

Trees For Houston

Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2023 and 2022

Trees For Houston

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Independent Auditors' Report

To the Board of Directors of
Trees For Houston:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trees For Houston, which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Trees For Houston as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Trees For Houston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Trees For Houston'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Trees For Houston'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.

Blazek & Vetterling

September 19, 2023

Trees For Houston

Statements of Financial Position as of May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,537,278	\$ 1,682,798
Operating contributions receivable <i>(Note 3)</i>	253,878	187,662
Tree farm inventory	71,932	69,209
Prepaid expenses and other assets	38,725	30,132
Investments <i>(Note 4)</i>	782,224	820,085
Endowment investments <i>(Note 4)</i>	37,704	37,550
Cash restricted/designated for capital projects	511,378	3,368,497
Contributions receivable restricted for capital projects, net <i>(Note 3)</i>	1,927,400	3,128,906
Property, net <i>(Note 5)</i>	<u>8,687,433</u>	<u>3,571,927</u>
TOTAL ASSETS	<u>\$ 13,847,952</u>	<u>\$ 12,896,766</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 53,974	\$ 94,580
Construction payable	<u>853,717</u>	<u>28,978</u>
Total liabilities	<u>907,691</u>	<u>123,558</u>
Net assets:		
Without donor restrictions <i>(Note 6)</i>	4,950,109	4,723,828
With donor restrictions <i>(Note 7)</i>	<u>7,990,152</u>	<u>8,049,380</u>
Total net assets	<u>12,940,261</u>	<u>12,773,208</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,847,952</u>	<u>\$ 12,896,766</u>

See accompanying notes to financial statements.

Trees For Houston

Statement of Activities for the year ended May 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial assets	\$ 448,671	\$ 1,447,907	\$ 1,896,578
Nonfinancial assets <i>(Note 8)</i>	41,957		41,957
Special event:			
Revenue	641,522	40,000	681,522
Cost of benefits provided to donors	(216,299)		(216,299)
Program service fees	25,000		25,000
Net investment return	<u>16,415</u>	<u>154</u>	<u>16,569</u>
Total revenue	957,266	1,488,061	2,445,327
Net assets released from restrictions:			
Capital campaign expenditures	62,874	(62,874)	
Expenditure for program purposes	1,464,415	(1,464,415)	
Expiration of time restrictions	<u>20,000</u>	<u>(20,000)</u>	
Total	<u>2,504,555</u>	<u>(59,228)</u>	<u>2,445,327</u>
EXPENSES:			
Program expenses:			
Tree acquisition, planting, and maintenance	1,510,760		1,510,760
Education and membership programs	<u>84,831</u>		<u>84,831</u>
Total program expenses	1,595,591		1,595,591
Management and general	291,055		291,055
Fundraising	<u>391,628</u>		<u>391,628</u>
Total expenses	<u>2,278,274</u>		<u>2,278,274</u>
CHANGES IN NET ASSETS	226,281	(59,228)	167,053
Net assets, beginning of year	<u>4,723,828</u>	<u>8,049,380</u>	<u>12,773,208</u>
Net assets, end of year	<u>\$ 4,950,109</u>	<u>\$ 7,990,152</u>	<u>\$12,940,261</u>

See accompanying notes to financial statements.

