

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2018

With Comparative Summarized Information for June 30, 2017

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
TABLE OF CONTENTS

June 30, 2018

With Comparative Summarized Information for June 30, 2017

	<u>Page</u>
Independent Auditors' Report.....	1
<u>Financial Statements:</u>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Floresta U.S.A. Incorporated, dba Plant with Purpose
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of Floresta U.S.A. Incorporated, dba Plant with Purpose (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 financial statements.

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the results of its operations and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects with the audited financial statements from which it has been derived.

RBTK, LLP

October 31, 2018

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
STATEMENT OF FINANCIAL POSITION

June 30, 2018

With Comparative Summarized Information at June 30, 2017

ASSETS

	2018	2017
Cash and cash equivalents:		
Unreserved cash and cash equivalents	\$ 92,092	79,867
Operating reserves	916,684	173,134
Total cash and cash equivalents	1,008,776	253,001
Unconditional promises to give, net (Note 3)	3,057,964	30,000
Prepaid expenses	173,767	47,276
Other assets	8,814	8,394
Property and equipment, net (Note 4)	16,400	20,586
Investments - other, at fair value (Note 5)	28,307	28,307
Endowment investments, at fair value (Note 5)	66,348	65,137
Total assets	\$ 4,360,376	452,701

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 92,719	95,508
Total liabilities	92,719	95,508
Net assets:		
Unrestricted	918,841	(228,595)
Temporarily restricted	3,292,266	529,238
Permanently restricted	56,550	56,550
Total net assets	4,267,657	357,193
Total liabilities and net assets	\$ 4,360,376	452,701

See Accompanying Notes to Financial Statements

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2018

With Comparative Summarized Information for the Year Ended June 30, 2017

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Changes in net assets:					
Support and revenue:					
Contributions and grants	\$ 2,534,681	5,320,547	-	7,855,228	3,644,384
Special events:					
Revenues	409,981	-	-	409,981	253,145
Expenses	(54,268)	-	-	(54,268)	(83,336)
Net special event revenue	355,713	-	-	355,713	169,809
Interest and dividend income	1,066	527	-	1,593	1,679
Net realized and unrealized gain on investments	610	683	-	1,293	6,726
Net assets released from restrictions	2,558,729	(2,558,729)	-	-	-
Total support and revenue	5,450,799	2,763,028	-	8,213,827	3,822,598
Expenditures:					
Program activities:					
Floresta Haiti	605,564	-	-	605,564	708,956
Floresta Dominican Republic	512,902	-	-	512,902	589,232
Floresta Tanzania	443,546	-	-	443,546	439,959
Floresta Mexico	404,740	-	-	404,740	393,555
Floresta Burundi	392,168	-	-	392,168	365,235
Floresta Congo	195,171	-	-	195,171	193,053
Floresta Thailand	176,292	-	-	176,292	187,676
Other countries	63,694	-	-	63,694	38,967
Constituency education	696,582	-	-	696,582	657,370
Total program activities	3,490,659	-	-	3,490,659	3,574,003
Supporting activities:					
Fundraising	383,170	-	-	383,170	263,360
General and administrative	270,588	-	-	270,588	195,878
Expansion campaign	158,946	-	-	158,946	349,768
Total supporting activities	812,704	-	-	812,704	809,006
Total expenditures	4,303,363	-	-	4,303,363	4,383,009
Change in net assets	1,147,436	2,763,028	-	3,910,464	(560,411)
Net assets, beginning of year	(228,595)	529,238	56,550	357,193	917,604
Net assets, end of year	\$ 918,841	3,292,266	56,550	4,267,657	357,193

