

GREEN FORESTS WORK, INC.
Lexington, Kentucky

Audit Report
June 30, 2023 and 2022

GREEN FORESTS WORK, INC.

JUNE 30, 2023 & 2022

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INDEPENDENT AUDITORS' REPORT

**To the Management of
Green Forests Work, Inc.**

Opinion

We have audited the accompanying financial statements of Green Forests Work, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Forests Work, Inc. as of June 30, 2023 and 2022, and the changes in the net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Green Forests Work, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Forests Work, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**To the Management of
Green Forests Work, Inc.**


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Green Forests Work, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Forests Work, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


Young & Wadlington
Lexington, Kentucky
June 12, 2024

GREEN FORESTS WORK, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023 & 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 685,029	\$ 408,446
Promises to give and grants receivable	514,056	83,082
Investments	15,482	13,468
Prepaid expenses	76,515	40,809
Total current assets	<u>1,291,082</u>	<u>545,805</u>
Property and equipment:		
Vehicles	42,127	42,127
Total property and equipment - at cost	42,127	42,127
Less accumulated depreciation	<u>(12,638)</u>	<u>(4,213)</u>
Total property and equipment	<u>29,489</u>	<u>37,914</u>
Total assets	<u>\$ 1,320,571</u>	<u>\$ 583,719</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ <u>66,353</u>	\$ <u>18,550</u>
Net assets:		
Without donor restrictions	1,066,441	378,453
With donor restrictions	<u>187,777</u>	<u>186,716</u>
Total net assets	<u>1,254,218</u>	<u>565,169</u>
Total liabilities and net assets	<u>\$ 1,320,571</u>	<u>\$ 583,719</u>

**GREEN FORESTS WORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Contributions and grants	\$ 2,338,861	\$ 279,968	\$ 2,618,830
Government contracts	575,781	-	575,781
Interest	7,646	-	7,646
Unrealized gain (loss)	2,014	-	2,014
Total revenues	<u>2,924,302</u>	<u>279,968</u>	<u>3,204,270</u>
Net assets released from restrictions:			
Satisfaction of donor restrictions	278,907	(278,907)	
Expenses:			
Program service	2,362,084	-	2,362,084
Management and general	70,928	-	70,928
Fundraising	82,209	-	82,209
Total expenses	<u>2,515,221</u>	<u>-</u>	<u>2,515,221</u>
Change in net assets	687,988	1,061	689,049
Net assets beginning of year	<u>378,453</u>	<u>186,716</u>	<u>565,169</u>
Net assets end of year	<u>\$ 1,066,441</u>	<u>\$ 187,777</u>	<u>\$ 1,254,218</u>

GREEN FORESTS WORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions and grants	\$ 1,378,952	\$ -	\$ 1,378,952
Government contracts	220,274	-	220,274
Interest	49	-	49
Unrealized gain (loss)	(7,200)	-	(7,200)
Total revenues	1,592,075	-	1,592,075
Net assets released from restrictions:			
Satisfaction of donor restrictions	12,034	(12,034)	
Expenses:			
Program service	1,885,570	-	1,885,570
Management and general	31,168	-	31,168
Fundraising	46,693	-	46,693
Total expenses	1,963,431	-	1,963,431
Change in net assets	(359,322)	(12,034)	(371,356)
Net assets beginning of year	737,775	198,750	936,525
Net assets end of year	\$ 378,453	\$ 186,716	\$ 565,169

GREEN FORESTS WORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Contract services	\$ 1,708,504	\$ -	\$ -	\$ 1,708,504
Project supplies	397,145	-	-	397,145
Salary support	192,267	40,774	81,553	314,594
Travel and meetings	42,902	4,850	-	47,752
Occupancy	2,052	-	-	2,052
Printing and copying	-	3,941	-	3,941
Telephone and communications	1,545	327	656	2,528
Advertising expense	7,313	-	-	7,313
Professional fees	-	16,000	-	16,000
Insurance	-	86	-	86
Office supplies and expense	-	4,435	-	4,435
Dues and subscriptions	1,242	-	-	1,242
Miscellaneous	-	500	-	500
Depreciation	8,425	-	-	8,425
Fees and licenses	689	15	-	704
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Total expenses	\$ 2,362,084	\$ 70,928	\$ 82,209	\$ 2,515,221
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The accompanying notes are an integral part of this financial statement.

GREEN FORESTS WORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Contract services	\$ 1,243,661	\$ -	\$ -	\$ 1,243,661
Project supplies	490,055	-	-	490,055
Salary support	108,103	22,926	45,853	176,882
Travel and meetings	27,754	600	-	28,354
Occupancy	2,052	-	-	2,052
Printing and copying	-	2,913	-	2,913
Telephone and communications	1,977	418	840	3,235
Advertising expense	6,403	-	-	6,403
Professional fees	-	1,750	-	1,750
Insurance	536	806	-	1,342
Office supplies and expense	-	1,740	-	1,740
Dues and subscriptions	816	-	-	816
Depreciation	4,213	-	-	4,213
Fees and licenses	-	15	-	15
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 1,885,570	\$ 31,168	\$ 46,693	\$ 1,963,431
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The accompanying notes are an integral part of this financial statements.

