

TREES FOR LIFE, INC.

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

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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, 2011, 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, 2011, 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.
Certified Public Accountants

September 27, 2012

Trees For Life, Inc.
Statement of Financial Position
December 31, 2011
(With Summarized Financial Information for 2010)

<u>ASSETS</u>		
	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and Cash Equivalents	\$ 143,564	84,500
Inventories	-	283
Total Current Assets	<u>143,564</u>	<u>84,783</u>
Property and Equipment (Note 4)		
Automobiles	19,709	22,459
Office Equipment	472,163	471,157
Software	87,166	87,166
Total Property and Equipment	<u>579,038</u>	<u>580,782</u>
Accumulated Depreciation	<u>(573,127)</u>	<u>(556,295)</u>
Net Property and Equipment	<u>5,911</u>	<u>24,487</u>
Other Assets		
Restricted Long-Term Investments (Notes 2 & 8)	228,046	234,064
Other Investments (Note 2)	491,276	675,162
Intangibles, Net of Amortization	6,668	6,876
Total Other Assets	<u>725,990</u>	<u>916,102</u>
Total Assets	<u>\$ 875,465</u>	<u>1,025,372</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Payroll and Sales Tax	\$ 3,986	3,940
Accounts Payable	4,900	9,628
Total Current Liabilities	<u>8,886</u>	<u>13,568</u>
Long-Term Liabilities		
Present Value of Gift Annuity (Note 10)	<u>723</u>	<u>1,315</u>
Total Liabilities	<u>9,609</u>	<u>14,883</u>
Net Assets		
Unrestricted	502,951	515,397
Temporarily Restricted (Note 6)	357,905	490,092
Permanently Restricted (Note 6)	5,000	5,000
Total Net Assets	<u>865,856</u>	<u>1,010,489</u>
Total Liabilities and Net Assets	<u>\$ 875,465</u>	<u>1,025,372</u>

The notes to the financial statements are an integral part of this statement.

Trees For Life, Inc.
Statement of Activities
For the Year Ended December 31, 2011
(With Summarized Financial Information for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
Revenues and Other Support					
Contributions	\$ 363,703	0	-	\$ 363,703	539,568
Contributed Services (Note 5)	3,815	-	-	3,815	4,170
Interest Income	25,165	-	-	25,165	26,486
Gain on Investments	-	-	-	-	57,614
Net Assets Released From Restriction(Note 7)	132,187	(132,187)	-	-	-
Total Revenues and Other Support	524,870	(132,187)	-	392,683	627,838
Expenses and Losses					
Program Services					
U.S. Program	140,808	-	-	140,808	156,101
World Program	231,096	-	-	231,096	335,589
Total Program Services	371,904	-	-	371,904	491,690
Supporting Services					
Fund Raising	38,520	-	-	38,520	38,073
General and Administrative	70,061	-	-	70,061	76,690
Total Supporting Services	108,581	-	-	108,581	114,763
Total Expenses	480,485	-	-	480,485	606,453
Loss on Investments	56,831	-	-	56,831	-
Total Expenses and Losses	537,316	-	-	537,316	606,453
Increase (Decrease) in Net Assets	(12,446)	(132,187)	-	(144,633)	21,385
Net Assets, Beginning of Year	515,397	490,092	5,000	1,010,489	989,104
Net Assets, End of Year	\$ 502,951	357,905	5,000	\$ 865,856	1,010,489

The notes to the financial statements are an integral part of this statement.

Trees For Life, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011
(With Summarized Financial Information for 2010)

	<u>Program Services</u>		<u>Total</u>
	<u>U.S. Program</u>	<u>World Program</u>	
Salaries	\$ 63,076	69,700	132,776
Payroll Taxes	4,914	5,332	10,246
Health Insurance	5,977	5,977	11,954
Education	288	-	288
Total Salaries and Related Expenses	74,255	81,009	155,264
Transfers to Other Countries	-	77,395	77,395
Accounting and Legal	2,850	2,850	5,700
Advertising and Media	-	6,000	6,000
Bank and Brokerage Fees	-	-	-
Contract Labor	25,000	47,500	72,500
Insurance	1,962	1,962	3,924
Meetings and Exhibits	-	-	-
Auto	1,248	1,248	2,496
Office Supplies and Expense	800	150	950
Postage	2,779	162	2,941
Printing	2,960	-	2,960
Repairs - Office	1,113	1,113	2,226
Software	89	504	593
Supplies	71	468	539
Taxes - Other	-	-	-
Telephone	676	1,051	1,727
Utilities	3,795	3,795	7,590
Travel and Mileage	27	3,343	3,370
Volunteers	11,023	-	11,023
Retirement Plan Contributions	-	-	-
Miscellaneous	399	-	399
Total Expenses Before Depreciation and Amortization	129,047	228,550	357,597
Depreciation and Amortization	11,761	2,546	14,307
Total Expenses	\$ 140,808	231,096	371,904
Percent	29.3%	48.1%	77.4%

The notes to the financial statements are an integral part of this statement.

