

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

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2019

With Comparative Summarized Information for June 30, 2018

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
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With Comparative Summarized Information for June 30, 2018

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent in all material respects with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of ASU 2016-14 have been retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.

RBTK, LLP

November 19, 2019

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

June 30, 2019

With Comparative Summarized Information at June 30, 2018

ASSETS

	2019	2018
Cash and cash equivalents:		
Unreserved cash and cash equivalents	\$ 77,427	92,092
Operating reserves - cash	165,180	916,684
Total cash and cash equivalents	242,607	1,008,776
Operating reserves - investments (Note 6)	1,427,657	-
Unconditional promises to give, net (Note 4)	3,406,074	3,057,964
Prepaid expenses	41,988	173,767
Other assets	7,017	8,814
Property and equipment, net (Note 5)	25,949	16,400
Investments - other, at fair value (Note 6)	28,307	28,307
Endowment investments, at fair value (Notes 6 and 12)	67,263	66,348
Total assets	\$ 5,246,862	4,360,376

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 120,504	92,719
Total liabilities	120,504	92,719
Net assets:		
Without donor restrictions - undesignated	1,479,284	918,841
With donor restrictions (Note 10)	3,647,074	3,348,816
Total net assets	5,126,358	4,267,657
Total liabilities and net assets	\$ 5,246,862	4,360,376

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, 2019

With Comparative Summarized Information for the Year Ended June 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Changes in net assets:				
Support and revenue:				
Contributions and grants	\$ 1,522,428	3,788,460	5,310,888	7,855,228
Special events:				
Revenues	301,530	-	301,530	409,981
Expenses	(65,532)	-	(65,532)	(54,268)
Net special event revenue	235,998	-	235,998	355,713
Interest and dividend income	15,868	580	16,448	1,593
Net realized and unrealized gain on investments	4,070	336	4,406	1,293
Net assets released from restrictions	3,491,118	(3,491,118)	-	-
Total support and revenue	5,269,482	298,258	5,567,740	8,213,827
Expenditures:				
Program activities:				
Floresta Haiti	596,061	-	596,061	605,564
Floresta Dominican Republic	490,870	-	490,870	512,902
Floresta Tanzania	452,700	-	452,700	443,546
Floresta Mexico	380,666	-	380,666	404,740
Floresta Burundi	367,762	-	367,762	392,168
Floresta Ethiopia	332,689	-	332,689	63,694
Floresta Congo	254,972	-	254,972	195,171
Floresta Thailand	200,938	-	200,938	176,292
Constituency education	749,286	-	749,286	696,582
Total program activities	3,825,944	-	3,825,944	3,490,659
Supporting activities:				
Fundraising	551,162	-	551,162	383,170
General and administrative	331,933	-	331,933	270,588
Expansion campaign	-	-	-	158,946
Total supporting activities	883,095	-	883,095	812,704
Total expenditures	4,709,039	-	4,709,039	4,303,363
Change in net assets	560,443	298,258	858,701	3,910,464
Net assets, beginning of year	918,841	3,348,816	4,267,657	357,193
Net assets, end of year	\$ 1,479,284	3,647,074	5,126,358	4,267,657

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, 2019

With Comparative Summarized Totals for the Year Ended June 30, 2018

	Program Activities									Supporting Activities				Total Year Ended June 30, 2019	Total Year Ended June 30, 2018	
	Haiti Expense	Dominican Expense	Tanzania Expense	Mexico Expense	Burundi Expense	Ethiopia Expense	Congo Expense	Thailand Expense	Constituency Education	Total Program Activities	Fund Raising	General and Administrative	Expansion Campaign			Total Supporting Activities
Allocations to international programs	\$ 518,227	420,477	361,855	322,732	283,225	234,483	180,768	138,500	-	2,460,267	-	-	-	-	2,460,267	2,201,767
Salary, wages, taxes and benefits	62,782	57,262	63,089	46,599	65,602	76,981	59,649	51,460	594,195	1,077,619	372,375	269,365	-	641,740	1,719,359	1,602,477
Fundraising, outreach, and events	-	-	-	-	-	-	-	-	36,383	36,383	51,760	32	-	51,792	88,175	73,421
Mission and vision trips	-	-	-	-	-	-	-	-	42,680	42,680	-	-	-	-	42,680	39,568
Office and postage	873	795	805	696	819	787	766	549	9,783	15,873	10,477	4,285	-	14,762	30,635	27,172
Rent / occupancy	4,203	3,708	4,042	3,331	4,280	3,386	3,680	2,663	20,612	49,905	28,298	20,051	-	48,349	98,254	97,904
Professional / consultant fees	-	-	-	-	-	-	-	-	1,368	1,368	-	32,578	-	32,578	33,946	40,411
Printing and publications	62	54	59	49	62	48	54	39	24,543	24,970	5,748	433	-	6,181	31,151	28,570
Travel	5,125	2,933	5,690	2,291	2,546	4,677	2,181	2,411	12,935	40,789	32,614	168	-	32,782	73,571	73,076
Financial fees, taxes and state registration	134	1,046	132	143	194	188	85	138	141	2,201	37,593	666	-	38,259	40,460	41,294
Merchandise for resale	-	-	-	-	-	-	-	-	912	912	8,867	-	-	8,867	9,779	2,600
Learning and capacity development, global	4,655	4,595	17,028	4,825	11,034	12,139	7,789	5,178	5,734	72,977	3,430	4,355	-	7,785	80,762	75,103
Total expenses included in Expenditures section of the Statement of Activities for the year ended June 30, 2019	596,061	490,870	452,700	380,666	367,762	332,689	254,972	200,938	749,286	3,825,944	551,162	331,933	-	883,095	4,709,039	4,303,363
Cost of direct benefit to donors included with Support and Revenue on the Statement of Activities	-	-	-	-	-	-	-	-	-	-	65,532	-	-	65,532		
Total expenses by function for the year ended June 30, 2019	\$ 596,061	490,870	452,700	380,666	367,762	332,689	254,972	200,938	749,286	3,825,944	616,694	331,933	-	948,627		
Total expenses by function for the year ended June 30, 2018	\$ 605,564	512,902	443,546	404,740	392,168	63,694	195,171	176,292	696,582	3,490,659	437,438	270,588	158,946	866,972		

