



Consolidated Financial Statements
One Tree Planted, Inc. and Subsidiary
December 31, 2022 and 2021



ONE TREE PLANTED, INC. AND SUBSIDIARY

Consolidated Financial Statements

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of One Tree Planted, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of One Tree Planted, Inc. and Subsidiary as of December 31, 2022 and 2021, 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 ("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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 audit.

Maya Heyman McCann P.C.

Boston, Massachusetts
October 2, 2023

ONE TREE PLANTED, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position

December 31,

	2022	2021 <i>Restated</i>
Assets		
Cash and cash equivalents	\$ 51,507,543	\$ 34,203,105
United States treasury bills and related	13,036,045	-
Contributions receivable	3,721,471	11,494,920
Other assets	1,334,093	231,442
Property and equipment, net	<u>707,291</u>	<u>523,132</u>
Total assets	<u>\$ 70,306,443</u>	<u>\$ 46,452,599</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 700,259	\$ 770,158
Accrued planting partner payments	1,960,583	743,395
Deferred revenue	32,679,170	7,909,211
Other liabilities	<u>111,181</u>	<u>58,841</u>
Total liabilities	<u>35,451,193</u>	<u>9,481,605</u>
Net assets:		
Without donor restrictions	11,216,921	4,224,469
With donor restrictions	<u>23,638,329</u>	<u>32,746,525</u>
Total net assets	<u>34,855,250</u>	<u>36,970,994</u>
Total liabilities and net assets	<u>\$ 70,306,443</u>	<u>\$ 46,452,599</u>

See accompanying notes to the consolidated financial statements.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2022
(with comparative totals for 2021)

	2022			2021
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Restated</i>
Revenue and support:				
Contributions and sponsorships	\$ 3,847,322	\$ 42,318,578	\$ 46,165,900	\$ 54,703,678
Grant revenue	-	19,934,073	19,934,073	1,027,061
Event revenue	14,950	553,021	567,971	483,385
In-kind revenue	204,220	-	204,220	-
Other income	29,896	-	29,896	96,725
Net assets released from restrictions	71,913,868	(71,913,868)	-	-
Total revenue and support	76,010,256	(9,108,196)	66,902,060	56,310,849
Operating expenses:				
Programs	62,540,672	-	62,540,672	24,229,036
Management and general	4,890,209	-	4,890,209	1,794,680
Fundraising	1,586,923	-	1,586,923	1,845,609
Total operating expenses	69,017,804	-	69,017,804	27,869,325
Change in net assets	6,992,452	(9,108,196)	(2,115,744)	28,441,524
Net assets, beginning of year	4,224,469	32,746,525	36,970,994	8,529,470
Net assets, end of year	\$ 11,216,921	\$ 23,638,329	\$ 34,855,250	\$ 36,970,994

ONE TREE PLANTED, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2021 (Restated)

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue and support:			
Contributions and sponsorships	\$ 1,520,289	\$ 53,183,389	\$ 54,703,678
Grant revenue	-	1,027,061	1,027,061
Event revenue	483,385	-	483,385
Other income	96,725	-	96,725
Net assets released from restrictions	29,351,797	(29,351,797)	-
Total revenue and support	<u>31,452,196</u>	<u>24,858,653</u>	<u>56,310,849</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	3,582,871	24,858,653	28,441,524
Net assets, beginning of year	<u>641,598</u>	<u>7,887,872</u>	<u>8,529,470</u>
Net assets, end of year	<u>\$ 4,224,469</u>	<u>\$ 32,746,525</u>	<u>\$ 36,970,994</u>

ONE TREE PLANTED, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

*Year Ended December 31, 2022
(with comparative totals for 2021)*

	2022			2021	
	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	
Grants to partners	\$ 58,902,613	\$ -	\$ -	\$ 58,902,613	\$ 22,995,846
Salaries and wages	2,778,238	2,519,242	802,480	6,099,960	2,854,021
Legal and accounting	-	142,035	-	142,035	546,783
Advertising and promotion	233,791	214,947	70,780	519,518	495,780
Office expenses and information technology	421,063	1,030,477	545,794	1,997,334	562,639
Occupancy	-	296,162	-	296,162	58,096
Travel	204,967	564,053	167,869	936,889	287,704
Depreciation	-	123,293	-	123,293	68,456
Total	\$ 62,540,672	\$ 4,890,209	\$ 1,586,923	\$ 69,017,804	\$ 27,869,325

ONE TREE PLANTED, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program	Management and General	Fundraising	Total
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. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended December 31,

