

**REFOREST THE TROPICS,
INCORPORATED**

FINANCIAL STATEMENTS

**AS OF
DECEMBER 31, 2022**

**TOGETHER WITH
INDEPENDENT ACCOUNTANTS'
REVIEW REPORT**



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Reforest The Tropics, Incorporated
Mystic, Connecticut

We have reviewed the accompanying financial statements of Reforest The Tropics, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Reforest The Tropics, Incorporated and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
November 27, 2023

REFOREST THE TROPICS, INCORPORATED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022
(See Independent Accountants' Review Report)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 224,658
Current portion of pledges receivable	277,200
Total current assets	501,858
PROPERTY AND EQUIPMENT, net	17,661
OTHER ASSETS	
Long term portion of pledges receivable, net	310,648
Employee advances	1,800
Security deposit	800
Total other assets	313,248
Total assets	\$ 832,767

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 867
Farmer contract obligations	67,450
Total current liabilities	68,317
Total liabilities	68,317
NET ASSETS	
Without donor restrictions	(208,914)
With donor restrictions	973,364
Total net assets	764,450
Total liabilities and net assets	\$ 832,767

The accompanying notes are an integral part of these financial statements.

REFOREST THE TROPICS, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(See Independent Accountants' Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions:			
General	\$ 133,003	\$ -	\$ 133,003
Forest management	1,826	753,148	754,974
Grants	38,590	-	38,590
Net investment income	468	-	468
Net assets released from restrictions:			
Satisfaction of purpose restriction	262,264	(262,264)	-
Total revenues	436,151	490,884	927,035
 EXPENSES			
Forest management	499,033	-	499,033
Total program services	499,033	-	499,033
Supporting services:			
Management and general	98,146	-	98,146
Total supporting services	98,146	-	98,146
Total expenses	597,179	-	597,179
Change in net assets	(161,028)	490,884	329,856
NET ASSETS, beginning of year	(47,886)	482,480	434,594
NET ASSETS, end of year	\$ (208,914)	\$ 973,364	\$ 764,450

The accompanying notes are an integral part of these financial statements.

REFOREST THE TROPICS, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(See Independent Accountants' Review Report)

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		
	<u>Forest Management</u>	<u>Total</u>	Management and <u>General</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 126,291	\$ 126,291	\$ 43,948	\$ 43,948	\$ 170,239
Payroll taxes and benefits	8,950	8,950	4,629	4,629	13,579
Total payroll related costs	<u>135,241</u>	<u>135,241</u>	<u>48,577</u>	<u>48,577</u>	<u>183,818</u>
Forest management costs	264,644	264,644	-	-	264,644
Forester consulting fees	44,780	44,780	-	-	44,780
Forestry expense	32,404	32,404	-	-	32,404
Office and miscellaneous	-	-	14,944	14,944	14,944
Professional fees	-	-	14,437	14,437	14,437
Rent	-	-	12,900	12,900	12,900
Vehicle	7,960	7,960	-	-	7,960
Travel	6,460	6,460	-	-	6,460
Administrative	-	-	3,509	3,509	3,509
Education	2,596	2,596	-	-	2,596
Bank fees	-	-	2,118	2,118	2,118
Utilities	1,849	1,849	-	-	1,849
Insurance	324	324	956	956	1,280
Advertising and promotion	878	878	-	-	878
Donations	-	-	280	280	280
Postage and shipping	17	17	-	-	17
Total expenses before depreciation	<u>497,153</u>	<u>497,153</u>	<u>97,721</u>	<u>97,721</u>	<u>594,874</u>
Depreciation	<u>1,880</u>	<u>1,880</u>	<u>425</u>	<u>425</u>	<u>2,305</u>
Total expenses	<u>\$ 499,033</u>	<u>\$ 499,033</u>	<u>\$ 98,146</u>	<u>\$ 98,146</u>	<u>\$ 597,179</u>

The accompanying notes are an integral part of these financial statements.

REFOREST THE TROPICS, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(See Independent Accountants' Review Report)

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 329,856
Adjustments to reconcile the change in net assets to net cash used in operating activities:	
Depreciation	2,305
Changes in operating assets and liabilities:	
Pledges receivable, net	(333,448)
Employee advances	(1,800)
Accounts payable and accrued expenses	(7,683)
Farmer contract obligations	9,002
Net cash used in operating activities	<u>(1,768)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(16,166)</u>
Net cash used in investing activities	<u>(16,166)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (17,934)
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>242,592</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u><u>\$ 224,658</u></u>

The accompanying notes are an integral part of these financial statements.

REFOREST THE TROPICS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(See Independent Accountants' Review Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE OF ORGANIZATION

Reforest The Tropics, Incorporated (the "Organization") was formally incorporated in 1996 and is located in Mystic, Connecticut. The Organization's primary mission is for the development of programs to offset personal and corporate carbon emissions through reforestation in the tropics. The Organization has established a permanent presence in Costa Rica funding the planting and development of reforestation in the area.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor restricted contributions. Included in net assets without donor restrictions are grants and contracts which may be earmarked for specific purposes.

With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

REVENUE AND REVENUE RECOGNITION

Grants and Contracts

Grants and contracts are generally characterized as exchange transactions in which the grantor or contractor requires the performance of specific activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures. For performance-based grants and contracts, revenue is recognized to the extent of the performance achieved. Grant receipts in excess of revenue recognized are presented as deferred grant revenue.

