

**TREES FOREVER, INC.
AND ITS AFFILIATE**

Marion, Iowa

Consolidated Financial Statements

December 31, 2020 and 2019

TREES FOREVER, INC. AND ITS AFFILIATE

Contents	Page(s)
Independent Auditors' Report	1-2
Financial Statements:	
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Functional Expenses	7-8
Notes to Consolidated Financial Statements	9-20
Supplementary Information:	
Consolidating Statement of Financial Position	21-22
Consolidating Statement of Activities	23
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Responses	26



Independent Auditors' Report

To the Board of Directors of
Trees Forever, Inc. and its Affiliate
Marion, Iowa

We have audited the accompanying consolidated financial statements of Trees Forever, Inc. (a nonprofit organization) and its Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trees Forever, Inc. and its Affiliate as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of Trees Forever, Inc. and its Affiliate as a whole. The consolidating supplementary information on pages 21-23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021 on our consideration of Trees Forever, Inc. and its Affiliate's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trees Forever, Inc. and its Affiliate's internal control over financial reporting and compliance.

TDT CPAs and Advisors, P.C.

Cedar Rapids, Iowa
April 6, 2021

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidated Statements of Financial Position
December 31, 2020 and 2019

Assets		
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 505,127	108,097
Accounts receivable	3,661	2,604
Grants receivable	374,357	227,907
Unconditional promises to give	2,500	4,885
Prepaid expense	31,717	21,017
Total current assets	917,362	364,510
Property and equipment:		
Land	111,100	111,100
Buildings	483,796	483,796
Furniture and fixtures	58,860	58,860
Equipment	161,553	121,431
Total	815,309	775,187
Less accumulated depreciation	150,545	108,864
Net property and equipment	664,764	666,323
Other assets:		
Beneficial interest in assets held by community foundation	403,084	352,047
Total assets	\$ 1,985,210	1,382,880

See accompanying notes to consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidated Statements of Financial Position
December 31, 2020 and 2019

Liabilities and Net Assets		
	2020	2019
Current liabilities:		
Accounts payable	\$ 43,477	14,951
Accrued expenses:		
Vacation pay	35,553	34,603
Other	15,560	7,625
Deferred revenue	29,892	36,877
Funds held in trust	35,679	30,849
Current portion of long-term debt	9,744	9,264
Grants payable	265,770	82,956
Total current liabilities	435,675	217,125
Long-term liabilities:		
Mortgage payable, net of current portion	392,724	402,162
Total long-term liabilities	392,724	402,162
Total liabilities	828,399	619,287
Net assets:		
Without donor restrictions:		
Undesignated	315,026	249,574
Board-designated for endowment	413,652	399,006
With donor restrictions	428,133	115,013
Total net assets	1,156,811	763,593
Total liabilities and net assets	\$ 1,985,210	1,382,880

See accompanying notes to consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidated Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:						
Contributions	\$ 278,499	365,907	644,406	220,604	81,720	302,324
Program administration revenue	446,058	-	446,058	493,418	-	493,418
Program grant revenue	402,144	-	402,144	352,516	-	352,516
Federal grants	125,783	-	125,783	192,192	-	192,192
State grants	447,897	-	447,897	479,757	-	479,757
Investment income	1,413	-	1,413	821	-	821
Change in beneficial interest in assets held by community foundation	25,502	2,140	27,642	41,026	3,862	44,888
Contributed services and materials	91,177	-	91,177	102,065	-	102,065
Paycheck Protection Program grant	189,900	-	189,900	-	-	-
Other	17,526	-	17,526	31,968	-	31,968
Net assets released from restrictions	54,927	(54,927)	-	110,618	(110,618)	-
Total support and revenue	2,080,826	313,120	2,393,946	2,024,985	(25,036)	1,999,949
Expenses:						
Program services:						
Water quality	171,874	-	171,874	281,969	-	281,969
Community forestry	893,257	-	893,257	705,323	-	705,323
Roadways	434,588	-	434,588	435,928	-	435,928
Education	116,113	-	116,113	160,505	-	160,505
Total program services	1,615,832	-	1,615,832	1,583,725	-	1,583,725
Supporting activities:						
Administrative	167,876	-	167,876	190,004	-	190,004
Fundraising	217,020	-	217,020	156,565	-	156,565
Total supporting activities	384,896	-	384,896	346,569	-	346,569
Total expenses	2,000,728	-	2,000,728	1,930,294	-	1,930,294
Change in net assets	80,098	313,120	393,218	94,691	(25,036)	69,655
Net assets, beginning of year	648,580	115,013	763,593	553,889	140,049	693,938
Net assets, end of year	\$ 728,678	428,133	1,156,811	648,580	115,013	763,593

