ 25,138,249

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 1,902,977	\$ 1,449,087
Accrued liabilities (Note 9)	1,196,069	858,754
Deferred revenue (Note 12)	885,760	375,738
Notes payable (Note 11)	818,694	889,817
Insurance proceeds liability (Note 10)	282,590	282,590
Deferred compensation (Note 14)	284,372	309,183
Operating lease liabilities (Note 17)	12,656	26,380
	5,383,118	4,191,549
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Without donor restrictions	8,246,327	14,561,358
With donor restrictions		
Restricted for time and purpose (Note 15)	6,033,121	3,285,746
Restricted in perpetuity (Note 16)	3,399,596	3,099,596
	9,432,717	6,385,342
Total net assets	17,679,044	20,946,700
TOTAL LIABILITIES AND NET ASSETS	\$ 23,062,162	\$ 25,138,249

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
REVENUE, SUPPORT, AND OTHER INCOME				
Contributions - individuals	\$ 1,802,351	\$ 471,320	\$ 2,273,671	\$ 1,993,451
Contributions - foundations and corporations	1,834,918	3,382,615	5,217,533	3,017,679
Government contributions and grants	7,257,423	-	7,257,423	8,080,573
Bequests	-	-	-	250,795
Program revenue	718,609	-	718,609	93,635
Special event, net of expenses of \$22,807 and \$68,602, respectively	(4,310)	-	(4,310)	231,786
Mitigation fees	-	-	-	33,652
Investment return, net (Note 4)	671,177	-	671,177	(621,159)
Other income	15,185	-	15,185	2,289,002
Change in classification of land (Note 5)	(2,594,000)	-	(2,594,000)	-
Net assets released from restrictions	<u>806,560</u>	<u>(806,560)</u>	<u>-</u>	<u>-</u>
 Total Revenue, Support, and Other Income	 <u>10,507,913</u>	 <u>3,047,375</u>	 <u>13,555,288</u>	 <u>15,369,414</u>
EXPENSES				
Program services	12,561,556	-	12,561,556	11,204,139
Management and general	3,355,230	-	3,355,230	1,888,365
Fundraising	<u>906,158</u>	<u>-</u>	<u>906,158</u>	<u>1,380,939</u>
 Total Expenses	 <u>16,822,944</u>	 <u>-</u>	 <u>16,822,944</u>	 <u>14,473,443</u>
 CHANGE IN NET ASSETS	 <u>(6,315,031)</u>	 <u>3,047,375</u>	 <u>(3,267,656)</u>	 <u>895,971</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>14,561,358</u>	 <u>6,385,342</u>	 <u>20,946,700</u>	 <u>20,050,729</u>
 NET ASSETS, END OF YEAR	 <u>\$ 8,246,327</u>	 <u>\$ 9,432,717</u>	 <u>\$ 17,679,044</u>	 <u>\$ 20,946,700</u>

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	Program Services	Management and General	Fundraising	Total	
				2023	2022
PERSONNEL EXPENSES					
Salaries	\$ 5,847,170	\$ 1,422,000	\$ 532,980	\$ 7,802,150	\$ 6,470,807
Employee benefits	581,333	41,913	21,686	644,932	586,355
Payroll taxes	511,178	165,821	39,653	716,652	384,421
Total personnel expenses	<u>6,939,681</u>	<u>1,629,734</u>	<u>594,319</u>	<u>9,163,734</u>	<u>7,441,583</u>
OPERATIONAL EXPENSES					
Bad debt expense	-	285,390	-	285,390	-
Depreciation and amortization	389,334	95,102	27,885	512,321	524,357
Direct mail expenses	-	-	76,628	76,628	190,228
Equipment and vehicles	294,484	23,489	11,615	329,588	213,795
Insurance	122,215	30,406	7,928	160,549	154,915
Interest and account fees	2,584	85,094	15,477	103,155	123,664
Marketing and communications	2,176	1,301	15,364	18,841	24,913
Miscellaneous	85,324	23,332	9,946	118,602	52,104
Occupancy	143,932	2,063	-	145,995	146,341
Operations	221,802	68,240	16,568	306,610	203,743
Planting related	871,842	22,883	3,077	897,802	422,778
Professional services	378,517	977,580	11,135	1,367,232	2,039,757
Program expenses	2,424	592	174	3,190	7,398
Staff development	20,838	4,591	1,589	27,018	69,951
Subcontractors and outside services	2,919,314	72,252	80,723	3,072,289	2,664,196
Travel	62,412	7,947	26,738	97,097	59,327
Utilities and security	104,677	25,234	6,992	136,903	134,393
Total operational expenses	<u>5,621,875</u>	<u>1,725,496</u>	<u>311,839</u>	<u>7,659,210</u>	<u>7,031,860</u>
TOTAL 2023 FUNCTIONAL EXPENSES	<u>\$ 12,561,556</u>	<u>\$ 3,355,230</u>	<u>\$ 906,158</u>	<u>\$ 16,822,944</u>	
PERCENTAGE OF EXPENSES	75%	20%	5%	100%	
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 11,204,139</u>	<u>\$ 1,888,365</u>	<u>\$ 1,380,939</u>		<u>\$ 14,473,443</u>

