

TREES FOR LIFE, INC.

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2009

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Certified
Public
Accountants

Independent Auditors' Report

To the Board of Trustees
Trees For Life, Inc.
Wichita, Kansas

We have audited the accompanying statement of financial position of **Trees For Life, Inc.** (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Trees For Life, Inc.** as of December 31, 2009, and the results of its activities and changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adams, Brown, Beran & Ball, Chtd.
ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

September 10, 2010

TREES FOR LIFE, INC.
Statement of Financial Position
December 31, 2009
(With Summarized Financial Information for 2008)

<u>ASSETS</u>		
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and Cash Equivalents	\$ 135,504	123,594
Employee Advance	-	2,705
Inventories	<u>369</u>	<u>830</u>
Total Current Assets	<u>135,873</u>	<u>127,129</u>
Property and Equipment (Note 4)		
Automobiles	22,459	22,459
Office Equipment	469,565	466,995
Software	<u>87,166</u>	<u>87,166</u>
Total Property and Equipment	579,190	576,620
Accumulated Depreciation	<u>(523,132)</u>	<u>(485,228)</u>
Net Property and Equipment	<u>56,058</u>	<u>91,392</u>
Other Assets		
Restricted Long-Term Investments (Notes 2 & 8)	219,889	268,728
Other Investments (Note 2)	577,004	456,321
Intangibles, Net of Amortization	<u>7,084</u>	<u>7,293</u>
Total Other Assets	<u>803,977</u>	<u>732,342</u>
Total Assets	\$ <u>995,908</u>	<u>950,863</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Payroll and Sales Tax	\$ 4,898	370
Long-Term Liabilities		
Present Value of Gift Annuity (Note 10)	<u>1,906</u>	<u>2,497</u>
Total Liabilities	<u>6,804</u>	<u>2,867</u>
Net Assets		
Unrestricted	466,982	438,760
Temporarily Restricted (Note 6)	517,122	504,236
Permanently Restricted (Note 6)	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>989,104</u>	<u>947,996</u>
Total Liabilities and Net Assets	\$ <u>995,908</u>	<u>950,863</u>

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

TREES FOR LIFE, INC.
Statement of Activities
For the Year Ended December 31, 2009
(With Summarized Financial Information for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	2008
Revenues and Other Support					
Contributions	\$ 765,956	29,227	-	\$ 795,183	948,478
Contributed Services (Note 5)	76,625	-	-	76,625	8,048
Interest Income	16,063	-	-	16,063	26,802
Gain on Investments	108,114	-	-	108,114	-
Net Assets Released From Restriction(Note 7)	16,341	(16,341)	-	-	-
Total Revenues and Other Support	983,099	12,886	-	995,985	983,328
Expenses and Losses					
Program Services					
U.S. Program	175,168	-	-	175,168	178,613
World Program	640,287	-	-	640,287	594,895
Total Program Services	815,455	-	-	815,455	773,508
Supporting Services					
Fund Raising	43,109	-	-	43,109	40,731
General and Administrative	96,313	-	-	96,313	81,683
Total Supporting Services	139,422	-	-	139,422	122,414
Total Expenses	954,877	-	-	954,877	895,922
Loss on Investments	-	-	-	-	211,743
Total Expenses and Losses	954,877	-	-	954,877	1,107,665
Increase (Decrease) in Net Assets	28,222	12,886	-	41,108	(124,337)
Net Assets, Beginning of Year	438,760	504,236	5,000	947,996	1,072,333
Net Assets, End of Year	\$ 466,982	517,122	5,000	\$ 989,104	947,996

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

TREES FOR LIFE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2009
(With Summarized Financial Information for 2008)

	Program Services		Total
	U.S. Program	World Program	
Salaries	\$ 59,402	81,429	140,831
Payroll Taxes	4,666	6,229	10,895
Health Insurance	5,166	5,166	10,332
Education	21	22	43
Total Salaries and Related Expenses	69,255	92,846	162,101
Transfers to Other Countries	-	429,467	429,467
Accounting and Legal	2,694	2,694	5,388
Advertising and Media	25	50,985	51,010
Bank and Brokerage Fees	-	-	-
Contract Labor	25,000	20,000	45,000
Insurance	1,478	1,478	2,956
Meetings and Exhibits	37	-	37
Auto	1,219	1,219	2,438
Office Supplies and Expense	135	147	282
Postage	7,042	12,549	19,591
Printing	8,487	5,281	13,768
Repairs - Office	683	683	1,366
Service Contracts	-	-	-
Software	4,235	6,429	10,664
Supplies	3,401	2,708	6,109
Taxes - Other	5	-	5
Telephone	925	726	1,651
Utilities	2,686	2,686	5,372
Travel and Mileage	118	5,362	5,480
Volunteers	25,297	58	25,355
Retirement Plan Contributions	-	-	-
Miscellaneous	-	-	-
Total Expenses Before Depreciation and Amortization	152,722	635,318	788,040
Depreciation and Amortization	22,446	4,969	27,415
Total Expenses	\$ 175,168	640,287	815,455
Percent	18.3%	67.1%	85.4%