See accompanying notes to consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities:		
Change in net assets	\$ 393,218	69,655
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash contributions of property and equipment	(23,135)	(63,200)
Change in beneficial interest in assets held by community foundation	(27,662)	(44,888)
Contributions received by beneficial interest in assets held by community foundation	(500)	(6,613)
Grants received from beneficial interest in assets held by community foundation	15,738	13,486
Depreciation and amortization	41,680	31,181
(Increase) decrease in:		
Accounts and grants receivable	(147,507)	(54,667)
Unconditional promises to give	2,385	(4,885)
Prepaid expenses	(10,700)	6,051
Increase (decrease) in:		
Accounts payable	28,526	4,755
Deferred revenue	(6,985)	35,727
Grants payable	182,814	(7,831)
Accrued expenses	8,885	2,947
Funds held in trust	4,830	(8,915)
Net cash provided (used) by operating activities	<u>461,587</u>	<u>(27,197)</u>
Investing activities:		
Proceeds from (transfer to) beneficial interest for construction	(38,613)	(39,695)
Purchase of property and equipment	(16,986)	(56,732)
Net cash provided (used) by investing activities	<u>(55,599)</u>	<u>(96,427)</u>
Financing activities:		
Principal payments on long term debt	(8,958)	(7,916)
Net cash provided (used) by financing activities	<u>(8,958)</u>	<u>(7,916)</u>
Net increase (decrease) in cash and cash equivalents	397,030	(131,540)
Cash and cash equivalents, beginning of year	<u>108,097</u>	<u>239,637</u>
Cash and cash equivalents, end of year	<u>\$ 505,127</u>	<u>108,097</u>

See accompanying notes to consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services						Total	
	Water Quality	Community Forestry	Roadways	Education	Program Services	Management and General		Fundraising
Contract labor	\$ 2,293	30,227	8,469	16,673	57,662	4,492	5,224	67,378
Depreciation	3,619	11,041	10,417	1,074	26,151	10,992	4,538	41,681
Furniture & equipment	413	15,815	1,189	118	17,535	1,254	518	19,307
Meetings & receptions	4,733	5,409	17,706	16,820	44,668	1,754	4,135	50,557
Postage & shipping	715	1,598	2,213	2,187	6,713	1,008	6,754	14,475
Professional fees	4,374	43,343	12,589	1,298	61,604	13,284	11,340	86,228
Educational materials	3,796	15,008	17,698	6,026	42,528	2,898	12,624	58,050
Occupancy	1,861	17,933	5,355	552	25,701	160	2,333	28,194
Supplies	3,015	10,160	15,467	2,376	31,018	8,614	8,959	48,591
Telephone	1,845	5,464	6,699	505	14,513	5,173	2,210	21,896
Travel expenses	4,549	5,996	13,442	1,864	25,851	327	2,090	28,268
Payroll, taxes, & benefits	101,017	309,677	304,533	64,681	779,908	61,164	148,099	989,171
In-kind expenses	2,869	8,753	8,258	851	20,731	48,714	3,598	73,043
Miscellaneous expenses	3,667	43,797	10,553	1,088	59,105	8,042	4,598	71,745
Grant expenses	33,108	369,036	-	-	402,144	-	-	402,144
Total	\$ 171,874	893,257	434,588	116,113	1,615,832	167,876	217,020	2,000,728