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	For the Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,267,656)	\$ 895,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	512,321	524,357
Net realized and unrealized (gain) loss on investments	(337,375)	800,497
Contributions restricted for investment in perpetuity	(300,000)	(300,000)
Change in allowance for uncollectable receivables	285,390	-
Change in classification of land	2,594,000	-
Change in operating assets and liabilities:		
Accounts and other receivables	(640,587)	(199,045)
Prepaid expenses and other assets	(83,411)	(81,304)
Accounts payable	453,890	636,134
Accrued liabilities	337,315	(17,229)
Insurance proceeds liability	-	(26,327)
Deferred revenue	510,022	(10,999)
Deferred compensation	(24,811)	(215,629)
Operating right-of-use assets and liabilities	(200)	-
Net Cash Provided By Operating Activities	<u>38,898</u>	<u>2,006,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(146,757)	(430,277)
Reinvested interest and dividends	(334,293)	(225,545)
Purchase of investments	(746,920)	(596,653)
Proceeds on sale of investments	590,076	361,328
Net Cash Used In Investing Activities	<u>(637,894)</u>	<u>(891,147)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(71,123)	(1,927,880)
Contributions restricted for investment in perpetuity	300,000	300,000
Net Cash Provided By (Used In) Financing Activities	<u>228,877</u>	<u>(1,627,880)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(370,119)	(512,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,363,353</u>	<u>6,875,954</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,993,234</u>	<u>\$ 6,363,353</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 103,958</u>	<u>\$ 119,469</u>

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

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 1 – Description of Organization

TreePeople, Inc. (TreePeople) is a California not-for-profit organization whose mission is to inspire, engage, and support people to take personal responsibility for the environment, making it safe, healthy, fun, and sustainable, and to share the 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 a 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 100 professional foresters, educators, community organizers, researchers, and program and policy facilitators, a dedicated Board of Directors, and more than 10,000 volunteers. TreePeople 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.

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, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 1 – Description of Organization (Continued)

Creating Climate-Resilient and Water-Secure Communities (Continued)

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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 addressing 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 21st 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, 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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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.

TreePeople Land Trust

TreePeople Land Trust dba Mountain Restoration Trust (the Trust) became the wholly owned subsidiary of TreePeople beginning November 1, 2019. The Trust is a non-profit accredited land trust dedicated to preserving natural land in the Santa Monica Mountains through restoration, education, and land acquisition. Founded in 1981, The Trust collaborates with members of the public and government agencies in an ongoing effort to maintain a cooperative relationship between urbanization and native land.

During 2020, the Trust filed a Fictitious Business Name Statement with the County of Los Angeles to allow the Trust to “do business as” TreePeople Land Trust.

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

Acquisitions: The Trust owns 1,429.12 acres in fee title, 1,364.73 acres in conservation easements, and 5.28 acres of trail easements. There are 12 acres of leased land and building at Headwaters Corner. The Trust 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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 1 – Description of Organization (Continued)

TreePeople Land Trust (Continued)

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. The Trust has a staff of field specialists and technicians working five 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 overseen by the Trust. The Trust also continues to work with state and national park units on collaborative projects, as well as jurisdictional agencies on mitigation for unavoidable impacts.

Education: The environmental education program focuses on students from the San Fernando Valley and Los Angeles Basin, encouraging young students to explore the local wildlands adjacent to their urban areas.

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 the Trust (collectively, the Organization). Intercompany transactions are eliminated in consolidation.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 in the United States of America (U.S. GAAP). Accordingly, such financial information should be read in conjunction with the Organization’s consolidated financial statements for the year ended December 31, 2022, from which the summarized financial information was derived.

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. 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 consolidated statement of activities as net assets released from purpose or time restrictions. Other donor stipulations are 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.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the consolidated 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 federally insured limits. The Organization has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash.

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 consolidated 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 uncollectable receivables, represents their estimated net realizable value. The allowance for uncollectable receivables is estimated based on historical collection trends, collection efforts, type of customer, the age of outstanding receivables and existing economic conditions. The allowance for uncollectable receivables was \$343,486 for the year ended December 31, 2023.

Property and Equipment

Property and equipment is 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 occurs over the term of the lease agreement. Maintenance and repair costs are charged to expense as incurred. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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, 2023.

Lease Arrangements

The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Lease Arrangements (Continued)

The Organization’s policy for determining its lease discount rate used in measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Organization has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Organization has elected a policy to account for short-term leases, defined as any lease with a term of less than 12 months, by recognizing all components of the lease payment in the consolidated statement of activities in the period in which the obligation for the payments is incurred.

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.

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 certain federal, state, and county grants are conditioned upon certain performance requirements, which can include the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions and any other conditions are met. 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.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization is party to conditional grants with grant terms through June 2027 and additional funding of approximately \$29,500,000 that has not been recognized at December 31, 2023, because qualifying expenditures have not yet been incurred.

Mitigation fee revenue is in accordance with the California Environmental Quality Act in coordination with government agencies, such as the California Department of Fish and Wildlife and the United States Department of Fish and Wildlife, which requires that the potential impacts from development on species, habitat, and farmland be considered. A project proponent may pay an in-lieu fee to a lead agency or other designated agency to be used to acquire the required mitigation land or conservation easement. As an approved mitigation agency, the Trust receives mitigation fee revenue from project proponents. These funds may contain certain conditions or restrictions for use of the funding.

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.

Concentration of Credit Risks

The accounts and other receivables balance outstanding at December 31, 2023, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to receivables are limited, as the majority of the Organization's receivables consist of revenue from contracts granted by governmental agencies.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risks (Continued)

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’s programs and other activities have been presented in the consolidated 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.

