



Consolidated Financial Statements
One Tree Planted, Inc. and Subsidiary

December 31, 2021



ONE TREE PLANTED, INC. AND SUBSIDIARY

Consolidated Financial Statements

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Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

Board of Directors
One Tree Planted, Inc. and Subsidiary
Shelburne, Vermont

We have audited the consolidated financial statements of One Tree Planted, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statement 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 accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of One Tree Planted, Inc. and Subsidiary as of December 31, 2021, and the change in 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 ("GAAS"). 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 the 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 for 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 audits.

Mayer Hoffmann McCann P.C.

May 5, 2022
Boston, Massachusetts

ONE TREE PLANTED, INC.

Consolidated Statement of Financial Position

December 31, 2021

Assets

Cash and cash equivalents	\$ 34,203,105
Contributions receivable	11,494,920
Other assets	231,442
Property and equipment, net	<u>523,132</u>
Total assets	\$ <u><u>46,452,599</u></u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 1,513,553
Other liabilities	<u>58,841</u>
Total liabilities	<u>1,572,394</u>
Net assets:	
Without donor restrictions	2,925,428
With donor restrictions	<u>41,954,777</u>
Total net assets	<u>44,880,205</u>
Total liabilities and net assets	\$ <u><u>46,452,599</u></u>

ONE TREE PLANTED, INC.

Consolidated Statement of Activities

For the Year Ended December 31, 2021

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue and Support:			
Contributions and sponsorships	\$ 221,248	\$ 62,391,641	\$ 62,612,889
Grants and contracts	-	1,027,061	1,027,061
Other income	580,110	-	580,110
Net assets released from restrictions	29,351,797	(29,351,797)	-
Total revenue and support	<u>30,153,155</u>	<u>34,066,905</u>	<u>64,220,060</u>
Operating expenses:			
Programs	24,229,036	-	24,229,036
Management and general	1,794,680	-	1,794,680
Fundraising	1,845,609	-	1,845,609
Total operating expenses	<u>27,869,325</u>	<u>-</u>	<u>27,869,325</u>
Change in net assets	2,283,830	34,066,905	36,350,735
Net assets, beginning of year	641,598	7,887,872	8,529,470
Net assets, end of year	\$ <u>2,925,428</u>	\$ <u>41,954,777</u>	\$ <u>44,880,205</u>

See accompanying notes to the consolidated financial statements.

ONE TREE PLANTED, INC.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021

	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Grants to partners	\$ 22,995,846	\$ -	\$ -	\$ 22,995,846
Salaries and wages	856,206	570,804	1,427,011	2,854,021
Legal and accounting	-	546,783	-	546,783
Advertising and promotion	148,734	99,156	247,890	495,780
Office expenses and information technology	84,396	393,847	84,396	562,639
Occupancy	-	58,096	-	58,096
Travel	143,854	57,538	86,312	287,704
Depreciation	-	68,456	-	68,456
Total	\$ 24,229,036	\$ 1,794,680	\$ 1,845,609	\$ 27,869,325

ONE TREE PLANTED, INC.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 36,350,735
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	68,456
Changes in:	
Contributions and sponsorships receivable	(10,630,943)
Other assets	(230,675)
Accounts payable and accrued expenses	1,180,255
Other liabilities	439
	<hr/>
Net cash provided by operating activities	26,738,267
	<hr/>
Cash flows from investing activities:	
Purchases of property and equipment	(70,204)
	<hr/>
Net cash used in investing activities	(70,204)
	<hr/>
Net change in cash and cash equivalents	26,668,063
Cash and cash equivalents, beginning of year	7,535,042
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Cash and cash equivalents, end of year	\$ 34,203,105
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ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

One Tree Planted, Inc. and Subsidiary (the "Organization") is a United States-based not-for-profit organization focused on global reforestation. The Organization seeks to restore forests, create habitats for biodiversity, and make a positive social impact around the world by educating the public on the importance of trees to our global well-being. The Organization plants one tree with every dollar donated to its public campaign projects and provides custom projects at other rates for donors interested in specific regions, making it easier for both individuals and businesses to give back to the environment, create a healthier climate, protect biodiversity, and help in reforestation efforts. Program efforts are focused on North America, Latin America, Asia, Africa, Europe and the Pacific via a network of on the ground partners who collaborate in these efforts.