See accompanying notes to consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services					Total		
	Water Quality	Community Forestry	Roadways	Education	Program Services		Management and General	Fundraising
Contract labor	\$ 2,110	15,082	14,545	17,344	49,081	4,337	6,747	60,165
Depreciation	3,852	5,397	6,324	1,781	17,354	11,706	2,121	31,181
Furniture & equipment	412	8,970	1,049	330	10,761	1,253	227	12,241
Meetings & receptions	7,043	7,734	24,928	12,956	52,661	4,343	11,139	68,143
Postage & shipping	606	1,171	1,150	2,124	5,051	1,282	5,847	12,180
Professional fees	2,723	8,845	4,471	1,259	17,298	8,274	3,728	29,300
Educational materials	4,871	2,723	6,989	8,796	23,379	3,661	15,851	42,891
Occupancy	3,721	10,381	6,109	1,721	21,932	11,307	2,049	35,288
Supplies	5,283	11,656	7,896	8,981	33,816	11,090	3,593	48,499
Telephone	2,665	3,488	7,074	1,702	14,929	7,101	1,548	23,578
Travel expenses	17,475	21,840	29,854	4,516	73,685	1,359	2,593	77,637
Payroll, taxes, & benefits	164,498	287,417	309,883	94,586	856,384	95,315	95,871	1,047,570
In-kind expenses	4,801	6,727	7,883	2,220	21,631	14,590	2,644	38,865
Miscellaneous expenses	4,734	13,930	7,773	2,189	28,626	14,386	2,607	45,619
Grant expenses	57,175	299,962	-	-	357,137	-	-	357,137
Total	\$ 281,969	705,323	435,928	160,505	1,583,725	190,004	156,565	1,930,294

See accompanying notes to consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - Trees Forever, Inc. (Organization) was incorporated on February 21, 1989 in the state of Iowa for the purpose of education designed to foster the planting and preservation of trees through a volunteer membership organization of individuals and affiliated groups who interface with existing conservation, civic, education, and business organizations. The Organization provides grants and educational support to communities and organizations in Iowa and surrounding states to facilitate the planting and care of trees, woodlands and forests through action-oriented programs that empower people, build community, and promote environmental stewardship.

Trees Forever Foundation (Foundation) was incorporated on June 18, 2001 in the state of Iowa for the benefit of, and to carry out the purposes of, Trees Forever, Inc. The Foundation financially supports Trees Forever, Inc. through contributions, establishing endowments to fund activities of Trees Forever, Inc. and funding special projects.

The Foundation's by-laws result in Trees Forever, Inc. effectively controlling the election of the Foundation's trustees. Accordingly, the financial statements are presented on a consolidated basis.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Trees Forever, Inc. and its Affiliate, Trees Forever Foundation (Entities). Intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting - The financial statements of the Entities have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables and other liabilities.

Basis of Presentation - The financial statements of Trees Forever, Inc. and its Affiliate have been prepared to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Trees Forever, Inc. and its Affiliate's management and the board of directors.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Trees Forever, Inc. and its Affiliate or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as support without donor restrictions.

Contributions of land, buildings, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Descriptions of Programs - The Organization operates the following programs:

Water Quality - Establishes streamside plantings of trees, shrubs and grasses to reduce soil erosion, improve water quality by lessening levels of nitrates and pesticides, and increase wildlife habitat. Works with local watershed groups and landowners/farmers to address positive solutions to water quality.

Community Forestry - Funds and encourages community tree planting and care for energy efficiency purposes and protecting and restoring the environment through volunteer involvement.

Roadways - Assists small communities and rural counties with implementing roadside and landscape projects that use native trees, grasses, and wildflowers.

Education - Provides education and outreach to support volunteers, community leaders and landowners dedicated to improving their communities and the environment. Distributes national educational materials on low impact development, the link between trees and forests and Native American cultures and effective approaches to improving water quality.

Revenue - The Organization's revenue is derived from grants and contracts. Revenue is recognized based on the progress of complete satisfaction of the performance obligation (the service stated in the grant/contract) using the input method. Under the input method, revenue is recognized based on resources consumed, labor hours expended, costs incurred, and time elapsed.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include all monies in banks and highly liquid investments with an original maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Organization's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the year ended December 31, 2020. As of December 31, 2020, the Organization maintained cash balances exceeding the FDIC limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable - The Organization carries its accounts receivable at cost less an allowance for doubtful accounts, if necessary. On a periodic basis, the Organization evaluates its accounts receivable and determines if an allowance is necessary based on history of past write-offs and collections and current credit conditions.

