

**FOREST RELEAF OF MISSOURI
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Forest ReLeaf of Missouri

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 11
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenses	12



Independent Auditors' Report

Board of Trustees
Forest ReLeaf of Missouri
St. Louis, Missouri

We have audited the accompanying statements of financial position of Forest ReLeaf of Missouri (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest ReLeaf of Missouri as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Forest ReLeaf of Missouri taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schmersahl Treloar & Co., PC

April 8, 2011

FINANCIAL STATEMENTS

Forest ReLeaf of Missouri
STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31,	
		2010	2009
CURRENT ASSETS			
Cash and cash equivalents		\$ 46,661	\$ 48,661
Investments		164,400	180,319
Grants receivable		-	4,500
Prepaid expenses		3,293	8,935
Total Current Assets		214,354	242,415
 PROPERTY AND EQUIPMENT, net of accumulated depreciation			
		47,904	51,200
TOTAL ASSETS		\$ 262,258	\$ 293,615
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 10,454	\$ 20,333
 NET ASSETS			
Invested in capital assets		47,904	51,200
Unrestricted		193,400	210,582
Temporarily restricted		241,304	261,782
		10,500	11,500
Total Net Assets		251,804	273,282
TOTAL LIABILITIES AND NET ASSETS		\$ 262,258	\$ 293,615

See accompanying notes to financial statements

Forest ReLeaf of Missouri
STATEMENTS OF ACTIVITIES

	For the Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support			
Government grants	\$ 187,000	\$ -	\$ 187,000
Private grants	63,250	10,500	73,750
Donations	12,286	-	12,286
In-kind donations	5,652	-	5,652
Revenue			
Tree sales	39,763	-	39,763
Investment and other income, net	16,405	-	16,405
Net assets released from program restrictions	11,500	(11,500)	-
TOTAL SUPPORT AND REVENUE	335,856	(1,000)	334,856
EXPENSES			
Salaries	145,095	-	145,095
Employee benefits	15,001	-	15,001
Payroll taxes	10,892	-	10,892
Insurance	4,141	-	4,141
Nursery supplies	38,669	-	38,669
Print and publications	31,198	-	31,198
Professional fees/contractual services	41,013	-	41,013
Office supplies	22,248	-	22,248
Occupancy costs	11,561	-	11,561
Depreciation	9,623	-	9,623
Postage and shipping	8,020	-	8,020
Telephone and utilities	12,435	-	12,435
Travel	2,784	-	2,784
Conferences and meetings	2,766	-	2,766
Equipment operations	888	-	888
TOTAL EXPENSES	356,334	-	356,334
CHANGE IN NET ASSETS	(20,478)	(1,000)	(21,478)
NET ASSETS, Beginning of year	261,782	11,500	273,282
NET ASSETS, End of year	\$ 241,304	\$ 10,500	\$ 251,804

See accompanying notes to financial statements

For the Year Ended December 31, 2009

Unrestricted	Temporarily	
	Restricted	Total
\$ 187,000	\$ -	\$ 187,000
68,683	11,500	80,183
10,188	-	10,188
2,949	-	2,949
45,825	-	45,825
17,632	-	17,632
<u>13,000</u>	<u>(13,000)</u>	<u>-</u>
<u>345,277</u>	<u>(1,500)</u>	<u>343,777</u>
142,605	-	142,605
9,310	-	9,310
10,841	-	10,841
5,284	-	5,284
31,798	-	31,798
36,605	-	36,605
39,056	-	39,056
24,512	-	24,512
10,525	-	10,525
8,988	-	8,988
10,318	-	10,318
6,094	-	6,094
3,479	-	3,479
1,580	-	1,580
<u>1,784</u>	<u>-</u>	<u>1,784</u>
<u>342,779</u>	<u>-</u>	<u>342,779</u>
2,498	(1,500)	998
<u>259,284</u>	<u>13,000</u>	<u>272,284</u>
<u>\$ 261,782</u>	<u>\$ 11,500</u>	<u>\$ 273,282</u>

Forest ReLeaf of Missouri
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 21,478)	\$ 998
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	9,623	8,988
Realized and unrealized (gain) loss on investments	(9,570)	(12,008)
(Increase) decrease in assets:		
Grants receivable	4,500	(4,500)
Prepaid expenses	5,642	(3,670)
Increase (decrease) in liabilities:		
Accounts payable	(9,879)	13,342
 Net Change in Cash and Cash Equivalents from Operating Activities	 (21,162)	 3,150
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(99,754)
Sale of investments	25,489	50,547
Purchase of equipment and leasehold improvements	(6,327)	(861)
 Net Change in Cash and Cash Equivalents from Investing Activities	 19,162	 (50,068)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (2,000)	 (46,918)
 CASH AND CASH EQUIVALENTS, Beginning of year	 48,661	 95,579
 CASH AND CASH EQUIVALENTS, End of year	 \$ 46,661	 \$ 48,661
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
 Cash paid during the year for interest	 \$ -	 \$ -

See accompanying notes to financial statements

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization and Operations

Forest ReLeaf of Missouri (“Forest ReLeaf”) is a St. Louis based not-for-profit organization established in 1993. Its mission is to provide trees for public and not-for-profit plantings and present educational programs to increase stewardship of the trees and forests in Missouri and surrounding regions. This mission is fulfilled through a variety of tree-planting and education programs.