	2022	2021 <i>Restated</i>
Cash flows from operating activities:		
Change in net assets	\$ (2,115,744)	\$ 28,441,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	123,293	68,456
Changes in:		
Contributions and sponsorships receivable	7,773,449	(10,630,943)
Other assets	(1,102,651)	(230,675)
Accounts payable and accrued expenses	(69,899)	575,162
Accrued planting partner payments	1,217,188	605,093
Deferred revenue	24,769,959	7,909,211
Other liabilities	52,340	439
	30,647,935	26,738,267
Cash flows from investing activities:		
Purchases of property and equipment	(307,452)	(70,204)
Net purchase of Federal agency paper	(13,036,045)	-
	(13,343,497)	(70,204)
Net change in cash and cash equivalents	17,304,438	26,668,063
Cash and cash equivalents, beginning of year	34,203,105	7,535,042
Cash and cash equivalents, end of year	\$ 51,507,543	\$ 34,203,105

See accompanying notes to the consolidated financial statements.

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.

As discussed in Note 7, the Organization is affiliated with One Tree Planted Canada, Inc. Management has not consolidated this entity into its consolidated financial statements given it does not meet the requirements of such presentation under reporting standards. The Canadian affiliate provides substantial elements of supporting functions to the Organization.

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.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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

Prior Period Adjustment and Restatement

During 2022, the Organization determined that an arrangement that had previously been accounted for as an unconditional contribution would be more appropriately accounted for as a conditional contribution, and that its prior accounting was not proper and thus was in error. The effect of this was as follows in 2021:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total Net Assets</i>
December 31, 2021 net assets	\$ 2,925,428	\$ 41,954,777	\$ 44,880,205
Reduction of contribution revenue	-	(9,208,252)	(9,208,252)
Increase for contribution revenue	<u>1,299,041</u>	<u>-</u>	<u>1,299,041</u>
December 31, 2021 net assets, as restated	<u>\$ 4,224,469</u>	<u>\$ 32,746,525</u>	<u>\$ 36,970,994</u>
December 31, 2021 deferred revenue as previously stated			\$ -
December 31, 2021 deferred revenue as restated			\$ 7,909,211

The amounts presented in the 2021 consolidated financial statements have been restated as to deferred revenue, contribution revenue, earned revenue, net assets with donor restrictions and net assets without donor restrictions as summarized above.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with an original maturity of less than three months 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.

United States Treasury Bills and Related

The Organization has placed certain amounts of its liquidity into a separate account for purposes of earning interest by investing in United States Treasury Bills. The securities are carried at fair market value as per the fair market value policies elsewhere in this section. Uninvested amounts are in a bank deposit account that is insured by the Federal Deposit Insurance Corporation subject to the same risks as indicated above. Uninvested amounts have been included in this category given the potential for near-term investment.

Investment return is reported in the consolidated statements of activities and consists of interest income, realized and unrealized gains and losses.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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

Fair Values

The Organization reports financial instruments in accordance with fair value standards. Recurring fair value items include United States Treasury Bills and related. Fair value is defined as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories along with a category for items at NAV as follows:

Level 1 – quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 – pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the consolidated financial statements.

Contributions Receivable

Contributions 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 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. Contributions receivable were concentrated with one donor representing 16% and 78% of amounts due at December 31, 2022 and 2021, respectively.

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.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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

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 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.

Deferred Revenue

Deferred revenue represents funds received in advance of meeting the conditions of the related funding. Amounts are deferred as they are conditioned on the Organization incurring costs associated with the agreement.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on United States Treasury Bills and related are reported as increases or decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

Contribution and Sponsorship Revenue

Certain contribution and sponsorship revenue is recorded in the period verifiably and unconditionally committed by the donor at its estimated net realizable value. These arrangements often extend over longer periods of time, but future funding is considered conditional given that the resource providers have an ongoing ability to consider continuing their support. This results in the Organization recognizing the interval of funding provided on a current basis with future planned funding being recognized when the next stage is committed.

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 consolidated statements of activities 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.

Other contributed revenue is considered fully conditional given the specificity of requirements associated with the support. Thus intervals of funding under these types of arrangements are not recorded as revenue until the barrier to entitlement is met. Advanced funding is considered deferred revenue as described in the deferred revenue policies as outlined earlier. While this arrangement

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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

Contribution and Sponsorship Revenue (Continued)

has many features and elements similar to that associated with unconditional contributed support as it relates to the planting of trees, the added elements required under this arrangement have resulted in management determining that there is a barrier to entitlement making such amounts a conditional contribution. The amount of contribution revenue is recognized as the services are provided which generally relates to costs being incurred with planting partners. The Organization determined that the best measure of progress towards the fulfillment of conditions is based on costs incurred by planting partners associated with the project framework. Thus the Organization reflects in contribution revenue an amount equal to those costs along with allowable amounts for indirect costs. These amounts are recognized directly in net assets without donor restrictions, as any purpose restriction is simultaneously fulfilled when the underlying condition is met. Costs incurred in pursuing this framework agreement were expensed as incurred. Amounts committed but not yet paid to the Organization totaled \$12,024,761 and \$40,399,026 for the years ended December 31, 2022 and 2021, respectively.