See Accompanying Notes to Financial Statements

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

With Comparative Summarized Totals for the Year Ended June 30, 2017

	Program Activities									Supporting Activities				Total Year Ended June 30, 2018	Total Year Ended June 30, 2017	
	Haiti Expense	Dominican Expense	Tanzania Expense	Mexico Expense	Burundi Expense	Congo Expense	Thailand Expense	Other Countries	Constituency Education	Total Program Activities	Fund Raising	General and Administrative	Expansion Campaign			Total Supporting Activities
Allocations to international programs	\$ 523,648	434,998	355,199	336,600	303,102	117,990	127,980	2,250	-	2,201,767	-	-	-	-	2,201,767	2,342,132
Salary, wages, taxes and benefits	65,441	60,604	72,020	51,507	70,223	61,915	35,723	44,423	529,144	991,000	276,121	207,593	127,763	611,477	1,602,477	1,586,078
Fundraising, outreach, and events	40	-	-	-	-	-	-	-	47,042	47,082	22,142	160	4,037	26,339	73,421	54,978
Mission and vision trips	-	-	-	-	-	-	-	-	39,568	39,568	-	-	-	-	39,568	46,711
Office and postage	885	817	943	716	920	827	500	598	8,983	15,189	7,904	3,725	354	11,983	27,172	23,105
Rent / occupancy	4,204	3,686	4,434	3,341	4,319	3,916	2,131	2,534	19,408	47,973	25,397	24,534	-	49,931	97,904	102,052
Professional / consultant fees	-	-	-	-	-	-	-	3,475	-	3,475	-	31,578	5,358	36,936	40,411	54,393
Printing and publications	24	21	25	19	25	22	12	14	23,260	23,422	4,890	258	-	5,148	28,570	22,289
Travel	2,450	5,132	2,781	1,670	3,535	1,920	2,606	10,319	24,998	55,411	4,988	144	12,533	17,665	73,076	61,905
Financial fees, taxes and state registration	150	150	150	135	289	60	76	-	-	1,010	38,595	1,689	-	40,284	41,294	32,607
Merchandise for resale	-	-	-	-	-	-	-	-	918	918	1,682	-	-	1,682	2,600	3,925
Learning and capacity development, global	8,722	7,494	7,994	10,752	9,755	8,521	7,264	81	3,261	63,844	1,451	907	8,901	11,259	75,103	52,834
Total year ended June 30, 2018	\$ 605,564	512,902	443,546	404,740	392,168	195,171	176,292	63,694	696,582	3,490,659	383,170	270,588	158,946	812,704	4,303,363	4,383,009
Total year ended June 30, 2017	\$ 708,956	589,232	439,959	393,555	365,235	193,053	187,676	38,967	657,370	3,574,003	263,360	195,878	349,768	809,006		

See Accompanying Notes to Financial Statements

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
With Comparative Summarized Information for the Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,910,464	(560,411)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated investments	(113,268)	(299,607)
Proceeds from sale of donated investments	111,584	300,978
Net investment return	473	(3,359)
Depreciation and amortization	7,508	8,020
Changes in assets and liabilities:		
Unconditional promises to give, net	(3,027,964)	95,000
Prepaid expenses	(126,491)	49,772
Other assets	(420)	(1,050)
Accounts payable and accrued expenses	(2,789)	28,133
	<u>759,097</u>	<u>(382,524)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(3,322)	(5,735)
	<u>(3,322)</u>	<u>(5,735)</u>
Net cash used in investing activities		
Net increase (decrease) in cash	755,775	(388,259)
Cash, beginning of year	<u>253,001</u>	<u>641,260</u>
Cash, end of year	<u>\$ 1,008,776</u>	<u>253,001</u>

See Accompanying Notes to Financial Statements

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

With Comparative Summarized Information for June 30, 2017

1. Organization

Floresta U.S.A. Incorporated, dba Plant with Purpose (the Organization) is a non-profit California Corporation, which incorporated on July 1, 1984, and was organized to raise funds for and provide intentionally holistic solutions to meet the economic, environmental, and spiritual needs of poor farmers in developing countries. Working in areas where poverty is caused by deforestation, the Organization restores the environment and empowers the poor. Current work includes projects in Haiti, Dominican Republic, Tanzania, Mexico, Burundi, Congo, Thailand, and Ethiopia.

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and similar California state law, and contributions to it are deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

2. Summary of Significant Accounting Policies

The financial statements of the Organization have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are discussed below.

Contributions

U.S. generally accepted accounting principles require that the Organization report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by donors may be reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the activity statement as net assets released from restrictions.

Unconditional Promises to Give

Unconditional promises to give, including contributions and foundation grants that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

2. Summary of Significant Accounting Policies, Continued

Unconditional Promises to Give, Continued

Unconditional promises to give are reviewed for collectability and reserves for uncollectible amounts are recorded based on established policies.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed principally by the straight-line method based on the estimated useful lives of related assets, generally between three and seven years.

Investments

The Organization accounts for investments pursuant to U.S. generally accepted accounting principles under which investments with readily determinable fair values are reported at their fair values in the statement of financial position. Donated investments are recorded at their fair value on the date of receipt. Net investment return or loss (including realized and unrealized gains and losses on investments, interest, dividends, and fees) is included in the statement of activities as a change in net assets.

Fair Value Measurements

U.S. generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using best information available when there is little or no market

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

2. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization is required to measure certain financial instruments at fair value in accordance with U.S. generally accepted accounting principles. The technique used to measure the fair value of the unconditional promises to give is described in Note 3. The technique used to measure the fair value of investments is described in Note 5.