Grants Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenditures as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenditures over cash basis reimbursements at year end will be collected in the following fiscal year.

Property and Equipment - Furniture, office equipment, computers and other capital expenditures greater than \$1,000 before tax are generally capitalized and depreciated. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which are estimated to be 30 years for the building and 3-7 years for all furniture and fixtures and other equipment. Depreciation expense was \$41,680 and \$31,181 for the years ended December 31, 2020 and 2019, respectively.

Contributed Services - Contributed services are recognized as contributions in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with these skills and would otherwise be purchased by the Organization.

Funds Held in Trust - The Organization acts as an agent for various non-profit organizations. Funds held on behalf of these organizations have been classified as a liability in the accompanying financial statements.

Functional Allocation of Expenses - The costs of providing various program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, payroll costs have been allocated among the programs and supporting activities benefited based on the ratio of recorded staff time to the programs benefited. Occupancy costs are allocated based on the same ratio of staff time expended.

Income Taxes - The Entities are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Entities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications - Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Date of Management's Review - Management has evaluated subsequent events through April 6, 2021, the date which the financial statements were available to be issued.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 2 - Conditional Grant Awards

The Organization has been notified of grant awards extending into future years. These promises to give are conditional upon the incurrence of qualifying expenses for projects for which the grants were awarded. As of December 31, 2020, amounts remaining to be utilized in future years under these grant awards were \$1,120,627. The remaining grant awards are not recognized as an asset or support in the financial statements until such time as qualifying expenses are incurred.

The Organization has also entered into agreements with various landowners, promising to reimburse certain future costs the landowners will incur in participating in watershed buffer projects. These promises to give to the landowners are conditional upon the incurrence of qualifying expenses. As of December 31, 2020, the amounts remaining to be utilized in future years under these agreements were \$31,000. The remaining obligations are not recognized as a liability or expense in the financial statements until such time as the landowners incur their qualifying expenses.

Note 3 - Availability and Liquidity

The following represents the Entities' financial assets at December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 505,127
Accounts receivable	3,661
Grants receivable	374,357
Unconditional promises to give	2,500
Beneficial interest in assets held by community foundation	<u>403,084</u>
Total financial assets	<u>1,288,729</u>
Less financial assets not available to be used for general expenditures within one year:	
Net assets with donor restrictions	428,133
Board designated endowment funds	<u>413,652</u>
	<u>841,785</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 446,944</u>

As part of the Entities' liquidity management, the Entities have a policy to structure their financial assets to be available as general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed lines of credit (see Note 7) in the amount of \$150,000. Although the Entities do not intend to spend from their endowment other than amounts appropriated for expenditure as part of the annual budget approval and appropriation process, amounts from the endowment could be made available, if necessary.

Note 4 - Unconditional Promises to Give

Unconditional promises to give for the years ended December 31, 2020 and 2019 were \$2,500 and \$4,885, respectively. These amounts are due in less than one year. Management has not recorded an allowance for uncollectible accounts.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 5 - Fair Value Measurement

Fair value accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under fair value accounting literature are described below:

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities without donor restrictions;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables present by level, within the fair value hierarchy, the assets at fair value, as of December 31, 2020 and 2019. As required by fair value accounting literature, assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Description	December 31, 2020	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by community foundation	\$ 403,084	-	403,084	-

Description	December 31, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by community foundation	\$ 352,047	-	352,047	-

Valuation techniques for Level 2 inputs include:

- Beneficial interest in assets held by community foundation is determined by quoted market prices and other relevant information generated by market transactions.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 6 - Beneficial Interest in Assets Held by Community Foundation

The Foundation has contributed funds to The Greater Cedar Rapids Community Foundation (GCRCF) and The Greater Des Moines Community Foundation (GDMCF) in order to establish agency endowment funds. These funds are administered by GCRCF and GDMCF for the benefit of Trees Forever, Inc. A portion of the fund's earnings is made available for distribution to Trees Forever, Inc. periodically. The total fund balance at December 31, 2020 and 2019 was \$403,084 and \$352,047 respectively. During the years ended December 31, 2020 and 2019, the Foundation received distributions of \$15,738 and \$13,486 from these funds.