Trees For Houston

Statement of Activities for the year ended May 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial assets	\$ 474,782	\$ 4,607,131	\$ 5,081,913
Nonfinancial assets <i>(Note 8)</i>	42,197		42,197
Special event:			
Revenue	668,451		668,451
Cost of benefits provided to donors	(203,294)		(203,294)
Program service fees	25,000		25,000
Net investment return	<u>(83,151)</u>		<u>(83,151)</u>
Total revenue	923,985	4,607,131	5,531,116
Net assets released from restrictions:			
Capital campaign expenditures	2,698,785	(2,698,785)	
Expenditure for program purposes	1,101,461	(1,101,461)	
Expiration of time restrictions	<u>20,000</u>	<u>(20,000)</u>	
Total	<u>4,744,231</u>	<u>786,885</u>	<u>5,531,116</u>
EXPENSES:			
Program expenses:			
Tree acquisition, planting, and maintenance	1,433,092		1,433,092
Education and membership programs	<u>74,865</u>		<u>74,865</u>
Total program expenses	1,507,957		1,507,957
Management and general	273,542		273,542
Fundraising	<u>396,935</u>		<u>396,935</u>
Total expenses	<u>2,178,434</u>		<u>2,178,434</u>
CHANGES IN NET ASSETS	2,565,797	786,885	3,352,682
Net assets, beginning of year	<u>2,158,031</u>	<u>7,262,495</u>	<u>9,420,526</u>
Net assets, end of year	<u>\$ 4,723,828</u>	<u>\$ 8,049,380</u>	<u>\$12,773,208</u>

See accompanying notes to financial statements.

Trees For Houston

Statements of Functional Expenses for the years ended May 31, 2023 and 2022

	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL EXPENSES
Salaries and related taxes and benefits	\$ 585,716	\$ 228,322	\$ 316,807	\$ 1,130,845
Purchase of trees and planting materials	697,527			697,527
Tree watering services	88,508			88,508
Office expenses and supplies	8,238	3,913	39,440	51,591
Contributed rent	21,662	8,444	11,827	41,933
Tree farm contract labor and supplies	34,231			34,231
Vehicle	31,011			31,011
Insurance	14,797	5,768	8,079	28,644
Professional fees		20,878		20,878
Depreciation	18,843			18,843
Telecommunication	10,354	3,248	4,550	18,152
Travel	10,164	1,216	481	11,861
Other	74,540	19,266	10,444	104,250
Total expenses	<u>\$ 1,595,591</u>	<u>\$ 291,055</u>	<u>\$ 391,628</u>	2,278,274
Cost of benefits provided to donors				<u>216,299</u>
Total				<u>\$ 2,494,573</u>

	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL EXPENSES
Salaries and related taxes and benefits	\$ 555,551	\$ 207,624	\$ 300,038	\$ 1,063,213
Purchase of trees and planting materials	654,244			654,244
Tree watering services	87,898			87,898
Office expenses and supplies	14,357	3,593	44,178	62,128
Contributed rent	21,911	8,189	11,833	41,933
Tree farm contract labor and supplies	35,594			35,594
Vehicle	30,248			30,248
Insurance	14,012	5,237	7,567	26,816
Professional fees		23,025		23,025
Depreciation	19,213			19,213
Telecommunication	8,372	2,430	3,511	14,313
Other	66,557	23,444	29,808	119,809
Total expenses	<u>\$ 1,507,957</u>	<u>\$ 273,542</u>	<u>\$ 396,935</u>	2,178,434
Cost of benefits provided to donors				<u>203,294</u>
Total				<u>\$ 2,381,728</u>

See accompanying notes to financial statements.

Trees For Houston

Statements of Cash Flows for the years ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 167,053	\$ 3,352,682
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	18,843	19,213
Contributions restricted for capital projects	(305,168)	(3,280,208)
Contributions restricted for permanent endowment funds		(150)
Realized and unrealized loss on investments	18,925	122,036
Changes in operating assets and liabilities:		
Tree farm inventory	(2,723)	(43,439)
Prepaid expenses and other assets	(8,593)	(21,514)
Operating contributions receivable	(68,004)	(39,942)
Accounts payable	(40,606)	44,021
Paycheck Protection Program refundable advances		<u>(152,452)</u>
Net cash provided (used) by operating activities	<u>(220,273)</u>	<u>247</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	640,842	552,107
Purchases of investments	(597,411)	(684,336)
Net change in cash and money market mutual funds held as investments	(24,649)	1,796
Purchases of property	<u>(4,309,610)</u>	<u>(3,114,969)</u>
Net cash used by investing activities	<u>(4,290,828)</u>	<u>(3,245,402)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	1,508,462	3,989,813
Proceeds from contributions restricted for permanent endowment funds		<u>150</u>
Net cash provided by financing activities	<u>1,508,462</u>	<u>3,989,963</u>
NET CHANGE IN CASH	(3,002,639)	744,808
Cash, beginning of year	<u>5,051,295</u>	<u>4,306,487</u>
Cash, end of year	<u>\$ 2,048,656</u>	<u>\$ 5,051,295</u>
<i>Reconciliation of cash:</i>		
Cash	\$ 1,537,278	\$ 1,682,798
Cash restricted/designated for capital projects	<u>511,378</u>	<u>3,368,497</u>
Total cash	<u>\$ 2,048,656</u>	<u>\$ 5,051,295</u>