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, 2019
With Comparative Summarized Information for the Year Ended June 30, 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 858,701	3,910,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investments	(216,858)	(113,268)
Proceeds from sale of donated investments	212,512	111,584
Net investment return	(12,216)	473
Depreciation and amortization	6,370	7,508
Changes in assets and liabilities:		
Unconditional promises to give, net	(348,110)	(3,027,964)
Prepaid expenses	131,779	(126,491)
Other assets	1,797	(420)
Accounts payable and accrued expenses	27,785	(2,789)
	661,760	759,097
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(1,412,010)	-
Purchase of property and equipment	(15,919)	(3,322)
	(1,427,929)	(3,322)
Net cash used in investing activities		
Net (decrease) increase in cash	(766,169)	755,775
Cash, beginning of year	1,008,776	253,001
Cash, end of year	\$ 242,607	1,008,776

See Accompanying Notes to Financial Statements

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

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.

Net Assets

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

2. Summary of Significant Accounting Policies, Continued

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.

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

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, 2019

With Comparative Summarized Information for June 30, 2018

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 4. The technique used to measure the fair value of investments is described in Note 6.

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.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program and supporting activity category when identified and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

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, 2018, from which the summarized information was derived.

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.

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

2. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

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.

Use of Estimates

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

New Accounting Pronouncement

Effective July 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The Organization has adopted ASU 2016-14 as of and for the year ended June 30, 2019, with retrospective application for the 2018 financial statements. As a result, the Organization changed its presentation of net asset classes and footnote disclosures as required by ASU 2016-14.

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

2. Summary of Significant Accounting Policies, Continued

Reclassification

The 2018 summarized financial statements have been reclassified, where appropriate, to conform to classifications used in the 2019 financial statements.

Subsequent Events

Management has evaluated subsequent events through November 19, 2019, 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 7.

3. Information Regarding Liquidity and Availability

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available to meet general expenditures within one year include the Organization's other investments totaling \$28,307 at both June 30, 2019 and 2018, endowment investments totaling \$67,263 and \$66,348 at June 30, 2019 and 2018, respectively, and net assets with donor restrictions totaling \$2,654,811 and \$2,832,469 at June 30, 2019 and 2018, respectively. As part of its liquidity plan, excess cash is invested in liquid securities, such as ultra-short ETF's, floating rate securities, and equity securities which are not subject to any constraints limiting the Organization's ability to respond quickly to change in market conditions. The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenditures.

	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 242,607	1,008,776
Operating reserves – investments	1,427,657	-
Unconditional promise to give, net	3,406,074	3,057,964
Investments – other, at fair value	28,307	28,307
Endowment investments, at fair value	67,263	66,348
 Total financial assets	 5,171,908	 4,161,395
Less amounts not available to be used within one year:		
Donor restricted	(2,654,811)	(2,832,469)
Investments – other, at fair value	(28,307)	(28,307)
Endowment investments, at fair value	(67,263)	(66,348)
 Total assets available for use within one year	 \$ 2,421,527	 1,234,271

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

4. 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 promisee 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, 2019 and 2018, were as follows:

<u>Unconditional Promises to Give</u>	<u>2019</u>	<u>2018</u>
Less than one year	\$ 925,000	450,000
One to five year	2,550,000	2,250,000
Greater than five years	<u>-</u>	<u>450,000</u>
Total unconditional promises to give	3,475,000	3,150,000
Less discount to net present value	<u>(68,926)</u>	<u>(92,036)</u>
	<u>\$ 3,406,074</u>	<u>3,057,964</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 uncollectible receivables has been established.

At June 30, 2018, unconditional promises to give consisted 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. At June 30, 2019, the remaining unconditional promise to give from this donor, before discount to net present value, was \$2,700,000.

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

5. Property and Equipment

A summary of property and equipment at June 30, 2019 and 2018, is as follows:

	2019	2018
Furniture and equipment	\$ 139,518	123,599
Less accumulated depreciation	(113,569)	(107,199)
	\$ 25,949	16,400

6. 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, 2019 and 2018.