Donated Services

A number of unpaid volunteers have made contributions of their time to perform services on behalf of the Organization. Also, certain individuals have provided equipment for the Organization's use at no charge. The value of this contributed time and use of equipment is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Income Taxes

The Organization is exempt from federal and state income tax liability, and therefore, no provision is made for current or deferred taxes. The Organization uses the same accounting methods for tax and financial reporting.

U.S. generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Company were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

2. Summary of Significant Accounting Policies, Continued

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to be in conformity with U.S. generally accepted accounting principles. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Estimates and Assumptions

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to the fair value of donated goods and services, the fair value of investments, depreciable lives of property and equipment, accrued expenses, and the allocation of functional expenses

Reclassification

The 2017 financial statements have been reclassified, where appropriate, to conform to classifications used in the 2018 financial statements.

Subsequent Events

Management has evaluated subsequent events through October 31, 2018, the date on which the financial statements were available to be issued. There have been no material subsequent events which would require recognition in the financial statements or disclosure in the notes to the financial statements, other than those described in Note 6.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

3. Unconditional Promises to Give

An unconditional promise to give is a promise to give that depends only on the passage of time or demand by the promise for performance. Unconditional promises to give in one year or more are measured using the present value of future cash flows using risk-adjusted discount rates, established in the year the gift was received. The fair value of unconditional promises to give is measured on a nonrecurring basis using an income approach with estimates of future cash flows and based on previous experience (Level 3 inputs).

Unconditional promises to give at June 30, 2018 and 2017, were as follows:

<u>Unconditional Promises to Give</u>	<u>2018</u>	<u>2017</u>
Less than one year	\$ 450,000	30,000
One to five years	2,250,000	-
Greater than five years	<u>450,000</u>	<u>-</u>
 Total unconditional promises to give	 3,150,000	 30,000
Less discount to net present value	<u>(92,036)</u>	<u>-</u>
	 \$ <u><u>3,057,964</u></u>	 <u><u>30,000</u></u>

Unconditional Promises to Give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1%.

Based on past history and assessment of the donors involved, management expects all of the unconditional promises-to-give to be collected as promised. Therefore, no allowance for uncollectable receivables has been established.

At June 30, 2018, unconditional promises to give consist solely of a one-time bequest to be received in seven annual installments from the estate of one of the Organization's most longstanding donors.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

4. Property and Equipment

A summary of property and equipment at June 30, 2018 and 2017, is as follows:

	2018	2017
Furniture and equipment	\$ 123,599	120,277
Less accumulated depreciation	(107,199)	(99,691)
	\$ 16,400	20,586

5. Investments, at Fair Value

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Money Market Funds: Valued on a per unit market value basis as determined by quoted prices in active markets, which reflects the fair value.

Mutual Funds: Valued at the quoted market prices, which represent the net asset value of shares held at year end.

Investment in Los Arbolitos: A for-profit Dominican Republic corporation, operating as a tree nursery with significant land holdings, jointly owned by the Organization, Floresta D.R., Inc., and private investors. The Organization holds a minority interest in Los Arbolitos that is valued at cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

5. Investments, at Fair Value, Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018 and 2017:

Assets at Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 45,420	-	-	45,420
Mutual funds:				
U.S. equities	7,748	-	-	7,748
Bonds	7,635	-	-	7,635
International equities	5,113	-	-	5,113
Emerging markets	432	-	-	432
Total mutual funds	20,928	-	-	20,928
Investment in Los Arbolitos	-	-	28,307	28,307
Total investments at fair value	\$ 66,348	-	28,307	94,655

Assets at Fair Value as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 44,421	-	-	44,421
Mutual funds:				
U.S. equities	7,615	-	-	7,615
Bonds	7,314	-	-	7,314
International equities	5,335	-	-	5,335
Emerging markets	452	-	-	452
Total mutual funds	20,716	-	-	20,716
Investment in Los Arbolitos	-	-	28,307	28,307
Total investments at fair value	\$ 65,137	-	28,307	93,444

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

5. Investments, at Fair Value, Continued

Net investment return for the year ended June 30, 2018 and 2017, is as follows:

	2018	2017
Dividend and interest income	\$ 527	498
Realized and unrealized gains	1,293	6,726
Investment fees	(2,293)	(3,865)
	\$ (473)	3,359

6. Commitments

Leases

The Organization leases its main office space and additional office space under an operating lease agreement extending through July 31, 2019. This lease requires monthly rental payments of \$6,173 through February 28, 2018, with annual increases thereafter. Rent expense, excluding other costs of occupancy, under this lease was \$74,817 and \$72,638 for the years ended June 30, 2018 and 2017, respectively.