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

<u>Supporting Services</u>					
	<u>Fund Raising</u>	<u>General and Administrative</u>	<u>Total</u>	<u>2009</u>	<u>2008</u>
\$	8,125	33,583	41,708	\$ 182,539	\$ 184,123
	574	3,100	3,674	14,569	14,647
	5,166	5,166	10,332	20,664	17,580
	-	-	-	43	158
	<u>13,865</u>	<u>41,849</u>	<u>55,714</u>	217,815	216,508
	-	-	-	429,467	457,191
	2,694	5,294	7,988	13,376	11,124
	-	-	-	51,010	3,894
	-	7,299	7,299	7,299	7,996
	5,000	-	5,000	50,000	50,000
	1,478	1,478	2,956	5,912	11,608
	-	250	250	287	2,148
	1,219	1,219	2,438	4,876	3,358
	-	-	-	282	1,070
	2,902	836	3,738	23,329	8,351
	1,894	62	1,956	15,724	6,913
	683	683	1,366	2,732	968
	-	-	-	-	-
	4,332	5,926	10,258	20,922	4,487
	50	2,699	2,749	8,858	5,161
	-	-	-	5	24
	579	15,130	15,709	17,360	5,262
	2,686	2,686	5,372	10,744	20,824
	-	382	382	5,862	13,370
	-	-	-	25,355	31,534
	-	5,151	5,151	5,151	5,152
	<u>-</u>	<u>400</u>	<u>400</u>	400	<u>582</u>
	<u>37,382</u>	<u>91,344</u>	<u>128,726</u>	916,766	867,525
	<u>5,727</u>	<u>4,969</u>	<u>10,696</u>	38,111	28,397
\$	<u><u>43,109</u></u>	<u><u>96,313</u></u>	<u><u>139,422</u></u>	<u>954,877</u>	<u><u>895,922</u></u>
	<u>4.5%</u>	<u>10.1%</u>	<u>14.6%</u>	<u>100.0%</u>	<u>100.0%</u>

TREES FOR LIFE, INC.
Statements of Cash Flows
For the Year Ended December 31, 2009
(With Summarized Financial Information for 2008)

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	<u>\$ 41,108</u>	<u>(124,337)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	38,112	28,397
Unrealized (Gain) Loss on Endowment	(108,114)	211,743
(Increase) Decrease in Accounts Receivable	2,705	(2,705)
(Increase) Decrease in Inventories	461	295
Increase (Decrease) in Accounts Payable and Accrued Liabilities	4,528	75
Fair Value of Donated Equipment and Intangibles	-	(24,499)
Fair Value of Donated Investments	<u>(16,309)</u>	<u>(7,030)</u>
Net Cash Provided (Used) by Operating Activities	<u>(37,509)</u>	<u>81,939</u>
Cash Flows From Investment Activities		
Purchase of Property, Equipment and Intangibles	(2,569)	(58,115)
Purchase of Investments	(13,575)	174,176
Proceeds from Sales/Maturity of Investments	17,315	(102,743)
Purchases of Restricted Long-Term Investments	(161)	(11,291)
Proceeds from Restricted Long-Term Investments	<u>49,000</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>50,010</u>	<u>2,027</u>
Cash Flows From Financing Activities		
Payout of Gift Annuity	<u>(591)</u>	<u>(739)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,910	83,227
Cash and Cash Equivalents at Beginning of Year	<u>123,594</u>	<u>40,367</u>
Cash and Cash Equivalents at End of Year	<u>\$ 135,504</u>	<u>123,594</u>

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

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Funds raised in the United States pay for development and organizational support by the U.S. staff of international affiliates, as well as for the development of current and future programs. Such programs are funded by individual contributions as well as some foundation grants.

Trees For Life, Inc. has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received, are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consisting of T-shirts is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

Equipment is stated at cost for purchased items and market value at the date of gift for donated items. Depreciation is provided over the estimated useful lives of the assets, generally three to five years, using the straight-line method.

Transfers to Other Countries

Cost associated with the support of other **Trees For Life, Inc.** entities are recognized in the accompanying financial statements as World programs. Transfers totaling \$412,067 were made in support of Books For Life International, an educational branch of **Trees For Life, Inc.** that was formed in 2005 and transfers totaling \$17,400 were made in support of various other World program costs. Books For Life has program activities in several countries including Liberia, Ethiopia, Nigeria, South Africa, Tanzania, Burkina Faso, India, Nicaragua, El Salvador and Pakistan. These funds are used to provide training, education, books and educational materials.