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, 2019

With Comparative Summarized Information for June 30, 2018

6. 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, 2019 and 2018:

Assets at Fair Value as of June 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 43,980	-	-	43,980
Mutual funds:				
Bonds	1,437,869	-	-	1,437,869
U.S. equities	7,563	-	-	7,563
International equities	5,035	-	-	5,035
Emerging markets	473	-	-	473
Total mutual funds	1,450,940	-	-	1,450,940
Investment in Los Arbolitos	-	-	28,307	28,307
Total investments at fair value	\$ <u>1,494,920</u>	<u>-</u>	<u>28,307</u>	<u>1,523,227</u>

Assets at Fair Value as of June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	\$ <u>66,348</u>	<u>-</u>	<u>28,307</u>	<u>94,655</u>

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

7. 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 \$6,549 through July 31, 2019. Rent expense, excluding other costs of occupancy, under this lease was \$77,062 and \$74,817 for the years ended June 30, 2019 and 2018, respectively. In June 2019, the Organization extended this lease for an additional sixty-three months commencing August 1, 2019 and expiring October 31, 2024, requiring monthly rental payments of \$8,014 through July 2020 with annual increases thereafter.

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

2020	\$	86,700
2021		90,600
2022		93,300
2023		104,800
2024		108,000
Thereafter		<u>36,900</u>
Total	\$	<u>520,300</u>

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, 2019, there were no such commitments for future program grants. Subsequent to June 30, 2019, the Organization made additional such commitments for future program grants totaling approximately \$2,539,000.

8. 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 \$88,954 and \$74,478 for the years ended June 30, 2019 and 2018, respectively.

FLORESTA U.S.A. INCORPORATED, dba PLANT WITH PURPOSE
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June 30, 2019

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9. 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, 2019 and 2018, contributions received by the Organization from the ten largest donors represented 39% and 68% of total revenues, respectively, representing a concentration of risk.

During the fiscal years ended June 30, 2019 and 2018, revenues recorded from the estate of the donor described in Note 4 represented 0% and 49% of total revenues, respectively. During the fiscal years ended June 30, 2019 and 2018, cash received from this estate was \$450,000 and \$1,000,000, respectively.

Credit Risk

At June 30, 2019, the Organization's cash deposits within financial institutions fell below the federally insured limit. 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.

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NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2019

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10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	2019	2018
Passage of time:		
Unappropriated unconditional promise to give	\$ 3,231,074	3,057,964
Specific purpose:		
Ethiopia	348,737	84,265
Chicago hub	-	68,794
Congo	-	56,110
Haiti	-	15,336
Unappropriated endowment earnings	10,713	9,797
In perpetuity:		
Endowment	56,550	56,550
	\$ 3,647,074	3,348,816

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2019	2018
Passage of time:		
Unappropriated unconditional promise to give	\$ 726,890	-
Specific purpose:		
Ethiopia	585,854	16,012
Haiti	467,289	435,808
Dominican Republic	404,791	333,493
Mexico	382,915	461,704
Tanzania	282,742	370,171
Burundi	248,062	336,229
Congo	241,252	163,780
Thailand	82,529	109,662
Chicago hub	68,794	111,479
Expansion campaign	-	220,391
	\$ 3,491,118	2,558,729

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June 30, 2019

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12. Endowments

In accordance with California state law (UPMIFA), the Organization has classified as donor 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 donor restricted the original value of gifts made to the permanent endowment.

Any unappropriated earnings of the donor restricted endowment fund are classified as donor 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 net assets with donor restrictions. As values recover, the increases are reported as gains in net assets without donor restrictions. At June 30, 2019 and 2018, funds with original contribution values of \$56,550 and fair values of \$67,263 and \$66,348, respectively, 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:

	2019	2018
Donor-restricted endowment funds	\$ <u>67,263</u>	<u>66,348</u>

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

June 30, 2019

With Comparative Summarized Information for June 30, 2018

12. Endowments, Continued

Changes in endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	66,348	66,348
Contributions	-	-	-
Investment gain	-	915	915
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
 Endowment net assets, end of year	 \$ <u>-</u>	 <u>67,263</u>	 <u>67,263</u>

June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	65,137	65,137
Contributions	-	-	-
Investment gain	-	1,211	1,211
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
 Endowment net assets, end of year	 \$ <u>-</u>	 <u>66,348</u>	 <u>66,348</u>

All endowments at June 30, 2019 and 2018, are donor restricted endowment funds.

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June 30, 2019

With Comparative Summarized Information for June 30, 2018

13. Contributions from Board Members

The Organization received contributions from certain members of its board of directors. Contributions totaled \$453,537 and \$191,082 for the years ended June 30, 2019 and 2018, respectively.

14. Supplemental Cash Flow Information

During the years ended June 30, 2019 and 2018, the Organization paid no interest and no income taxes.

During the years ended June 30, 2019 and 2018, the Organization received donated securities with a total fair value of \$216,858 and \$113,268, respectively, on the date of donation.