Approximate future minimum annual rental payments under the agreement are as follows:

2019	\$ 77,100
2020	6,500
Total	\$ 83,600

Future Program Grant Commitments

The Organization makes commitments to certain charitable organizations for future program grants, which are contingent future installments of a current grant. The grants are contingent upon the continued fulfillment of the original conditions in the grant request. As of June 30, 2018, there were no such commitments for future program grants. Subsequent to June 30, 2018, the Organization made additional such commitments for future program grants totaling approximately \$2,031,000.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

7. Retirement Plan

Effective September 12, 2012, the Organization adopted a 401(k) plan covering all employees who have completed six consecutive months of employment. The Organization matches the employee's contribution up to 8%. Organization contributions to the 401(k) Plan were \$74,478 and \$59,202 for the years ended June 30, 2018 and 2017, respectively.

8. Concentration of Risk

Donor Concentration

The Organization's revenue activity is derived from individual, corporate and foundation contributions. During the fiscal years ended June 30, 2018 and 2017, contributions received by the Organization from the ten largest donors represented 68% and 41% of total revenues, respectively, representing a concentration of risk.

During the fiscal year ended June 30, 2018, contributions from the estate of the donor described in Note 3 represented 49% of total revenues.

Credit Risk

At June 30, 2018, the Organization had approximately \$1,009,000 of cash deposits within financial institutions, a portion of which may be in excess of the federally insured limit. The Organization has not experienced any such losses and management believes it is not exposed to any significant credit risk on these cash deposits.

Investment Risk

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the statement of financial position.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

9. Temporarily Restricted Net Assets

Restricted Net Assets

Temporarily restricted net assets are donor-restricted for use as follows at June 30:

	<u>2018</u>	<u>2017</u>
Unappropriated unconditional promise to give	\$ 3,057,964	-
Ethiopia	84,265	98,752
Chicago hub	68,794	180,273
Congo	56,110	-
Haiti	15,336	25,945
Expansion campaign	-	185,681
Tanzania	-	30,000
Unappropriated endowment earnings	<u>9,797</u>	<u>8,587</u>
	<u>\$ 3,292,266</u>	<u>529,238</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Mexico	\$ 461,704	295,572
Haiti	435,808	387,164
Tanzania	370,171	250,984
Burundi	336,229	163,305
Dominican Republic	333,493	314,899
Expansion campaign	220,391	1,018,483
Congo	163,780	163,186
Chicago hub	111,479	82,894
Thailand	109,662	82,258
Ethiopia	16,012	4,456
Other countries	<u>-</u>	<u>10,000</u>
	<u>\$ 2,558,729</u>	<u>2,773,201</u>

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

10. Permanently Restricted Net Assets

In accordance with California state law (UPMIFA), the Organization has classified as permanently restricted the fair value of donations restricted by donors to be held as endowment in perpetuity. The Organization has interpreted the state law as requiring preservation of the fair value of the original endowment gift, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted the original value of gifts made to the permanent endowment.

Any unappropriated earnings of the permanently restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization. Under the terms of the gifts, funds received are to be held in perpetuity and income earned from the donated funds is to be appropriated for expenditure in accordance with the Organization's Endowment Spending Policy.

From time to time, the fair value of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, declines of this nature are reported as losses in unrestricted net assets. As values recover, the increases are reported as unrestricted gains. At June 30, 2018 and 2017, the Organization had no such declines in values.

The Organization has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a steady and secure rate of return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index. Actual results during any period may vary from these expectations. The Organization relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. The Organization's spending policy was established considering the long-term expected return on assets and the long-term growth of the assets.

Endowments consist of the following assets as of June 30:

	2018	2017
Equities, bonds, mutual funds and other	\$ 20,928	20,716
Money market funds	45,420	44,421
	\$ 66,348	65,137

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

10. Permanently Restricted Net Assets, Continued

Changes in endowment net assets for the years ended June 30, 2018 and 2017, are as follows:

June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	8,587	56,550	65,137
Contributions	-	-	-	-
Investment gain	-	1,211	-	1,211
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Endowment net assets, end of year	 \$ <u>-</u>	 <u>9,798</u>	 <u>56,550</u>	 <u>66,348</u>

June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	6,599	56,550	63,149
Contributions	-	-	-	-
Investment loss	-	1,988	-	1,988
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Endowment net assets, end of year	 \$ <u>-</u>	 <u>8,587</u>	 <u>56,550</u>	 <u>65,137</u>

All endowments at June 30, 2018 and 2017, are donor restricted endowment funds.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2018

With Comparative Summarized Information for June 30, 2017

11. Supplemental Cash Flow Information

During the years ended June 30, 2018 and 2017, the Organization paid no interest and no income taxes.

During the years ended June 30, 2018 and 2017, the Organization received donated securities with a total fair value of \$113,268 and \$299,607, respectively, on the date of donation.