Use of Estimates

In preparing the consolidated financial statements in conformity with U.S. GAAP, 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.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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 Adopted Accounting Pronouncements

Beginning July 1, 2023, the Organization adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and its related amendments, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU also requires the Organization to use forward-looking information to better formulate its credit loss estimates. The adoption of the standard had no significant impact on the Organization’s consolidated financial statements or disclosures.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organization has evaluated subsequent events from the consolidated statement of financial position date through November 25, 2024, the date the consolidated financial statements were available to be issued for the year ended December 31, 2023.

NOTE 3 – Liquidity and Availability

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

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Cash and cash equivalents	\$ 5,993,234	\$ 6,363,353
Investments	6,278,963	5,450,451
Accounts and other receivables	<u>6,348,687</u>	<u>5,993,490</u>
	18,620,884	17,807,294
Funds held for deferred compensation with contractual restrictions	(284,372)	(309,183)
Funds held for insurance proceeds	(282,590)	(282,590)
Donor-imposed restrictions:		
Funds subject to purpose or time restrictions	(6,033,121)	(3,285,746)
Funds restricted in perpetuity	<u>(3,399,596)</u>	<u>(3,099,596)</u>
	<u>\$ 8,621,205</u>	<u>\$ 10,830,179</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 4 – Investments

Investments measured at fair value consist of the following:

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Mutual funds	\$ 66,143	\$ -	\$ -	\$ 66,143
Marketable equity securities	1,810,954	-	-	1,810,954
Debt securities	4,401,866	-	-	4,401,866
	\$ 6,278,963	\$ -	\$ -	\$ 6,278,963
	Level 1	Level 2	Level 3	Total
December 31, 2022				
Mutual funds	\$ 66,563	\$ -	\$ -	\$ 66,563
Real estate	40,149	-	-	40,149
Marketable equity securities	1,658,564	-	-	1,658,564
Debt securities	3,685,175	-	-	3,685,175
	\$ 5,450,451	\$ -	\$ -	\$ 5,450,451

Net investment return consists of:

	For the Year Ended	
	December 31,	
	2023	2022
Interest and dividend income from investments	\$ 334,293	\$ 190,108
Realized and unrealized gains (losses)	337,375	(800,497)
Fees	(491)	(10,770)
	\$ 671,177	\$ (621,159)

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

NOTE 5 – Property Held for Sale

Property held for sale at December 31, 2023 consists of the following:

	<u>Acres</u>	<u>Value</u>
Land - Los Angeles County, CA	82.83	\$ 1,210,080

The property is recorded at cost if purchased, or at fair value at the date of donation if donated. This property can be sold and the proceeds would be used towards the programs or can be contributed to other organizations.

During 2023, certain land held for sale as of December 31, 2022 was reclassified to property held for conservation, based on obtaining certain restrictions on the land that exclude future development. As a result, the land value was reduced to \$1,000 per parcel, based on the Organization’s accounting policies.

NOTE 6 – Property and Equipment

Property and equipment at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Conference center	\$ 5,396,286	\$ 5,396,286
Environmental Learning Center	3,182,470	3,182,470
Furniture and equipment	683,886	683,886
Computer equipment and software	224,472	224,472
Leasehold improvements	788,476	718,002
Transportation equipment	691,269	614,986
	10,966,859	10,820,102
Less accumulated depreciation and amortization	(8,278,115)	(7,765,794)
Property and equipment, net	\$ 2,688,744	\$ 3,054,308

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$512,321 and \$524,357, respectively.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

NOTE 7 – Property Held for Conservation

At December 31, 2023 **and** 2022, the Organization held 1,346.29 acres in Los Angeles County that it valued at \$45,000 and \$39,000, respectively, which is restricted for use in its programs and conservation.

Additionally, at December 31, 2023, the Organization held the following easements that are restricted for use in its programs:

	Acres	Value
Los Angeles County, CA	897.90	\$ 59
Ventura County, CA	466.83	5
	1,364.73	\$ 64

NOTE 8 – Line of Credit

The Organization had a working capital line of credit with an interest rate of 0.25% above prime, (8.5% as of December 31, 2023), a capacity of \$500,000, and a maturity date of December 2024.

NOTE 9 – Accrued Liabilities

Accrued liabilities at December 31, 2023 **and** 2022 consists of the following:

	2023	2022
Accrued expenses	\$ 583,142	\$ 205,355
Accrued insurance	62,515	157,657
Accrued payroll and payroll taxes	312,566	254,567
Accrued vacation	237,846	241,175
Total accrued liabilities	\$ 1,196,069	\$ 858,754

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

NOTE 10 – Insurance Proceeds Liability

The Trust 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. Funds used during the years ended December 31, 2023 and 2022 totaled \$0 and \$26,327, respectively. As of both December 31, 2023 and 2022, insurance proceeds received, but not yet used, totaled \$282,590, and are considered to be conditional for use of rebuilding after the fire.

NOTE 11 – Notes Payable

At December 31, 2023, the Organization is party to a term loan agreement with an interest rate of 4.95%, monthly payments of principal and interest of \$9,504, and remaining principal and interest due December 2024 (the Term Loan). The Term Loan is collateralized by 1st position UCC-1 filing on the Organization's business assets. The balance of the loan was \$818,694 and \$889,817 at December 31, 2023 and 2022, respectively. The Organization intends to repay the loan at the maturity date.