In addition, other funds for the benefit of Trees Forever, Inc. has been established by separate donors with The Greater Cedar Rapids Community Foundation and The Greater Des Moines Community Foundation. Because the donors explicitly granted variance power to GCRCF and GDMCF, the Organization does not recognize any potential rights to the assets held by GCRCF or GDMCF. Only the distributions received by the Organization from this fund are included in the accompanying financial statements. The balance of these funds at December 31, 2020 and 2019 was \$222,527 and \$204,140, respectively. For the years ended December 31, 2020 and 2019, the Organization received distributions of \$7,222 and \$6,333, respectively, from these funds.

Note 7 - Line of Credit

The Organization entered into an agreement with Hills Bank and Trust for a line of credit of \$150,000 on June 21, 2019, and renewed June 10, 2020. The current line has a variable interest rate that will not fall below 3.5% annually. All principal and interest on this line are due July 1, 2021. At December 31, 2020 and 2019, there were no outstanding borrowings on the line of credit.

Note 8 - Long Term Debt

The Organization entered into an agreement with Hills Bank and Trust on December 3, 2018 to finance the acquisition of its building. The note had an initial principal amount of \$420,000 and a maturity date of December 3, 2023. Monthly payments of \$2,488 plus interest at a rate of 5.06% began on January 3, 2019, with a balloon payment for all remaining principal and interest due December 3, 2023. The note is collateralized by a mortgage on the Organization's building. The outstanding balance on this note as of December 31, 2020 and 2019 was \$402,468 and \$411,426, respectively.

The Organization also borrowed from the Foundation's beneficial interest in assets held by community foundation on November 30, 2018. The note had an initial principal amount of \$122,186 and a maturity date of November 30, 2023. Monthly interest only payments were required for 12 months, followed by monthly payments of principal and interest for 48 months at an interest rate of 4.00%. The Organization made extra principal payments in 2019 and 2020, and at December 31, 2020, the balance of the internal borrowing was \$51,082. This loan and associated transactions have been eliminated on the Entities' consolidated financial statements.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 8 - Long Term Debt (Continued)

Future maturities of long-term debt for the Organization and the Foundation are as follows for years ending December 31:

		Trees Forever Inc.	Eliminations	Consolidated
2021	\$	31,568	(21,824)	9,744
2022		32,961	(22,713)	10,248
2023		389,021	(6,545)	382,476
Total	\$	453,550	(51,082)	402,468

Note 9 - Nature and Amount of Assets with Donor Restrictions

Assets with donor restrictions at December 31, 2020 and 2019 are available for the following purposes:

		2020	2019
Endowment	\$	34,449	30,256
Unappropriated earnings from endowment		5,365	4,633
Growing Futures – Des Moines (Lauridsen Park)		12,000	-
Growing Futures – Des Moines (Microsoft)		70,000	-
Growing Futures – Cedar Rapids		30,000	-
Diamond V		5,000	5,000
OWL		10,000	16,000
Program funds		68,082	22,830
Prairie Meadows		-	15,000
GCRCF Program Grant		-	15,000
Planting Hope		151,571	1,124
REAP SoBL		-	5,170
Greenstate – The Green Initiative		11,666	-
Illinois Buffer Partnership		15,000	-
Working Watersheds: Buffers & Beyond		15,000	-
Total	\$	428,133	115,013
		2020	2019
Beginning net assets with donor restrictions	\$	115,013	140,049
Restricted additions		365,907	81,720
Change in donor-restricted portion of beneficial interest		2,140	3,862
Releases from restrictions (see below)		(54,927)	(110,618)
Ending net assets with donor restrictions	\$	428,133	115,013

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 9 - Nature and Amount of Assets with Donor Restrictions (Continued)

Assets were released from donor restrictions during the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Diamond V	\$ -	6,336
International Paper Treekeepers	-	5,000
OWL	6,000	5,000
Prairie Meadows	15,000	-
REAP SoBL	5,170	-
Program funds	12,350	70
GCRCF Program Grant	15,000	-
Brenton Fund	1,407	1,428
Growing Futures - Des Moines	-	91,063
Rockwell Treekeeper	-	1,721
Net assets released from restrictions	<u>\$ 54,927</u>	<u>110,618</u>