Contribution and sponsorship revenue was concentrated among one and two donors, which amounted to 32% and 50% of total revenue for the years ended December 31, 2022 and 2021, respectively.

The Organization also has conditional promises of approximately \$122,475,000 and \$91,800,000 at December 31, 2022 and 2021, respectively, 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. Conditional promises are concentrated among a limited number of donors which amounted to 38% and 86% of total conditional promises in 2022 and 2021, respectively.

Grant Revenue

Grant revenue is recorded in the period verifiably and unconditionally committed by the donor at its estimated net realizable value. Grant 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 consolidated statements of activities as net assets released from restrictions.

Event Revenue

Event revenue is recorded in the period verifiably and unconditionally committed by the donor at its estimated net realizable value. Funds are provided by donors for the sole purpose of funding events hosted by the Organization. As there is no reciprocal value received by the donors, these are accounted for as contribution transactions.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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

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.

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 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 totaled approximately \$96,557,000 and \$95,300,000 at December 31, 2022 and 2021, respectively, 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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

Functional Expense Allocation

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

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 federal 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.

Reclassifications

Certain amounts from the prior year’s consolidated financial statements were reclassified in order to conform to the current year consolidated financial statement presentation. There is no impact to net assets.

Subsequent Events

The Organization has evaluated subsequent events through October 2, 2023, 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.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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, United States Treasury Bills and related, and contributions and sponsorships receivable as presented on the consolidated statements of financial position as management has determined that these funds are available for use in core operations which is consistent with the use restrictions over these resources.

Note 3 - Property and Equipment, Net

Property and equipment consisted of the following at December 31:

	2022	2021
Land	\$ 72,400	\$ 72,400
Furniture, fixtures and equipment	251,059	147,829
Vehicles	329,894	125,672
Buildings	<u>301,690</u>	<u>301,690</u>
	955,043	647,591
Less: accumulated depreciation	<u>(247,752)</u>	<u>(124,459)</u>
	<u>\$ 707,291</u>	<u>\$ 523,132</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:

	2022	2021
Operating	\$ 10,509,630	\$ 3,701,337
Net investment in property and equipment	<u>707,291</u>	<u>523,132</u>
Net assets without donor restrictions	<u>\$ 11,216,921</u>	<u>\$ 4,224,469</u>

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 4 - Net Assets (Continued)

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.

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, 2025. Upon expiration, this agreement automatically renews in successive two-year periods and can be cancelled with proper notice.

In conducting its activities, the Organization, from time to time, may be the subject of various legal claims. Management believes that the ultimate resolution of such claims will not have a material effect on the consolidated financial statements of the Organization.

Note 6 - Retirement Plan

Effective January 1, 2022, the Organization commenced offering a qualified 403(b) tax deferred retirement plan subject to various participation requirements. Under the terms of the plan, the Organization can provide an elective match based on a percentage or fixed dollar amount as well as additional contributions to the plan that do not require a match. Expenses associated with the plan were \$84,836 for the year ended December 31, 2022.

Note 7 - 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. The Organization also provides financial support to the Canadian entity for items such as construction projects and lease payments. 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.

Costs incurred by this entity and billed to the Organization amounted to \$2,176,612 and \$1,142,619 for the years ended December 31, 2022 and 2021, respectively. The Organization has a receivable due from One Tree Planted Canada, Inc. for \$1,235,317 and \$95,096 that is included in Other assets at December 31, 2022 and 2021, respectively. This amount is an advance associated for working capital and cash flow for the Canadian entity which allows for its orderly operation. This amount does not bear interest.

ONE TREE PLANTED, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

Note 7 - Related Party Transactions (Continued)

The Organization also has an outstanding receivable from the CEO for amounts due from use of the corporate credit card. The receivable outstanding is \$4,380 and \$53,543 at December 31, 2022 and 2021, respectively. The amount outstanding as of December 31, 2022 was fully paid after year end. The Organization also has an outstanding amount payable to the CEO for services rendered in the amount of \$418,050 as of December 31, 2021 that was fully repaid in 2022. The 2021 amount is included in accounts payable and accrued expenses.