Additionally, in 2021, the Trust entered into a credit agreement with a foundation for a loan of \$1,860,000 (the Foundation Loan). The Foundation Loan bore interest at a rate of 0.5%. The principal and accrued interest is due at the earlier of a) receipt of funding from the California Department of Parks and Recreation as reimbursement for the purchase of certain land, or b) December 2022. In July 2022, the Trust repaid the Foundation Loan after receiving the funding from the California Department of Parks and Recreation.

NOTE 12 – 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, 2023 and 2022, which is included in government contributions and grants in the accompanying consolidated financial statements.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 12 – Deferred Revenue (Continued)

At December 31, 2023 and 2022, deferred revenue consists of funding from the City for the construction of the conference center and related amenities totaled \$307,000 and \$343,000, respectively.

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

Additionally, at December 31, 2023, deferred revenue in the consolidated statement of financial position included advance payments of conditional grant funds of \$578,760 to be recognized as conditions are met. At December 31, 2022, deferred revenue also included advance payments on events and tours of \$32,738.

NOTE 13 – 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.

Litigation

During the normal course of business, the Organization may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the consolidated financial statements for the Organization as of December 31, 2023.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 13 – Commitments and Contingencies (Continued)

Litigation (Continued)

During the year ended December 31, 2022, the Organization was party to a legal settlement in the amount of \$182,794. Additionally, the Organization was awarded attorney fees of \$1,872,655 related to quiet title action lawsuit, which was distributed to the law firm that provided the professional services for the case. These amounts were included in other income in the accompanying consolidated statement of activities for the year ended December 31, 2022.

Other

The Trust and the California Coastal Conservancy (the Conservancy) are working mutually to find a resolution on a disagreement regarding the repayment of a grant provided by the Conservancy in 1984. At the time of this audit, it is unclear how much the Trust may owe to the Conservancy, or if repayment is indeed warranted. In the event that the Conservancy found that the Trust was in violation of the grant agreement, the Conservancy's course of remedy would be the enactment of reversionary interest in four parcels owned by the Trust. With each of these four parcels deed-restricted and valued at \$1,000, the financial implications of this potential liability would be a reduction of \$4,000 to the Trust's assets.

NOTE 14 – 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 nine-year period, beginning at the President's 70th birthday. At December 31, 2023 and 2022, the Organization has recorded a deferred compensation liability of \$284,372 and \$309,183, respectively.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2023
 (WITH COMPARATIVE TOTALS FOR 2022)

NOTE 15 – Net Assets With Donor Restrictions

Net Assets Restricted for Time and Purpose

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

	December 31,	
	2023	2022
Urban Forestry Initiative	\$ 2,432,995	\$ 419,634
Policy and research	531,556	133,339
Education	521,397	440,032
Headwaters Corner facility	476,176	499,117
Residential stormwater retrofit projects	379,652	380,266
Stewardship and legal defense funds	253,700	65,477
Mountain Forestry/Forest Aid	243,757	248,346
Renovation project	226,845	270,510
USACE Creekside	176,321	176,321
USACE Valley 2 (Argo Ditch)	164,105	164,461
Urban cooling	152,021	74,738
Community organizations	137,663	100,000
Native Garden Kit program	94,994	132,033
Other USACE	77,276	77,276
Other	164,663	104,196
	<u>\$ 6,033,121</u>	<u>\$ 3,285,746</u>

Net Assets Restricted in Perpetuity

Net assets with donor restrictions that are restricted in perpetuity at December 31, 2023 and 2022 relate to its endowment funds. (See Note 16.)

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 16 – 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 Trust for stewardship and restoration.

The Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust classifies as donor restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Organization has utilized investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long term, allow it to grow at a rate exceeding expected inflation. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments, diversified between sectors, to achieve its long-term return objectives within prudent risk constraints.

The composition of the endowments at December 31, 2023 consisted of donor-restricted gifts required to be maintained in perpetuity.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 16 – Endowments (Continued)

The changes in the endowments for the year ended December 31, 2023 are as follows:

Endowment net assets – December 31, 2022	\$ 3,099,596
Contributions	<u>300,000</u>
Endowment net assets – December 31, 2023	<u>\$ 3,399,596</u>

NOTE 17 – Operating Leases

The Organization leases equipment under a long-term operating lease. The Organization has various month-to-month leases, which are excluded from the calculation of right-of-use assets and liabilities due to the short-term nature.

In addition, the Organization has a lease agreement with the City of Los Angeles 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 \$509,463 and \$395,442 for the years ended December 31, 2023 and 2022, respectively.

The Trust has a \$1 per year lease agreement with the City of Calabasas commencing on October 1, 2014, and terminating on September 30, 2024. The Trust is granted the right to extend the lease term for one additional period of ten years, until September 30, 2034. The Trust is in negotiations with the City of Calabasas regarding the extension of the lease, with no determination yet made through the date of the consolidated financial statements.

As the market rate value of the leases with the City of Los Angeles and City of Calabasas are not readily available due to the unique nature of the property, no value for a donated contribution, operating lease right-of-use assets, or liabilities has been recorded.

As part of its lease agreements, variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

NOTE 17 – Operating Leases (Continued)

Lease expenses included in "Occupancy" in the consolidated statement of functional expenses include the following components for the year ended December 31, 2023 and 2022:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 10,022	\$ 12,985
Short-term lease costs	<u>37,077</u>	<u>23,256</u>
	<u>\$ 47,099</u>	<u>\$ 36,241</u>

For the year ended December 31, 2023, cash paid for amounts included in the measurement of lease liabilities was \$10,308 and is considered an operating cash flow.

At December 31, 2023, the weighted-average remaining lease term is 0.9 years and the weighted-average discount rate is 0.97%.