Note 10 - Disclosures About Certain Concentrations

The Organization has certain concentrations of support and revenue. For the years ended December 31, 2020 and 2019 the source, amount of support and revenue, and the approximate percentage of support and revenue are listed below:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Utility companies	\$ 257,805	11 %	\$ 239,412	13 %
IDOT, through Iowa State University	331,088	14 %	363,006	19 %
Syngenta	112,594	5 %	197,216	11 %
Growing Futures	238,464	10 %	164,485	9 %

At December 31, 2020, 71% of the outstanding accounts receivable balance was due from Iowa State University Sponsored Programs, U.S. Forest Service, the City of Cedar Rapids and the City of Des Moines.. At December 31, 2019, 72% of the outstanding receivable balance was due from Iowa State University Sponsored Programs, the U.S. Forest Service and the City of Cedar Rapids. Given the history of collection of receivables, management believes the related credit risk is minimal.

Note 11 - Pension Plan

The Organization has a defined contribution pension plan established under 403(b) of the Internal Revenue Code which covers substantially all employees. The Organization contributes, on behalf of each of the employees who are members of the plan, a percentage of the annual compensation of these employees. Expenses related to the plan for the years ended December 31, 2020 and 2019 totaled \$32,446 and \$33,809, respectively.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 12 - Donor-Designated Endowments

FASB ASC 958-205, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds” provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the Entities are subject to UPMIFA.

The Entities’ endowment consists of two individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Entities has interpreted UPMIFA requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Entities classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Entities consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Entities, and (7) the Entities’ investment policies.

Investment Return Objectives, Risk Parameters and Strategies - The Entities have adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

In order to meet these objectives, the Entities have established Quasi-Endowed Funds with the Greater Cedar Rapids Community Foundation. Assets of the Entities are pooled with other Foundation assets for investment management with minimal investment expense. The Investment and Spending policies of the Greater Cedar Rapids Community Foundation parallel the original objective established by the Trees Forever Foundation Board of Trustees. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Entities expect that endowment assets, over time, to produce an average rate of return of approximately 8.75% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 12 - Donor-Designated Endowments (Continued)

Spending Policy - The Entities have a policy of appropriating for distribution each year a minimum of 5% of Endowment Value as established on December 31. The Investment Manager utilizes the charitable disbursement rate. The charitable disbursement rate, or spending rate, determines the dollar amount available for distribution annually. To determine this amount, the average fund balance at the last three year-ends is multiplied by the charitable disbursement rate. Disbursements for new funds are prorated. This methodology smooths out the peaks and valleys that would be experienced if income and dividends earned (or not earned) by a fund were distributed each year. This is a strategy that has been adopted by most major endowments. The disbursement rate is generally around five percent.

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 are as follows:

December 31, 2020	Without Donor Restriction	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	39,814	39,814
Board-designated endowment funds	413,652	-	413,652
Total	\$ 413,652	39,814	453,466

December 31, 2019	Without Donor Restriction	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	34,889	34,889
Board-designated endowment funds	399,006	-	399,006
Total	\$ 399,006	34,889	433,895

Changes in endowment net assets as of December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 399,006	34,889	433,895
Contributions	500	4,193	4,693
Change in beneficial interest in assets held by community foundation	28,206	2,139	30,345
Amounts appropriated for expenditure	(14,060)	(1,407)	(15,467)
Endowment net assets, end of year	\$ 413,652	39,814	453,466

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 12 - Donor-Designated Endowments (Continued)

Changes in endowment net assets as of December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 360,103	30,859	390,962
Contributions	6,613	1,595	8,208
Change in beneficial interest in assets held by community foundation	44,082	3,862	47,944
Amounts appropriated for expenditure	(11,792)	(1,427)	(13,219)
Endowment net assets, end of year	\$ 399,006	34,889	433,895

Note 13 - Donated Goods and Services

During the years ended December 31, 2020 and 2019, the Organization received the following donated goods and services:

	2020	2019
Marketing, printing, and media	\$ 38,000	\$ 13,250
Catering services for events and meetings	123	10,529
Specialized program services	7,250	5,096
Furniture	42,784	63,940
Travel	-	3,445
Professional services	3,020	5,805
Total	\$ 91,177	\$ 102,065