A summary of the accounting policies consistently applied in the consolidated financial statements follows:

Basis of Presentation

The consolidated financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in accordance with the reporting principles of not-for-profit accounting. The consolidated financial statements include the accounts of One Tree Planted Global, Inc. given that One Tree Planted, Inc. is its sole corporate member. All material intercompany transactions have been eliminated in consolidation.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets With Donor Restrictions

Net assets subject to limitations by law, time and/or donor-imposed stipulations that may or will be met by actions of the Organization or the passage of time.

Net Assets Without Donor Restrictions

Net assets which are not subject to donor-imposed stipulations. These funds also include the net investment in property and equipment by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are reported at cost plus accrued interest.

The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation but at times may exceed the insured limit. The Organization has not experienced any losses in these accounts.

Contributions and Sponsorships Receivable

Contributions and sponsorships receivable include amounts receivable from donors, sponsors and grantors in connection with various transaction flows. Contributions from donors are recorded at their estimated net realizable value for all items are due within one year or less, while gifts of a longer term nature are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate commensurate with the time and risk associated with the counterparties to such long term agreements. All contributions receivable outstanding are due within one year as of December 31, 2021. Contributions and Sponsorships receivable were concentrated with one donor representing 78% of amounts due at December 31, 2021.

Receivables from sponsorships are recorded using the same methods as contribution receivable.

An allowance for uncollectable accounts has been provided based on historical performance and consideration of specific factors associated with receivable amounts. Such amounts are adjusted periodically to address current circumstances.

Property and Equipment

Property and equipment are recorded when the useful life is over one year at cost when such amounts exceed a management established capitalization threshold. Property and equipment includes costs associated with developing an online storefront as well as certain other technology equipment. Depreciation is provided on the declining balance method over the estimated useful lives of the assets once placed into service. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues are reported as earned as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

Contribution and Sponsorship Revenue

Contribution revenue is recorded in the period verifiably and unconditionally committed by the donor at its estimated net realizable value. Revenue is reflected as with donor restrictions or without donor restrictions depending on the existence or absence of donor-imposed requirements over the use of such funds. To the extent that time or purpose restrictions are met in a reporting period, such funds with donor restrictions are reclassified to funds without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Like practices are followed for sponsorships when it is determined that such arrangements are predominantly contribution transactions which has generally been considered the case notwithstanding certain modest benefits provided to the sponsor.

Certain major contributed support was recorded in 2021 from three donors amounting to 59% of total revenue during the year ended December 31, 2021.

The Organization also has conditional promises of approximately \$51,400,000 at December 31, 2021 from grantors to fund future service delivery activities. While these amounts are committed, they are not recorded in the consolidated financial statements given their conditional nature which includes future evaluation from the donor as to the Organization's satisfactory progress toward mutually agreed-upon objectives as well as the incurring of related costs associated with the funding. Two donors accounted for approximately 51% of these amounts pending at December 31, 2021.

Grant and Contract Revenue

Grant and contract revenue is recorded in the period verifiably committed from the donor at its estimated net realizable value. Grant and contract revenue differs from contribution revenue in that the revenue comes from foundations and other like organizations. The revenue is reflected as with donor restrictions or without donor restrictions depending on the existence or absence of donor-imposed requirements over the use of such funds. To the extent that time or purpose restrictions are met in a reporting period, such funds with donor restrictions are reclassified to funds without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Other Revenues

Other revenues primarily relate to the sale of branded merchandise, as well as revenue earned from events held during the fiscal year. Such revenue is recorded as earned, which is upon shipment to the customer net of any estimated returns or when such events are held.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Expenses

The Organization works with a number of partners worldwide to plant trees pursuant to its program mission. Such arrangements are generally made on a calendar year basis, however some are made to align with underlying donor agreements which support the funding for these efforts. These agreements include specified barriers to entitlement of the amounts under such awards which generally align to the stream of payments that underlie the agreement. Most agreements provide for payments to planting partners at the following milestones:

- 40% of the grant agreement at its inception;
- 40% during the grant when management has assured itself of satisfactory progress under the grant agreement; and
- 20% at the end of the agreement when management has assured itself that the requisite quantities of trees have in fact been planted.