The remaining operating lease liabilities as of December 31, 2023 is \$12,694, of which \$38 is the amount representing interest, and will be paid during the year ending December 31, 2024.

NOTE 18 – Related-Party Transactions

The Organization receives donations from board members, who are considered related parties to the Organization. The Organization engaged Greenberg Glusker LLP, where a board member is a partner. Fees paid for these legal services for the years ended December 31, 2023 and 2022 were approximately \$144,000 and \$181,000, respectively.

SUPPLEMENTARY INFORMATION

TREEPEOPLE, INC.

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023**

ASSETS				
	TreePeople	Trust	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 4,196,351	\$ 1,796,883	\$ -	\$ 5,993,234
Investments	4,396,596	1,882,367	-	6,278,963
Accounts and other receivables, net	6,778,905	156,874	(587,092)	6,348,687
Prepaid expenses and other assets	474,554	9,980	-	484,534
Property held for sale	-	1,210,080	-	1,210,080
Property and equipment, net	2,688,744	-	-	2,688,744
Property held for conservation	-	45,064	-	45,064
Operating lease right-of-use assets	12,856	-	-	12,856
TOTAL ASSETS	\$ 18,548,006	\$ 5,101,248	\$ (587,092)	\$ 23,062,162
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 1,775,050	\$ 127,927	\$ -	\$ 1,902,977
Accrued liabilities	1,196,069	-	-	1,196,069
Deferred revenue	885,760	-	-	885,760
Notes payable	818,694	-	-	818,694
Insurance proceeds liability	-	282,590	-	282,590
Deferred compensation	284,372	-	-	284,372
Related party payable	-	587,092	(587,092)	-
Operating lease liabilities	12,656	-	-	12,656
	4,972,601	997,609	(587,092)	5,383,118
COMMITMENTS AND CONTINGENCIES (Note 13)				
NET ASSETS				
Without donor restrictions	6,540,151	1,706,176	-	8,246,327
With donor restrictions				
Restricted for time and purpose	4,735,254	1,297,867	-	6,033,121
Restricted in perpetuity	2,300,000	1,099,596	-	3,399,596
	7,035,254	2,397,463	-	9,432,717
Total net assets	13,575,405	4,103,639	-	17,679,044
TOTAL LIABILITIES AND NET ASSETS	\$ 18,548,006	\$ 5,101,248	\$ (587,092)	\$ 23,062,162

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

TREEPEOPLE, INC.

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	TreePeople			Trust			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND OTHER INCOME										
Contributions - individuals	\$ 1,753,613	\$ 421,320	\$ 2,174,933	\$ 48,738	\$ 50,000	\$ 98,738	\$ -	\$ 1,802,351	\$ 471,320	\$ 2,273,671
Contributions - foundations and corporations	1,831,772	3,222,530	5,054,302	3,146	160,085	163,231	-	1,834,918	3,382,615	5,217,533
Government grants and contributions	7,191,794	-	7,191,794	65,629	-	65,629	-	7,257,423	-	7,257,423
Program revenue	485,940	-	485,940	232,669	-	232,669	-	718,609	-	718,609
Special event, net of expenses of \$22,807	(4,310)	-	(4,310)	-	-	-	-	(4,310)	-	(4,310)
Investment return, net	456,917	-	456,917	214,260	-	214,260	-	671,177	-	671,177
Other income	92,783	-	92,783	3,696	-	3,696	(81,294)	15,185	-	15,185
Change in classification of land	-	-	-	(2,594,000)	-	(2,594,000)	-	(2,594,000)	-	(2,594,000)
Net assets released from restrictions	721,771	(721,771)	-	84,789	(84,789)	-	-	806,560	(806,560)	-
Total Revenue, Support, and Other Income	12,530,280	2,922,079	15,452,359	(1,941,073)	125,296	(1,815,777)	(81,294)	10,507,913	3,047,375	13,555,288
EXPENSES										
Program services	12,031,439	-	12,031,439	611,411	-	611,411	(81,294)	12,561,556	-	12,561,556
Management and general	3,278,923	-	3,278,923	76,307	-	76,307	-	3,355,230	-	3,355,230
Fundraising	859,026	-	859,026	47,132	-	47,132	-	906,158	-	906,158
Total Expenses	16,169,388	-	16,169,388	734,850	-	734,850	(81,294)	16,822,944	-	16,822,944
CHANGE IN NET ASSETS	(3,639,108)	2,922,079	(717,029)	(2,675,923)	125,296	(2,550,627)	-	(6,315,031)	3,047,375	(3,267,656)
NET ASSETS, BEGINNING OF YEAR	10,179,259	4,113,175	14,292,434	4,382,099	2,272,167	6,654,266	-	14,561,358	6,385,342	20,946,700
NET ASSETS, END OF YEAR	\$ 6,540,151	\$ 7,035,254	\$ 13,575,405	\$ 1,706,176	\$ 2,397,463	\$ 4,103,639	\$ -	\$ 8,246,327	\$ 9,432,717	\$ 17,679,044