Note 14 – Paycheck Protection Program Grant

During the year ended December 31, 2020, the Organization received government assistance under the CARES Act in the form of a Paycheck Protection Program (PPP) loan. The Organization has applied FASB ASC 958-605 to initially record the loan as a refundable advance. Under ASC 958-605-25-13, the loan is to be treated as a refundable advance until the condition on which it depends is substantially met. By December 31, 2020, the Organization had incurred eligible costs to qualify for complete forgiveness of the loan. Management believes incurring the eligible costs substantially meets the conditions for forgiveness of the loan. As such, the full amount of the PPP loan is recognized as revenue in the statement of activities. Subsequent to year-end, the Organization received notice of forgiveness of the full loan amount.

TREES FOREVER, INC. AND ITS AFFILIATE
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 15 - Supplemental Cash Flow Information

Cash paid for interest on outstanding notes payable for the years ending December 31, 2020 and 2019 was \$23,346 and \$21,585, respectively.

Note 16 - Subsequent Events

Subsequent to December 31, 2020, the Organization received additional funding through a second PPP loan in the amount of \$180,470. The note will accrue interest at an annual rate of 1% until loan amounts are required to be repaid or forgiven. The Organization's first PPP loan was forgiven subsequent to year end and is included in revenue at December 31, 2020 (see Note 14). The Organization expects to meet the conditions for forgiveness on the second PPP loan in 2021.

Subsequent to December 31, 2020, the Organization received notice of grant funding from the Iowa Department of Agriculture and Land Stewardship commencing on April 1, 2021. The grant amount will be reimbursable based on work performed up to \$100,000. All work on this grant is to be completed by December 31, 2022.

TREES FOREVER, INC. AND ITS AFFILIATE

Supplementary Information

December 31, 2020 and 2019

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidating Statement of Financial Position
December 31, 2020

	Assets				
	Trees Forever, Inc.	Trees Forever Foundation	Total	Consolidating Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	\$ 505,127	-	505,127	-	505,127
Accounts receivable	3,661	-	3,661	-	3,661
Grants receivable	374,357	-	374,357	-	374,357
Unconditional promises to give	2,500	5,788	8,288	(5,788)	2,500
Current portion of notes receivable	-	21,824	21,824	(21,824)	-
Prepaid expense	31,717	-	31,717	-	31,717
Total current assets	<u>917,362</u>	<u>27,612</u>	<u>944,974</u>	<u>(27,612)</u>	<u>917,362</u>
Property and equipment:					
Furniture and fixtures	58,860	-	58,860	-	58,860
Land	111,100	-	111,100	-	111,100
Buildings	483,796	-	483,796	-	483,796
Equipment	161,553	-	161,553	-	161,553
Total	815,309	-	815,309	-	815,309
Less accumulated depreciation	150,545	-	150,545	-	150,545
Net property and equipment	<u>664,764</u>	<u>-</u>	<u>664,764</u>	<u>-</u>	<u>664,764</u>
Other assets:					
Long-term notes receivable	-	29,258	29,258	(29,258)	-
Beneficial interest in assets held by community foundation	-	403,084	403,084	-	403,084
Total other assets	<u>-</u>	<u>432,342</u>	<u>432,342</u>	<u>(29,258)</u>	<u>403,084</u>
Total assets	<u>\$ 1,582,126</u>	<u>459,954</u>	<u>2,042,080</u>	<u>(56,870)</u>	<u>1,985,210</u>

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidating Statement of Financial Position
December 31, 2020