Since 1993, Forest ReLeaf has distributed over 100,000 trees for planting throughout the region. The Organization accomplishes its mission with three staff members, assisted by over 2,000 volunteers annually. Through *Project CommuniTree*, Forest ReLeaf’s tree nursery at CommuniTree Gardens in Creve Coeur Park, volunteers grow and distribute an average of 5,000 free trees annually for planting by community groups. Forest ReLeaf provides parks and municipalities low-cost access to larger trees through *Project ReLeaf* and addresses high-need planting projects in financially-underserved communities through its grant-funded *Priority ReLeaf* program. The Organization teaches community volunteers tree identification, care and maintenance through its *TreeKeepers* program, and helps citizens to conserve, sustain, and enhance Missouri’s urban and rural forest resources through the statewide 2,000-plus member *Forestkeepers* network. In 2010 and 2009, the Organization partnered with local government agencies to conduct an urban tree canopy assessment in the St. Louis area, an effort that will serve as a benchmark for measuring success of tree planting programs, and help educate the public about the many benefits of urban trees.

Basis of Accounting

The accompanying financial statements of Forest ReLeaf have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from the estimates.

Cash Equivalents

For purposes of the Statements of Cash Flows, Forest ReLeaf considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments

Investments, consisting of certificates of deposit and various securities, are measured and carried at fair value, which is based on quoted prices in active markets. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statements of Financial Position.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial; accordingly an allowance for doubtful accounts is not required.

Concentration of Credit Risk

The Organization maintains its cash balances in one financial institution located in St. Louis, Missouri. At December 31, 2010 and 2009, the balances were insured by the Federal Deposit Insurance Corporation (FDIC) and through repurchase agreements underlying the cash sweep account.

Property and Equipment

Property, equipment, and improvements are valued at cost. Depreciation is computed using the straight-line method as follows:

Leasehold improvements	15 Years
Furniture and fixtures	7 Years
Machinery and equipment	3 - 5 Years

Expenditures for maintenance and repairs are charged to operations when incurred. Expenditures for improvements and major rehabilitations that extend the useful life of an asset are capitalized. Expenditures for improvements to the nursery land site are capitalized as leasehold improvements.

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial Instruments

The carrying amounts of cash and cash equivalents, prepaid expenses, investments, grants receivable, and accounts payable reported in the Statements of Financial Position approximate fair values because of the short-term maturities of those instruments.

Contributions

Contributions are recognized when the contributor makes a promise to give to Forest ReLeaf that is, in substance, unconditional. All contributions are considered as being available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets received with donor stipulations which limit the use of the donated asset are considered temporarily restricted. As permitted by GAAP, Forest ReLeaf reports temporarily restricted gifts as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

In 2010 and 2009, donated services in the amount of \$5,652 and \$2,949, respectively, are recognized as contributions in accordance with GAAP. These services (a) create or enhance non-financial assets or (b) require specialized skills, and are performed by people with those skills that would otherwise be purchased by Forest ReLeaf.

Additionally, a substantial number of volunteers have donated significant amounts of their time in Forest ReLeaf's program services that are not recognized as contributions in the financial statements since the recognition criteria under GAAP are not met.

Income Taxes

Forest ReLeaf qualifies as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization does not have unrelated business income, excise taxes or activities that would threaten the Organization's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. The Organization files an information return, IRS Form 990.

The Organization adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax positions of the Organization related to the tax filings.

Subsequent Events

In preparing these financial statements, Forest ReLeaf has evaluated events and transactions for potential recognition or disclosure through April 8, 2011 the date the financial statements were available to be issued.

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

B. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Years Ended December 31,	
	2010	2009
Leasehold improvements	\$ 41,145	\$ 41,145
Machinery and equipment	56,390	50,063
Furniture and fixtures	3,440	3,440
Computer systems	8,394	8,394
	109,369	103,042
Less: Accumulated depreciation	(61,465)	(51,842)
	\$ 47,904	\$ 51,200

C. INVESTMENTS

Forest ReLeaf's investment holdings at December 31, 2010 are summarized as follows:

	Cost	Fair Value
	Certificate of deposit	\$ -
Equity funds	69,176	60,276
Bond funds and fixed income	99,768	104,124
	\$168,944	\$164,400

Forest ReLeaf's investment holdings at December 31, 2009 are summarized as follows:

	Cost	Fair Value
	Certificate of deposit	\$ 25,000
Equity funds	69,176	53,556
Bond funds and fixed income	99,768	101,763
	\$193,944	\$180,319

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

C. **INVESTMENTS** (Continued)

Interest and dividends and gains or losses reported as investment income on the statements of activities consist of the following:

	2010	2009
Interest and dividends	\$ 5,211	\$ 4,048
Realized and unrealized gain on investments	9,570	12,008
Total Net Investment Gain	\$14,781	\$16,056

D. **FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	Fair Value Measurements at Reporting Date Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>December 31, 2010</u>				
Equity Fund	\$ 60,276	\$ 60,276	\$ -	\$ -
Bond Fund	104,124	104,124	-	-
Certificates of Deposit	-	-	-	-
Total	\$ 164,400	\$ 164,400	\$ -	\$ -
<u>December 31, 2009</u>				
Equity Fund	\$ 53,556	\$ 53,556	\$ -	\$ -
Bond Fund	101,763	101,763	-	-
Certificates of Deposit	25,000	25,000	-	-
Total	\$ 180,319	\$ 180,319	\$ -	\$ -

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are \$10,500 and \$11,500 at December 31, 2010 and 2009, respectively, and are restricted as follows:

	2010	2009
Project CommuniTree	\$ 3,000	\$ 7,500
Priority ReLeaf	7,500	3,000
Future period		
Missouri Botanical Garden	-	1,000
	\$10,500	\$11,500

F. MAJOR FUNDING

Forest ReLeaf receives a substantial amount of its support and revenue from the State of Missouri. A significant reduction in the level of this support, if it were to occur, could have a significant effect on Forest ReLeaf's programs and activities. However, Forest ReLeaf has not received any indication from the State of Missouri of a planned decrease in future state government support.

G. FUNCTIONAL EXPENSE ALLOCATIONS

Functional expense allocations are based on Forest ReLeaf's use of resources by program and supporting services. Allocations are as follows as of:

	December 31,	
	2010	2009
Program expense	\$259,444	\$251,157
Management and general	63,497	66,589
Development and fundraising	33,393	25,033
Total Expense	\$356,334	\$342,779

H. LEASE COMMITMENTS

In March 2010, the Organization renewed the lease for office space on Lindell Boulevard for an additional three years with monthly lease payments of \$895. The Organization has also entered into a lease for office equipment. The lease has monthly payments of \$158 through January 2014.

Forest ReLeaf of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

H. **LEASE COMMITMENTS** (Continued)

Forest ReLeaf entered into a land lease agreement with St. Louis County for land to house Forest ReLeaf's nursery. The term of the lease is five years beginning September 2006 through September 2011 with two 5-year renewal options and provides for annual lease payments of \$1. No amount has been recorded in the accompanying financial statements for the fair value of the lease agreement, as the value cannot be estimated.

Lease expense for 2010 and 2009 was \$13,457 and \$12,481, respectively. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$13,143
2012	13,142
2013	3,685
2014	<u>158</u>
	<u>\$30,128</u>

**SUPPLEMENTAL
INFORMATION**

Forest ReLeaf of Missouri
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Forest-keepers	Priority ReLeaf	Project ReLeaf	CommuniTree Gardens	Canopy Assessment	Volunteer Coordination	Admin.	Develop-ment	Total
EXPENSES									
Administration	\$ 12,240	\$ -	\$ -	\$ 6,000	\$ -	\$ 6,000	(\$ 24,240)	\$ -	\$ -
Salaries	26,783	8,001	6,322	30,055	934	13,900	38,337	20,763	145,095
Employee benefits	2,718	524	1,403	1,757	36	892	6,217	1,454	15,001
Payroll taxes	2,018	603	476	2,264	70	1,039	2,858	1,564	10,892
Insurance	659	199	168	762	13	326	1,547	467	4,141
Nursery supplies	-	384	30,004	8,281	-	-	-	-	38,669
Print and publications	25,328	-	592	-	96	1,495	649	3,038	31,198
Professional fees/ contractual services	6,857	-	-	-	17,655	-	14,001	2,500	41,013
Office supplies	4,582	25	687	7,649	12	-	8,363	930	22,248
Occupancy costs	-	-	-	-	-	-	11,561	-	11,561
Depreciation	-	-	-	8,904	-	-	719	-	9,623
Postage and shipping	5,052	-	435	11	-	153	1,367	1,002	8,020
Telephone and utilities	729	-	-	9,009	-	855	1,842	-	12,435
Travel	246	113	212	512	-	1,612	67	22	2,784
Conferences and meetings	872	-	-	32	-	-	209	1,653	2,766
Equipment operations	-	-	106	782	-	-	-	-	888
Total Expenses	\$ 88,084	\$ 9,849	\$ 40,405	\$ 76,018	\$ 18,816	\$ 26,272	\$ 63,497	\$ 33,393	\$ 356,334

See independent auditors' report
(12)