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

TREEPEOPLE, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	TreePeople				Trust				Eliminations	Consolidated			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total		Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES													
Salaries	\$ 5,696,498	\$ 1,364,284	\$ 485,848	\$ 7,546,630	\$ 150,672	\$ 57,716	\$ 47,132	\$ 255,520	\$ -	\$ 5,847,170	\$ 1,422,000	\$ 532,980	\$ 7,802,150
Employee benefits	557,687	39,803	21,686	619,176	23,646	2,110	-	25,756	-	581,333	41,913	21,686	644,932
Payroll taxes	491,703	163,803	39,653	695,159	19,475	2,018	-	21,493	-	511,178	165,821	39,653	716,652
Total personnel expenses	6,745,888	1,567,890	547,187	8,860,965	193,793	61,844	47,132	302,769	-	6,939,681	1,629,734	594,319	9,163,734
OPERATIONAL EXPENSES													
Bad debt expense	-	285,390	-	285,390	-	-	-	-	-	-	285,390	-	285,390
Depreciation and amortization	389,334	95,102	27,885	512,321	-	-	-	-	-	389,334	95,102	27,885	512,321
Direct mail expenses	-	-	76,628	76,628	-	-	-	-	-	-	-	76,628	76,628
Equipment and vehicles	285,551	23,489	11,615	320,655	8,933	-	-	8,933	-	294,484	23,489	11,615	329,588
Insurance	111,167	29,840	7,928	148,935	11,048	566	-	11,614	-	122,215	30,406	7,928	160,549
Interest and account fees	2,584	85,094	15,477	103,155	-	-	-	-	-	2,584	85,094	15,477	103,155
Marketing and communications	2,176	1,301	15,364	18,841	-	-	-	-	-	2,176	1,301	15,364	18,841
Miscellaneous	85,324	17,533	9,946	112,803	-	5,799	-	5,799	-	85,324	23,332	9,946	118,602
Occupancy	116,162	1,661	-	117,823	27,770	402	-	28,172	-	143,932	2,063	-	145,995
Operations	158,083	67,571	16,568	242,222	63,719	669	-	64,388	-	221,802	68,240	16,568	306,610
Planting related	871,842	22,883	3,077	897,802	-	-	-	-	-	871,842	22,883	3,077	897,802
Professional services	187,586	972,380	11,135	1,171,101	272,225	5,200	-	277,425	(81,294)	378,517	977,580	11,135	1,367,232
Program expenses	2,424	592	174	3,190	-	-	-	-	-	2,424	592	174	3,190
Staff development	20,838	4,591	1,589	27,018	-	-	-	-	-	20,838	4,591	1,589	27,018
Subcontractors and outside services	2,885,414	72,252	80,723	3,038,389	33,900	-	-	33,900	-	2,919,314	72,252	80,723	3,072,289
Travel	62,389	6,120	26,738	95,247	23	1,827	-	1,850	-	62,412	7,947	26,738	97,097
Utilities and security	104,677	25,234	6,992	136,903	-	-	-	-	-	104,677	25,234	6,992	136,903
Total operational expenses	5,285,551	1,711,033	311,839	7,308,423	417,618	14,463	-	432,081	(81,294)	5,621,875	1,725,496	311,839	7,659,210
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 12,031,439	\$ 3,278,923	\$ 859,026	\$ 16,169,388	\$ 611,411	\$ 76,307	\$ 47,132	\$ 734,850	\$ (81,294)	\$ 12,561,556	\$ 3,355,230	\$ 906,158	\$ 16,822,944

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
TreePeople, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of TreePeople, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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, and have issued our report thereon dated November 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01 and 2023-02 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Long Beach, California
November 25, 2024

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
TreePeople, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited TreePeople, Inc. (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, TreePeople, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-03. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or

significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-03 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
November 25, 2024

TREEPEOPLE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing	Contract/ Agreement Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Passed through National Fish and Wildlife Foundation</i>				
Forest Aid Phase III	10.U01	0806.21.071971	\$ -	\$ 314,360
NFWF Bigcone	10.U02	0806.21.071973	-	136,751
NFWF Shake Plantation	10.U03	0806.21.071780	-	62,298
Forest Aid Phase IV	10.U05	0806.22.075167	-	492,926
			<u>-</u>	<u>1,006,335</u>
<i>Passed through National Forest Foundation</i>				
NFF Bigcone	10.682	AP-504	-	45,058
			<u>-</u>	<u>45,058</u>
<i>Passed through Community Project Funding Congressional Designated Funding</i>				
Aliso Canyon and O'Melveny Park Restoration	10.723	22-DG-11052021-245	-	6,450
			<u>-</u>	<u>6,450</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>1,057,843</u>
U.S. Department of Housing and Urban Development				
<i>Pass through Economic Development Initiative</i>				
West Valley Community Greening Project	14.251	B-23-CP-CA-0215	-	982
			<u>-</u>	<u>982</u>
<i>Pass through FY2019 Choice Neighborhoods Implementation</i>				
Watts Residential Landscaping	14.889	CA9D004CNG119	-	6,485
			<u>-</u>	<u>6,485</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>7,467</u>
Corporation for National and Community Service				
AmeriCorp 1	94.006	21ACIY28-C190	-	198,689
			<u>-</u>	<u>198,689</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,263,999</u>

TREEPEOPLE, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of TreePeople, Inc. (the Organization). The SEFA does not include expenditures of the Organization's subsidiary, TreePeople Land Trust. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 – Summary of Significant Accounting Policies

The SEFA is presented using the accrual basis of accounting, which is described in the notes to the consolidated financial statements of the Organization as of and for the year ended December 31, 2023.