See accompanying notes to financial statements.

Trees For Houston

Notes to Financial Statements for the years ended May 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Trees For Houston is a Texas nonprofit corporation founded in 1982 for the purpose of planting trees for public benefit throughout the greater Houston region. The Board of Directors is comprised of citizens with interests in urban forestry, government, fundraising, volunteer opportunities, law, urban planning and design, quality of life issues, education and community development.

Trees For Houston participates in projects at varying levels of involvement, including planning, growing, planting, post-planting care of the trees, and education. The organization works with the public and private sectors, encourages the involvement of corporate, foundation and individual partners and is responsible for the planting of over 699,000 trees and seedlings in the last thirty years along streets, parkways, and freeways, in neighborhoods and around school campuses in the greater Houston, Texas area. More than 59,000 trees and seedlings were planted during the 2022-2023 fiscal year.

In order to reduce expenses and expand services, Trees For Houston currently partners and operates five nurseries on which approximately 10,000 trees per year are grown for planting and distribution throughout the Houston region. Additional activities include identification and protection of significant trees and groves, selection and proper care of suitable tree species (emphasizing native species), care and replacement of existing urban forests, and mission-related education and fundraising.

The education program informs adults and school children about the benefits of trees in our urban environment through a series of programs. In addition to planting at approximately 30 schools each year, Trees For Houston presents an education program that focuses on the value of planting and preserving trees, as well as the benefits of trees for the environment.

Federal income tax status – Trees For Houston is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi) and §509(a)(1). TFH Victoria Drive is a disregarded entity for federal income tax purposes and is included with Trees For Houston's tax filings.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution. Cash designated or restricted for investment and endowment is not included in cash.

Tree farm inventory consists of trees being held until needed for planting projects. Supply inventory is valued at cost.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased or at fair value at the date of gift if donated. Property purchases over \$5,000 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 10 years for land improvements and 3 to 7 years for vehicles and equipment.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions of financial and nonfinancial assets are recognized at fair value when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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.

Contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Trees For Houston is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when conditions have been met.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received and are amortized as contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances. At May 31, 2023, management has determined that an allowance is not required.

Special event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Cost of benefits provided to donors represent the cost of goods and services provided to sponsors and attendees of the special events.

Program service fees are recognized ratably over time based on using the output method as services are performed. Trees For Houston has no contract assets or liabilities at May 31, 2023, 2022 and 2021.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy costs, insurance and telecommunication costs are allocated based on estimates of time of persons associated with the use of goods or services.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of May 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 1,537,278	\$ 1,682,798
Operating contributions receivable	253,878	187,662
Investments	782,224	820,085
Endowment investments	37,704	37,550
Cash restricted/designated for capital projects	511,378	3,368,497
Contributions receivable restricted for capital projects, net	<u>1,927,400</u>	<u>3,128,906</u>
Total financial assets	5,049,862	9,225,498
Less financial assets not available for general expenditure:		
Cash restricted/designated for capital projects	(511,378)	(3,368,497)
Contributions receivable restricted for capital projects	(1,927,400)	(3,128,906)
Board-designated for reserve fund	(650,000)	(650,000)
Restricted by donors for use in future periods or future projects	(141,556)	(160,317)
Donor-restricted endowment funds	<u>(37,704)</u>	<u>(37,550)</u>
Total financial assets available for general expenditure	<u>\$ 1,781,824</u>	<u>\$ 1,880,228</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Trees For Houston considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of Trees For Houston’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash.