If the quantities of trees set out to be planted in a partner agreement are not accomplished by the end of an agreement with a planting partner, the Organization will only make a final payment in relation to the results achieved; however, as a practical matter that would not normally impact the final grant payment if the planting partner exercised good faith in carrying out the goals and objectives under the grant agreement. Management expenses grant payments commensurate with these barriers to entitlement as management views these grants as conditioned on the stages outlined above. Conditional contributions payable amounts total approximately \$95,300,000 at December 31, 2021, which represents the total commitments made to implementing partners that have not yet met a barrier to entitlement. Barriers to entitlement include progress assessment and determinations relative to results in terms of total trees planted. These amounts are not reflected as obligations or expenses in the consolidated financial statements until the barrier to entitlement has been met.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Organization's management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Expense Allocation

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization has determination from the Internal Revenue Service that it is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. One Tree Planted Global, LLC is considered a disregarded entity for tax purposes which in effect means that the exemption afforded to the Organization also applies to this element of its activities. As such the Organization is generally exempt from income taxes on its activities. The Organization is also generally exempt from state income taxes.

Uncertain Tax Positions

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Organization has identified its tax status as a tax exempt entity and its determinations as to income being related and unrelated as its only significant tax positions; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. Federal tax returns are generally open for examination for three years after the date of the filing of the related return.

Pending Accounting Pronouncements

Certain accounting standards have been approved by accounting standards makers and are pending adoption when required. Management is currently evaluating the effect of these standards on its consolidated financial statements and disclosures.

Subsequent Events

The Organization has evaluated subsequent events through May 5, 2022, the date the consolidated financial statements were authorized to be issued. No items were noted that merited recognition through the date the consolidated financial statements were authorized to be issued.

Note 2 - Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for general expenditure included all cash and cash equivalents and contributions and sponsorships receivable as presented on the statement of financial position as management has determined that substantially all support received with restrictions will be used in operations in 2022.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 3 - Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2021:

Land	\$	72,400
Furniture, fixtures and equipment		147,829
Vehicles		125,672
Buildings		<u>301,690</u>
		647,591
Less: accumulated depreciation		<u>(124,459)</u>
	\$	<u><u>523,132</u></u>

Note 4 - Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

Operating - Discretionary funds available for carrying on the operating activities of the Organization.

Net investment in property and equipment - The value of property and equipment, net of depreciation, used in the Organization's operations.

Net assets without donor restrictions are available for the following purposes at December 31, 2021:

Operating	\$	2,402,296
Net investment in property and equipment		<u>523,132</u>
Net assets without donor restrictions	\$	<u><u>2,925,428</u></u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

Purpose Restrictions – Generally purpose restrictions are to meet the requirements of donors in terms of planting a specified number of trees in a particular location and geography.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 5 - Commitments, Other Business Arrangements and Contingencies

The Organization utilizes a professional employer organization to simplify its administration and management of payroll, benefits and related human resources elements under a contract that expires on May 4, 2023. Upon expiration, this agreement automatically renews in successive two year periods and can be cancelled with proper notice.

The Organization from time to time may be subject to claims and litigation. Management is not aware of any such matters.

Note 6 - Related Party Transactions

The Organization is affiliated with One Tree Planted Canada, Inc. which is an independent non-for profit organization operating out of Canada. This entity was established to provide support to the Organization with payroll and other costs incurred in Canada that support its operations being invoiced to the Organization. Longer term, it is expected that the Canadian entity will have a broader scope of like operations akin to the Organization including fundraising and other activities that support the overall mission in coordination with the United States-based entity.

Any amounts in paid in advance are considered due from this entity at measurement dates. Costs incurred by this entity and billed to the Organization amounted to \$1,142,619 for the year ended December 31, 2021. The Organization has a receivable due from One Tree Planted Canada for \$95,096 that is included in Other Assets at December 31, 2021.

The Organization has an outstanding receivable from the CEO for amounts due from use of the corporate credit card. The receivable outstanding is \$53,543 at December 31, 2021. Additionally, the Organization has an outstanding amount payable for CEO services in the amount of \$418,050 relative to retrospective compensation adjustments. This amount is included in accounts payable and accrued expenses at December 31, 2021.