Prior-Year Summarized Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Advertising

The Organization expenses advertising and media costs as they are incurred. Advertising and media costs for the year ended December 31, 2009 were \$51,010. Most of those costs were contributed services for the support of web-site creation, creative work, and direct advertising (TV, radio and billboards).

NOTE 2 - FAIR VALUE MEASUREMENTS

In determining fair value **Trees For Life, Inc.** uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Accounting guidance defines levels within the hierarchy based on the reliability of inputs as follows:

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 2 – FAIR VALUE MEASUREMENTS (Continued)

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

Mutual Funds and Money Markets Accounts - Valued at the net asset value of shares held at year end as publicly quoted. This asset is classified within Level 1 of the valuation hierarchy.

Wichita Community Foundation Account - The value of the account is recorded at the fair value of the investments held by the Foundation and then adjusted for **Trees For Life, Inc.'s** interest in the assets. This asset is classified within Level 2 of the valuation hierarchy.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of December 31, 2009:

Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Restricted Long-Term Investments				
Money Market Account	\$ 219,889	-	-	219,889
Other Investments				
Mutual Funds	\$ 83,310	-	-	83,310
Wichita Community Foundation Account	-	493,692	-	493,692
Total Other Investments	\$ 83,310	493,692	-	577,002

The carrying values of cash, receivables, prepaid expenses, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 3 - INVESTMENT RETURN

Investments return (loss) during 2009 consisted of the following:

Investment income		16,063
Realized & unrealized gain (loss) on sale of investments		<u>108,114</u>
Total	\$	<u>124,177</u>

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, 2009, costs of property and equipment were as follows:

Automobiles	3 years		\$ 22,459
Office equipment	3-5 years		284,864
Leasehold improvements	5 years		184,701
Software	3 years		<u>87,166</u>
			579,190
Less accumulated depreciation and amortization			<u>523,132</u>
Total Property and Equipment		\$	<u>56,058</u>

NOTE 5 - CONTRIBUTED GOODS AND SERVICES

Contributions of service are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed goods and services in 2009 consists of:

Professional Services		\$ 61,825
Advertising, Media, Creative, Software Services		<u>14,800</u>
Freight and Storage		<u>76,625</u>
Total Services		76,625
Equipment		980
Education/Training		<u>369,124</u>
Total Goods		<u>370,104</u>
Total Goods and Services	\$	<u>446,729</u>

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2009 are available for the following purposes:

General tree planting	\$	10,373
Guatemala		6,423
Global Circle of Knowledge		399,308
India		<u>101,018</u>
Total Temporarily Restricted Net Assets	\$	<u>517,122</u>

Permanently restricted net assets as of December 31, 2009 are available for the following purposes:

Global Circle of Knowledge	\$	<u>5,000</u>
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NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. These amounts released during the year ended December 31, 2009 are as follows:

Purpose restrictions:		
Guatemala	\$	5,296
Global Circle of Knowledge		<u>11,045</u>
Total Restricted Net Assets Released	\$	<u>16,341</u>

NOTE 8 - RESTRICTED LONG-TERM INVESTMENTS

Assets of \$250,000 plus fifty percent of any capital gains on those assets were originally restricted in perpetuity. The net income and fifty percent of any capital gains were to be expendable to support charitable, educational and scientific purposes only after the organization had raised and deposited matching funds of \$250,000. The terms of the endowment were revised during 2004 by the donor to allow for the use of the funds as needed to fund the Global Circle of Knowledge project. Funds are to be returned to the endowment when able.

NOTE 9 - EMPLOYEE BENEFIT PLAN

In October 1999, a Simple IRA employee benefit plan was adopted. The employer matches each eligible employee's Simple IRA contribution up to a limit of 3% of the employee's compensation for the calendar year. The expense for this benefit plan for the year ended December 31, 2009 was \$5,151.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2009

NOTE 10 - GIFT ANNUITIES

In 2001, the organization received a gift annuity contribution of \$5,000 cash. With this receipt of cash, the organization agreed to pay the donor semi-annual payments of \$263, beginning on November 15, 2001 for the life of the donor. The rate used to discount the future payments was 10.5% set by the American Council on Gift Annuities.

In 2002, the organization received a gift annuity contribution of \$10,000 cash. With this receipt of cash, the organization agreed to pay the donor annual payments of \$820, beginning on September 1, 2003 for the life of the donor. The rate used to discount the future payments was 8.2% set by the American Council on Gift Annuities.

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 10, 2010, the date which the financial statements are available to be issued.