Supporting Services					
	Fund Raising	General and Administrative	Total	2011	2010
\$	7,600	31,600	39,200	\$ 171,976	\$ 179,386
	581	2,866	3,447	13,693	14,454
	5,977	5,942	11,919	23,873	18,360
	-	-	-	288	8
	14,158	40,408	54,566	209,830	212,208
	-	-	-	77,395	204,129
	2,850	2,850	5,700	11,400	13,420
	-	(10)	(10)	5,990	350
	-	5,212	5,212	5,212	7,274
	5,000	-	5,000	77,500	50,000
	1,962	1,962	3,924	7,848	7,396
	0	48	48	48	674
	1,248	1,248	2,496	4,992	4,899
	150	429	579	1,529	2,323
	1,633	330	1,963	4,904	7,719
	3,056	17	3,073	6,033	6,132
	1,113	2,072	3,185	5,411	1,788
	89	1,698	1,787	2,380	2,496
	-	121	121	660	998
	-	25	25	25	13
	529	1,739	2,268	3,995	5,011
	3,795	3,795	7,590	15,180	14,455
	-	51	51	3,421	9,781
	-	-	-	11,023	16,415
	-	5,280	5,280	5,280	5,280
	-	240	240	639	320
	35,583	67,515	103,098	460,695	573,081
	2,937	2,546	5,483	19,790	33,372
\$	<u>38,520</u>	<u>70,061</u>	<u>108,581</u>	<u>480,485</u>	<u>606,453</u>
	<u>8.0%</u>	<u>14.6%</u>	<u>22.6%</u>	<u>100.0%</u>	<u>100.0%</u>

Trees For Life, Inc.
Statements of Cash Flows
For the Year Ended December 31, 2011
(With Summarized Financial Information for 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	<u>\$ (144,633)</u>	<u>21,385</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	19,790	33,371
Unrealized (Gain) Loss on Endowment	56,831	(57,614)
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Inventories	283	86
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,682)	8,670
Fair Value of Donated Investments	<u>(17,126)</u>	<u>(42,430)</u>
Net Cash Provided (Used) by Operating Activities	<u>(89,537)</u>	<u>(36,532)</u>
Cash Flows From Investment Activities		
Purchase of Property, Equipment and Intangibles	(1,006)	(1,592)
Purchase of Investments	(16,978)	(43,034)
Proceeds from Sales/Maturity of Investments	179,271	41,950
Purchases of Restricted Long-Term Investments	(12,094)	(11,205)
Proceeds from Restricted Long-Term Investments	-	-
Net Cash Provided (Used) by Investing Activities	<u>149,193</u>	<u>(13,881)</u>
Cash Flows From Financing Activities		
Payout of Gift Annuity	<u>(592)</u>	<u>(591)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	59,064	(51,004)
Cash and Cash Equivalents at Beginning of Year	<u>84,500</u>	<u>135,504</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 143,564</u></u>	<u><u>84,500</u></u>

The notes to the financial statements are an integral part of this statement.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2011

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, 2011

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 \$68,695 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 \$8,700 were made in support of various other World program costs. Books For Life has program activities in several countries including Liberia, Ethiopia, Nigeria, Haiti, Mexico, Zimbabwe, 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, 2011, 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, 2011 were \$5,990.

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, 2011

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, 2011:

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	\$ 228,046	-	-	228,046
Other Investments				
Mutual Funds	\$ 70,253	-	-	70,253
Wichita Community Foundation Account	-	421,023	-	421,023
Total Other Investments	\$ 70,253	421,023	-	491,276

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, 2011

NOTE 3 - INVESTMENT RETURN

Investments return (loss) during 2011 consisted of the following:

Investment income	\$	25,165
Realized & unrealized gain (loss) on sale of investments		<u>(56,831)</u>
Total	\$	<u><u>(31,666)</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, 2011, costs of property and equipment were as follows:

Automobiles	3 years	\$	19,709
Office equipment	3-5 years		287,462
Leasehold improvements	5 years		184,701
Software	3 years		<u>87,166</u>
			579,038
Less accumulated depreciation and amortization			<u>573,127</u>
Total Property and Equipment		\$	<u><u>5,911</u></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 2011 consists of:

Professional Services		
Printing, Media, Website Services	\$	2,855
Repair and Maintenance Services		<u>960</u>
Total Services		3,815
Volunteer Support		120
Education/Training		<u>5,692</u>
Total Goods		<u><u>5,812</u></u>
Total Goods and Services	\$	<u><u>9,627</u></u>

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2011

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2011 are available for the following purposes:

Guatemala	\$	813
Global Circle of Knowledge		231,133
India		<u>125,959</u>
Total Temporarily Restricted Net Assets	\$	<u>357,905</u>

Permanently restricted net assets as of December 31, 2011 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, 2011 are as follows:

Purpose restrictions:		
Guatemala	\$	5,000
Tree Planting		3,900
Global Circle of Knowledge		<u>123,287</u>
Total Restricted Net Assets Released	\$	<u>132,187</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, 2011 was \$5,280.

TREES FOR LIFE, INC.
Notes to Financial Statements
December 31, 2011

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 27, 2012, the date which the financial statements are available to be issued.