Liabilities and Net Assets					
	Trees Forever, Inc.	Trees Forever Foundation	Total	Consolidating Eliminations	Consolidated
Current liabilities:					
Accounts payable	\$ 49,265	-	49,265	(5,788)	43,477
Accrued expenses:					
Vacation pay	35,553	-	35,553	-	35,553
Other	15,560	-	15,560	-	15,560
Deferred revenue	29,892	-	29,892	-	29,892
Current portion of long-term liabilities	31,568	-	31,568	(21,824)	9,744
Funds held in trust	35,679	-	35,679	-	35,679
Grants payable	265,770	-	265,770	-	265,770
Total current liabilities	<u>463,287</u>	<u>-</u>	<u>463,287</u>	<u>(27,612)</u>	<u>435,675</u>
Long-term liabilities:					
Mortgage payable	392,724	-	392,724	-	392,724
Note payable	29,258	-	29,258	(29,258)	-
Total long-term liabilities	<u>421,982</u>	<u>-</u>	<u>421,982</u>	<u>(29,258)</u>	<u>392,724</u>
Total liabilities	<u>885,269</u>	<u>-</u>	<u>885,269</u>	<u>(56,870)</u>	<u>828,399</u>
Net assets:					
Without donor restrictions	308,538	420,140	728,678	-	728,678
With donor restrictions	388,319	39,814	428,133	-	428,133
Total net assets	<u>696,857</u>	<u>459,954</u>	<u>1,156,811</u>	<u>-</u>	<u>1,156,811</u>
Total liabilities and net assets	<u>\$ 1,582,126</u>	<u>459,954</u>	<u>2,042,080</u>	<u>(56,870)</u>	<u>1,985,210</u>

TREES FOREVER, INC. AND ITS AFFILIATE
Consolidating Statement of Activities
For the Year Ended December 31, 2020

	Trees Forever, Inc.	Trees Forever Foundation	Total	Consolidating Eliminations	Consolidated
Support and revenue:					
Contributions	\$ 655,451	4,693	660,144	(15,738)	644,406
Program administration revenue	446,058	-	446,058	-	446,058
Program grant revenue	402,144	-	402,144	-	402,144
Federal grants	125,783	-	125,783	-	125,783
State grants	447,897	-	447,897	-	447,897
Investment income	1,413	-	1,413	-	1,413
Change in beneficial interest in assets held by community foundation	-	27,642	27,642	-	27,642
Contributed services and materials	91,177	-	91,177	-	91,177
Paycheck Protection Program grant	189,900	-	189,900	-	189,900
Other	17,526	3,094	20,620	(3,094)	17,526
Total support and revenue	<u>2,377,349</u>	<u>35,429</u>	<u>2,412,778</u>	<u>(18,832)</u>	<u>2,393,946</u>
Expenses:					
Program services:					
Water quality	171,874	15,738	187,612	(15,738)	171,874
Community forestry	893,257	-	893,257	-	893,257
Roadways	434,588	-	434,588	-	434,588
Education	116,113	-	116,113	-	116,113
Total program services	<u>1,615,832</u>	<u>15,738</u>	<u>1,631,570</u>	<u>(15,738)</u>	<u>1,615,832</u>
Supporting activities:					
Administrative	170,970	-	170,970	(3,094)	167,876
Fundraising	217,020	-	217,020	-	217,020
Total supporting activities	<u>387,990</u>	<u>-</u>	<u>387,990</u>	<u>(3,094)</u>	<u>384,896</u>
Total expenses	<u>2,003,822</u>	<u>15,738</u>	<u>2,019,560</u>	<u>(18,832)</u>	<u>2,000,728</u>
Change in net assets	<u>373,527</u>	<u>19,691</u>	<u>393,218</u>	<u>-</u>	<u>393,218</u>
Net assets, beginning of year	<u>323,330</u>	<u>440,263</u>	<u>763,593</u>	<u>-</u>	<u>763,593</u>
Net assets, end of year	<u>\$ 696,857</u>	<u>459,954</u>	<u>1,156,811</u>	<u>-</u>	<u>1,156,811</u>



Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Trees Forever, Inc. and its Affiliate
Marion, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Trees Forever, Inc. and its Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trees Forever, Inc. and its Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trees Forever, Inc and its Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entities' financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trees Forever, Inc. and its Affiliate's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TDT CPAs and Advisors, P.C.

Cedar Rapids, Iowa
April 6, 2021

TREES FOREVER, INC. AND ITS AFFILIATE
Schedule of Findings and Responses
Year Ended December 31, 2020 and 2019

Part I: Summary of independent auditors' results

1. An unmodified opinion was issued on the consolidated financial statements.
2. The audit of the consolidated financial statements did not uncover any significant deficiencies or material weaknesses in internal control over financial reporting. However, material weaknesses or significant deficiencies may exist that have not been uncovered.
3. The audit did not disclose any non-compliance that is material to the consolidated financial statements.

Part II: Finding(s) related to the financial statements

NONE