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

The independent auditors’ report expresses an unmodified opinion on whether the consolidated financial statements of TreePeople, Inc. were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – Yes
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – None reported
2. Significant deficiencies identified? – Yes
3. Type of auditors’ report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – Yes
5. Identification of major programs:

National Fish and Wildlife Foundation – #10.U01 Forest Aid Phase III; #10.U02 Bigcone; #10.U03 Shake Plantation; #10.U05 Forest Aid Phase IV
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT

The following items are considered to be material weaknesses:

2023-01 Year-End Reconciliation and Close Process

Condition: We noted a number of material adjustments recorded during the audit fieldwork and as a result of audit procedures, which indicates certain month-end reconciliations and close processes were not operating as designed. These adjustments related to a) overstatement of revenue for cash receipts received for prior year receivables or duplicate invoices; b) differences between the subledgers and ledgers for receivables and payables; c) management estimate of collectability of receivables at year-end; d) services recorded in the incorrect period; and e) misstated revenue and related accounts based on terms of the grant and services performed.

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting.

Cause: The Organization implemented a new accounting system and experienced management turnover during 2023, which led to difficulties in reconciling accounts and schedules and the financial statements at year-end.

Effect: Financial reporting may not be accurate.

Recommendation: We recommend the Organization implement additional closing procedures related to reconciling statement of financial position accounts and transaction cycles to ensure all necessary journal entries are recorded, accounts are reconciled, and management reviews monthly financial reporting.

Management's Response: In 2023, TreePeople engaged an independent consulting firm to reconcile all accounts and perform month-end and year-end close activities. Also in 2023, TreePeople implemented new policies and procedures to support timely reporting – including new month-end and year-end close procedures.

TREEPEOPLE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Management's
Response
(Continued):

In 2024, TreePeople hired a new CFO and a new controller, bringing extensive non-profit finance and government grant management experience to the Organization. The new CFO promptly implemented additional controls addressing month-end close activities and additional reviews and approvals of journal entries by the CFO and controller.

To provide greater oversight and supervision, and to ensure timely and accurate charging of expenses, billing, and revenue recognition, the employees responsible for accounts receivable will move to the finance organization reporting to the CFO – rather than being housed within programs. This transition will occur on December 1, 2024.

Accounting closing procedures will be amended to ensure proper reconciliations of program and non-program expenditures. Management will enhance the close and reconciliation processes and strengthen the review and approval of revenue and expenditure items. Additional training will be conducted on the new procedures for existing and new staff in the accounting, programs, and billing areas. All training and new processes will be updated and implemented by March 31, 2025.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT (Continued)

2023-02 Expense Tracking and SEFA Reporting

- Condition: The Organization tracks grants by individual cost-centers, which allows for total revenue and total expenditures. Reports by grant activity are used for the schedule of net assets with donor restrictions and expenditures for federally-sourced grants. During the audit, it was noted that expenses were tracked to grant cost-centers in excess of grant funds, resulting in challenges for management to generate accurate reports. The preparation of the Schedule of Expenditures of Federal Awards (SEFA) and the schedule of net assets with donor restrictions required significant auditor assistance to identify the grants and correct expenditure (release) amounts to be included.
- Criteria: Management is responsible for establishing and maintaining an effective system of internal control over proper SEFA reporting and net asset reporting. Additionally, Section 2 CFR 200.510(b) of the Uniform Guidance requires that an auditee prepare a schedule of expenditures of federal awards, which includes individual federal programs by federal agency and total federal awards expended for each individual federal program and Assistance Listing Number.
- Cause: The Organization implemented a new accounting system and experienced management turnover during 2023, which led to a lack of proper expense coding and tracking.
- Effect: Financial transactions may be recorded to the wrong program or reporting may be inaccurate.
- Recommendation: We recommend management implement more robust procedures and policies around tracking of grants and the related expenditures to ensure accurate and complete reporting of the SEFA, schedule of net assets with donor restrictions, and other reports to be used by management for operations.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT (Continued)

2023-02 Expense Tracking and SEFA Reporting (Continued)

Management's

Response:

TreePeople implemented a new software application to improve expense tracking and reconciling of program and SEFA reporting. In addition, the CFO engaged a new technology consulting firm effective November 1, 2024 with deep experience in the new application to identify, design and implement improved reporting. The Organization will amend existing and create new reporting procedures to enhance tracking of funder restrictions, which will help ensure accurate financial reporting and enhance management decision-making. As noted above, the accounts receivable functions will be moved under the CFO's supervision to consolidate and strengthen oversight to ensure timeliness and accuracy. Management is revising processes for recording transactions to ensure the accounting and finance operations are streamlined, effective, and efficient, and proper internal controls are in place. This will be completed by March 31, 2025.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS

The following item is considered to be significant deficiency:

2023-03 Period of Performance

U.S. Department of Agriculture
National Fish and Wildlife Foundation: Bigcone, Shake Plantation
Assistance Listing: 10.U02, 10.U03

Condition: The Organization’s federal grants include periods of performance that ended at various periods during the year ended December 31, 2023. As part of the testwork of expenditures, we noted multiple transactions charged to two of its grants that were outside the period of performance for both payroll and nonpayroll expenditures.

Criteria: A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award’s period of performance. Management is responsible for establishing and maintaining procedures to ensure expenses applied to federal awards are incurred within the allowable period of performance.

Cause: The Organization implemented a new accounting system and experienced management turnover during 2023, which led to a lack of proper expense coding and tracking, and proper review of timing of expenses in relation to grant periods.

Effect: Financial transactions are inappropriately recorded to federal programs.

Questioned Costs: \$28,100

Recommendation: We recommend the Organization implement a process to ensure expenses are coded to the proper federal program and spent within the allowable period of performance.