REFOREST THE TROPICS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See Independent Accountants' Review Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE AND REVENUE RECOGNITION (Continued)

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. The Organization recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Forest Management Contributions

Forest management contributions are restricted funds received for the purpose of paying up to \$3,000 USD per hectare (or 2.47 acres of land) of direct costs included in reforestation and management of land owned by farmers in Costa Rica. The terms of their agreements extend to twenty five (25) years. Accrued costs reimbursable to farmers under the reforestation program are reported as a liability called "farmer contract obligations" on the statement of financial position.

Net assets restricted by donors resulting from these contributions are released from purpose restrictions under the following methodology:

Because the majority of the costs incurred with reforestation are incurred within the first five (5) years of the contract, 80% (eighty percent) of the contribution income is released equally over the first five (5) years of each contract, with the remaining 20% (twenty percent) released equally over the remaining twenty (20) years.

CASH EQUIVALENTS

The Organization defines cash equivalents as liquid investments with an original maturity of three months or less. The Organization had cash equivalents of \$177,642 as of December 31, 2022, which consisted of money market funds.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions are capitalized at cost if purchased or at market value on the date of gift or bequest. Depreciation is provided on a straight-line basis over estimated useful lives ranging from 5 to 40 years. Maintenance and repairs are charged to expense as incurred.

REFOREST THE TROPICS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

(See Independent Accountants' Review Report)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and supporting services have been reported on a functional basis which has been allocated to program and supporting services by management for the accompanying statement of activities. Expenses have been classified by management based on their specific identification of function.

INCOME TAXES

The Organization qualifies as a public charity under Section 501(c)(3) of the Internal Revenue Code and therefore, is exempt from federal and state income taxes on exempt function income. Consequently, no provision for income taxes has been made in the accompanying financial statements.

The Organization did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

The federal tax return of the Organization for the year ended December 31, 2022 is subject to examination by the Internal Revenue Service, generally for three years after it has been filed.

SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through November 27, 2023, which is the date the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk are its cash and investments.

- Cash - The Organization places its cash with high credit quality institutions. At times, these deposits may exceed federal depository insurance.
- Pledges receivable – Pledges receivable consist primarily of amounts due as part of an ongoing forestry management campaign. Management evaluates its accounts for collectability on an ongoing basis and determined an allowance for doubtful pledges is not required at December 31, 2022.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are recognized at fair value using the present value of estimated future cash flows for pledges that are receivable beyond one fiscal year. Pledges have been discounted using a rate of 7.4%.

REFOREST THE TROPICS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(See Independent Accountants' Review Report)

NOTE 3 - PLEDGES RECEIVABLE (Continued)

Pledges receivable are presented at fair value as follows:

Receivables due in less than a year	\$ 277,200
Less: Allowance for uncollectible pledges	-
	<u>277,200</u>
Receivables due in less than five but more than one year	\$ 350,000
Less: Unamortized discount for non current receivables	39,352
Allowance for uncollectible pledges	-
Net pledges receivable, less current portion	<u>\$ 310,648</u>

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment used for operations as of December 31, 2022 is as follows:

Equipment	\$ 16,243
Furniture and fixtures	2,572
Vehicles	<u>50,827</u>
	69,642
Less: accumulated depreciation	51,981
Total property and equipment	<u>\$ 17,661</u>

Depreciation for the year ended December 31, 2022 was \$2,305.

NOTE 5 - FARMER CONTRACT OBLIGATIONS

Farmers are paid by the Organization at a rate of \$3,000 per hectare (approximately 2.47 acres) of land from forest management contributions collected. Trees considered to be planted by farmers in preceding periods are to be treated as "farmer contract obligations". All farmer contract obligations are considered to be current by management.

An analysis of these farmer contract obligations for the year ended December 31, 2022 is as follows:

Liability, beginning of year	\$ 63,950
Farmer obligations fulfilled in current year	(26,500)
New farmer obligations to be fulfilled	<u>30,000</u>
Liability, end of year	<u>\$ 67,450</u>

REFOREST THE TROPICS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(See Independent Accountants' Review Report)

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions restricted for the following reasons as of December 31, 2022:

Nature of Restriction:	Amount
Forest Management	\$ 973,364
	973,364

Net assets with donor restrictions were released from donor restriction by satisfying the following restrictions as of December 31, 2022:

Purpose Restrictions:	Amount
Forest Management	\$ 262,264
	262,264

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available may also include board designated amounts that could be utilized if the Board of Directors approved the use.

Financial assets, at year-end:	
Cash and cash equivalents	\$ 224,658
Pledges receivable, net	587,848
	812,506
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	(973,364)
Total unavailable	(973,364)
Financial assets available to meet cash needs for general expenditures within one year	
	\$ -

REFOREST THE TROPICS, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(See Independent Accountants' Review Report)

NOTE 8 - DISAGGREGATION OF REVENUE

The following table disaggregates the Organization's revenue for the year ended December 31, 2022:

Revenue from contracts with customers

Satisfied over time:

Forest management contributions	\$ 754,974
Total revenue from contracts with customers	<u>754,974</u>

Other revenues

General contributions and grants	171,593
Net investment income	468
Total other revenues	<u>172,061</u>
Total revenues	<u>\$ 927,035</u>

NOTE 9 - OFFICE LEASE

The Organization rents office space on a month to month basis. The total rental expense is \$12,900 for the year ended December 31, 2022.