

**CAPITAL TREES**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

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HARRIS, HARDY & JOHNSTONE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Capital Trees  
Richmond, Virginia

We have audited the accompanying financial statements of Capital Trees (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Trees as of June 30, 2018, 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.

*Harris, Hardy ; Johnstone, P.C.*

Richmond, Virginia  
January 18, 2019

CAPITAL TREES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 121,469
Contributions receivable	160,000
Prepaid expenses	<u>7,506</u>

TOTAL CURRENT ASSETS 288,975

OTHER ASSETS

Restricted cash	22,000
Capitalized website costs, net of accumulated amortization	<u>3,749</u>

TOTAL OTHER ASSETS 25,749

\$ 314,724

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,431
Accrued expenses	<u>4,372</u>

TOTAL CURRENT LIABILITIES 8,803

NET ASSETS

Unrestricted	123,921
Temporarily restricted	<u>182,000</u>

TOTAL NET ASSETS 305,921

\$ 314,724

See Independent Auditor's Report and Notes to Financial Statements

CAPITAL TREES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions	<u>\$ 158,120</u>	<u>\$ 172,000</u>	<u>\$ 330,120</u>
TOTAL REVENUES	<u>158,120</u>	<u>172,000</u>	<u>330,120</u>
EXPENSES			
Program services	143,041	-	143,041
Management and general	15,300	-	15,300
Fundraising	<u>31,183</u>	<u>-</u>	<u>31,183</u>
TOTAL EXPENSES	<u>189,524</u>	<u>-</u>	<u>189,524</u>
CHANGE IN NET ASSETS	(31,404)	172,000	140,596
NET ASSETS, beginning of year	<u>155,325</u>	<u>10,000</u>	<u>165,325</u>
NET ASSETS, end of year	<u><u>\$ 123,921</u></u>	<u><u>\$ 182,000</u></u>	<u><u>\$ 305,921</u></u>

See Independent Auditor's Report and Notes to Financial Statements

## CAPITAL TREES

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Project costs	\$ 102,960	\$ -	\$ -	\$ 102,960
Payroll	25,943	2,306	577	28,826
Marketing	-	-	19,250	19,250
Grant writer	-	-	11,042	11,042
Insurance	-	7,901	-	7,901
Travel	4,262	379	95	4,736
Accounting fees	-	3,650	-	3,650
Rent	3,240	288	72	3,600
Office	2,830	251	63	3,144
Payroll taxes	1,985	177	44	2,206
Amortization	964	86	21	1,071
Legal fees	590	52	13	655
Utilities	267	24	6	297
Contributions	-	100	-	100
Other	-	86	-	86
	<u>\$ 143,041</u>	<u>\$ 15,300</u>	<u>\$ 31,183</u>	<u>\$ 189,524</u>

See Independent Auditor's Report and Notes to Financial Statements

## CAPITAL TREES

### STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 140,596
Adjustments to reconcile change in net assets to net cash used in operating activities	
Amortization	1,071
(Increase) decrease in Pledges receivable	(151,666)
Prepaid expenses	(6)
Increase (decrease) in Accounts payable	(854)
Accrued expenses	4,372
	<u>4,372</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(6,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of website	<u>(4,820)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,820)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(11,307)
CASH AND CASH EQUIVALENTS, beginning of year	<u>154,776</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	<u>\$ 143,469</u>

See Independent Auditor's Report and Notes to Financial Statements

# CAPITAL TREES

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Capital Trees (the “Organization”) is a non-profit organization devoted to designing, restoring and maintaining green spaces in Richmond, Virginia. As a public-private partnership, the Organization brings together the city, corporations, other nonprofits, foundations and individuals to create a greener, more beautiful, more livable city.

#### Summary of Significant Accounting Policies

##### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to grantor or donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the Organization to use all of part of the assets for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2018.

##### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

##### Income Taxes

The Organization is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization’s tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

## CAPITAL TREES

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018

#### NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The Organization has recognized no uncertain tax positions for the year ended June 30, 2018. The Organization believes its tax returns are no longer subject to examinations for years prior to 2015.

##### Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

##### Contributions Receivable

Contributions receivable, including grants, are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

##### Recognition of Contributions

Contributions, including unconditional promises to give, are recognized when received. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted.

##### Website Costs

The Organization capitalizes the costs to plan its website, develop applications, infrastructure, graphics and content. Ongoing costs to operate the website are expensed as incurred. Enhancements are capitalized, if it is probable that they will result in added functionality.

##### Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in accompanying the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

##### Advertising

Advertising costs are expensed as incurred.

## CAPITAL TREES

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018

#### NOTE B - RESTRICTED CASH

Restricted cash as of June 30, 2018 consists of the following:

	<u>2018</u>
Fiscal year 2019 pledge	\$ 2,000
Low Line Project	<u>20,000</u>
Total restricted cash	<u><u>\$ 22,000</u></u>

#### NOTE C - CAPITALIZED WEBSITE COSTS

Capitalized website costs consist of the following as of June 30, 2018:

	<u>2018</u>
Capitalized website costs	\$ 4,820
Less: Accumulated amortization	<u>1,071</u>
Net capitalized website costs	<u><u>\$ 3,749</u></u>

#### NOTE D - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2018:

	<u>2018</u>
Low Line Park	\$ 180,000
Fiscal year 2019 pledge	<u>2,000</u>
	<u><u>\$ 182,000</u></u>

#### NOTE E - COMMITMENTS

The Organization leases office space under a non-cancelable operating lease that ends December 31, 2018. Related rent expense for the year ended June 30, 2018 totaled \$3,600.

The total minimum rental commitments at June 30, 2018 are due as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,800

#### NOTE F - CONCENTRATION OF CONTRIBUTION REVENUE

For the year ended June 30, 2018, approximately 45%, or \$150,000, of the Organization's contribution revenue came from two donors.

## CAPITAL TREES

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018

#### NOTE G - SUBSEQUENT EVENTS

In the preparation of its financial statements, the Organization considered subsequent events through January 18, 2019, the date on which the financial statements were available to be issued.