Trees For Houston’s Board of Directors has designated a portion of its unrestricted resources for a reserve fund. This board-designated fund is invested for long-term appreciation and current income but remains available to be spent at the Board of Directors’ discretion.

Trees For Houston has a \$1,750,000 line of credit with a bank that expires in March 2025. There were no draws on this line of credit during the year ended May 31, 2023, and no outstanding balance at May 31, 2023.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 2,182,543	\$ 3,332,541
Discount to net present value ranging from 0.30% to 2.71%	<u>(1,265)</u>	<u>(15,973)</u>
Contributions receivable, net	<u>\$ 2,181,278</u>	<u>\$ 3,316,568</u>

Contributions receivable at May 31, 2023 are expected to be collected as follows:

2024	\$ 1,806,543
2025	<u>376,000</u>
Total contributions receivable	<u>\$ 2,182,543</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at May 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Exchange-traded funds	\$ 444,134			\$ 444,134
Bond mutual funds	302,389			302,389
Money market mutual funds	46,780			46,780
Equity mutual funds	<u>26,625</u>			<u>26,625</u>
Total assets measured at fair value	<u>\$ 819,928</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 819,928</u>

Assets measured at fair value at May 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Exchange-traded funds	\$ 151,257			\$ 151,257
Bond mutual funds	299,549			299,549
Money market mutual funds	3,025			3,025
Equity mutual funds	<u>366,254</u>			<u>366,254</u>
Total assets measured at fair value	<u>\$ 820,085</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 820,085</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Trees For Houston believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 2,975,388	\$ 2,975,388
Vehicles and equipment	216,827	216,827
Construction in progress	<u>5,662,108</u>	<u>527,759</u>
Total property, at cost	8,854,323	3,719,974
Accumulated depreciation	<u>(166,890)</u>	<u>(148,047)</u>
Property, net	<u>\$ 8,687,433</u>	<u>\$ 3,571,927</u>

In April 2022, Trees For Houston broke ground on its new, permanent campus which will house program and administrative facilities and a tree nursery. Trees For Houston moved into the new facility in June 2023. Land and building costs of approximately \$8.3 million have been capitalized as of May 31, 2023, with remaining design and construction costs of approximately \$800,000 expected to be incurred in fiscal year 2024.

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 4,048,749	\$ 3,833,145
Board-designated for reserve fund	650,000	650,000
Board-designated for capital projects	<u>251,360</u>	<u>240,683</u>
Total net assets without donor restrictions	<u>\$ 4,950,109</u>	<u>\$ 4,723,828</u>

The Board of Directors does not have a specific policy regarding establishing other reserves. However, the Board of Directors designates excess cash flows for reserves or specific projects, as deemed prudent. The use of board-designated reserves must be approved by the Board of Directors.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capital projects	\$ 6,997,786	\$ 6,755,502
Parkway projects	315,770	550,000
Neighborhood projects	124,532	123,316
School projects	75,000	125,000
Other	<u>50,000</u>	<u>48,652</u>
Total subject to expenditure for specified purpose	7,563,088	7,602,470
Subject to passage of time	40,000	60,000
Subject to endowment spending policy and appropriation	37,704	37,550
Land required to be used in perpetuity as a tree farm or green belt	<u>349,360</u>	<u>349,360</u>
Total net assets with donor restrictions	<u>\$ 7,990,152</u>	<u>\$ 8,049,380</u>

NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS AND VOLUNTEER SERVICES

Trees For Houston recognized contributed office space of \$41,957 during the year ended May 31, 2023 and \$42,197 during the year ended May 31, 2022, valued using prevailing rates for similar space.

Many individuals volunteer their time to tree planting and other tasks that assist Trees For Houston in its mission. Trees For Houston received 6,280 volunteer hours with an estimated value of \$188,000 and 4,216 volunteer hours with an estimated value of \$123,200 during the years ended May 31, 2023 and 2022, respectively, which were not recognized in these financials statements because the services do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.