TREEPEOPLE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAMS (Continued)**

Management's

Response:

In 2023, TreePeople engaged an independent consulting firm to reconcile all accounts and perform month-end and year-end close activities. Also in 2023, TreePeople implemented new policies and procedures to support timely reporting – including new month-end and year-end close procedures.

In 2024, TreePeople hired a new CFO and a new controller, bringing extensive non-profit finance and government grant management experience to the organization. The new CFO promptly implemented additional controls addressing month-end close activities and additional reviews and approvals of journal entries by the CFO and controller.

The Accounts Receivable team, which previously reported to the programs team, will be reporting to the CFO starting December 1, 2024, to ensure timeliness and accuracy in charging of expenses, billing and revenue recognition for TreePeople's government grants. Moving the Accounts Receivable team under the CFO's supervision will consolidate oversight and help strengthen our internal control process and assist in streamlining accounting and financial operations.

To ensure expenses are coded to the proper federal program and spent within the allowable period of performance, the organization will leverage new accounting software to strengthen reconciliations and proper recording of revenue and expenses to the proper federal program in the proper period. All training and new processes will be updated and implemented by March 31, 2025.

TREEPEOPLE, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

2022 – FINDINGS FINANCIAL STATEMENTS AUDIT

The following items are considered to be material weaknesses:

2022-01 Year-End Close Process

Condition: We noted a number of material adjustments recorded during the audit fieldwork and as a result of audit procedures, which may indicate certain month-end close processes are not working as designed and reconciliations were not occurring on a timely basis. These adjustments affected multiple line items on the consolidated financial statements.

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting.

Status: This is considered a repeat finding for 2023.



TreePeople

CORRECTIVE ACTION PLAN

11-26-2024

In accordance with Title 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, TreePeople respectfully submits the following Corrective Action Plan to address its independent auditor's Schedule of Findings and Questioned Costs for the year ended December 31, 2023. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2023-01 Year-End Reconciliation and Close Process

Corrective Actions: In 2023, TreePeople engaged an independent consulting firm to reconcile all accounts and perform month-end and year-end close activities. Also in 2023, TreePeople implemented new policies and procedures to support timely reporting – including new month-end and year-end close procedures.

In 2024, TreePeople hired a new CFO and a new controller, bringing extensive non-profit finance and government grant management experience to the organization. The new CFO promptly implemented additional controls addressing month-end close activities and additional reviews and approvals of journal entries by the CFO and controller.

To provide greater oversight and supervision, and to ensure timely and accurate charging of expenses, billing, and revenue recognition, the employees responsible for accounts receivable will move to the finance organization reporting to the CFO – rather than being housed within programs. This transition will occur on December 1, 2024.

Accounting closing procedures will be amended to ensure proper reconciliations of program and non-program expenditures. Management will enhance the close and reconciliation processes and strengthen the review and approval of revenue and expenditure items. Additional training will be conducted on the new procedures for existing and new staff in the accounting, programs, and billing areas. All training and new processes will be updated and implemented by March 31, 2025.

Name of Contact Person: Brett Stapleton, Chief Financial Officer

Estimated Completion Date: March 31, 2025

2023-02 Expense Tracking and SEFA Reporting



TreePeople

Corrective Actions: TreePeople implemented a new software application to improve expense tracking and reconciling of program and SEFA reporting. In addition, the CFO engaged a new technology consulting firm effective November 1, 2024 with deep experience in the new application to identify, design and implement improved reporting. The organization will amend existing and create new reporting procedures to enhance tracking of funder restrictions, which will help ensure accurate financial reporting and enhance management decision-making. As noted above, the accounts receivable functions will be moved under the CFO's supervision to consolidate and strengthen oversight to ensure timeliness and accuracy. Management is revising processes for recording transactions to ensure the accounting and finance operations are streamlined, effective, and efficient, and proper internal controls are in place. This will be completed by March 31, 2025.

Name of Contact Person: Brett Stapleton, Chief Financial Officer

Estimated Completion Date: March 21, 2025

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Agriculture

National Fish and Wildlife Foundation: Bignone, Shake Plantation

Assistance Listing: 10.U02, 10.U03

2023-03 Period of Performance

Corrective Actions: In 2023, TreePeople engaged an independent consulting firm to reconcile all accounts and perform month-end and year-end close activities. Also in 2023, TreePeople implemented new policies and procedures to support timely reporting – including new month-end and year-end close procedures.

In 2024, TreePeople hired a new CFO and a new controller, bringing extensive non-profit finance and government grant management experience to the organization. The new CFO promptly implemented additional controls addressing month-end close activities and additional reviews and approvals of journal entries by the CFO and controller.

The Accounts Receivable team, which previously reported to the programs team, will be reporting to the CFO starting December 1, 2024, to ensure timeliness and accuracy in charging of expenses, billing and revenue recognition for TreePeople's government grants. Moving the Accounts Receivable team under the CFO's supervision will consolidate oversight and help strengthen our internal control process and assist in streamlining accounting and financial operations.



TreePeople

To ensure expenses are coded to the proper federal program and spent within the allowable period of performance, the organization will leverage new accounting software to strengthen reconciliations and proper recording of revenue and expenses to the proper federal program in the proper period. All training and new processes will be updated and implemented by March 31, 2025.

Name of Contact Person: Brett Stapleton, Chief Financial Officer

Estimated Completion Date: March 31, 2025

Sincerely,

Brett Stapleton, Chief Financial Officer