GREEN FORESTS WORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 & 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 689,049	\$ (371,356)
Adjustments to reconcile change in net assets to net cash by operating activities:		
Depreciation	8,425	4,213
(Increase) decrease in:		
Promises to give and grants receivable	(430,974)	0
Prepaid expenses	(35,706)	10,292
Increase (decrease) in:		
Accounts payable	47,802	(113,040)
Net cash provided (used) by operating activities	<u>278,596</u>	<u>(469,891)</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(42,127)
Investments, net	(2,013)	(13,467)
Net cash provided (used) by investing activities	<u>(2,013)</u>	<u>(55,594)</u>
Net increase (decrease) in cash	276,583	(525,485)
Cash and cash equivalents at beginning of year	<u>408,446</u>	<u>933,931</u>
Cash and cash equivalents at end of year	<u>\$ 685,029</u>	<u>\$ 408,446</u>

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

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Green Forests Work, Inc. (the Organization), is a nonprofit corporation located in Lexington, Kentucky. The mission of the Organization is to restore healthy and productive forests on formerly mined lands in Appalachia and beyond. Green Forests Work Inc.'s vision is to create a renewable and sustainable multi-use resource that will provide economic opportunities while enhancing the local and global environment. By converting reclaimed, non-native grasslands and shrub lands into healthy, productive forestland, Green Forests Work is effectively addressing two needs of the region. The reforestation projects provide jobs for equipment operators, nursery workers, and tree planters, and improve the environment eradicating non-native species and restoring ecosystem services.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Consequently, support and revenue are recognized when earned, and expenses and losses are recognized when the obligation is incurred.

Estimates

Preparation of the Organization's financial statements, in conformity with 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 statement. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment and Depreciation

The Organization's assets are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the asset. All acquisitions of equipment, furniture, and fixtures in excess of \$3,000 and all expenditures that materially prolong the useful lives of assets are capitalized.

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Minor replacement cost, maintenance and repairs are charged to expense as incurred.

The useful lives of assets are as follows:

Vehicles and equipment	5 years
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Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$8,425, and \$4,213, respectively.

Revenue and Cost Recognition

Green Forests Work, Inc. receives various types of grant awards and contracts. The fulfillment of a restoration contract is a single performance obligation that is satisfied over time. Payment is also due over time in installments, based on project phases as specified in the contract/grant agreement, with a final payment due at the time the contract is completed.

Contract costs include all direct expenses related to contract performance and may include contract services, site work, project supplies, travel and meeting and salary support. A typical contract specifies the number of trees and cost per tree planted and/or is a cost reimbursement agreement. For agreements specifying the number of trees planted, invoices are presented at different phases based on plantings. For cost reimbursement agreements, an invoice is presented at various phases of the project outlining the costs incurred to date as compared to the budget and spent to date.

Promises to Give

Promises to give are recorded as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give. Promises to give are recorded at the present value of expected net proceeds ultimately payable to Green Forests Work, Inc. Promises to give are assessed for collection annually and are reflected in the statement of activities as contributions.

Grants Receivable

Grants receivable include amounts due under various contracts for services rendered. Management assesses the need for an allowance for uncollectible accounts based on its judgment including such factors as prior collection history and known economic conditions. As of June 30, 2023 & 2022, grants receivable are considered fully collectible.

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Organization reports two classes of net asset categories according to external donor imposed restrictions:

Net assets without donor restrictions- Net assets not subject to donor imposed restrictions or stipulations as to purpose or use.

Net assets with donor restrictions- Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of the Organization or the passage of time.

Income Tax

The Organization is a nonprofit organization that is exempt from income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code and is classified as “other than a private foundation”. The Organization recognizes uncertain tax positions using the “more-likely-than-not” approach. No liability for uncertain tax positions has been recorded in the accompanying financial statements. Tax returns for fiscal years ending June 30, 2021, 2022 and 2023 are still subject to examination by Federal and state taxing authorities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited.

The expenses that are allocated included the following:

<u>Expense</u>	<u>Allocation Method</u>
Salary support	Job description
Travel and meetings	Time and effort
Telephone and communications	Time and effort

Recently Adopted Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This new standard, which the Organization adopted effective July 1, 2021, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding leases.

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease terms (as defined in the ASU) of twelve months or less are not required to be reflected on the Organization's statement of financial position.

The effect of this adoption is immaterial for the years ended June 30, 2023 and June 30, 2022, since the Organization has not entered into any relevant leases. All necessary disclosures have been made. The Organization is evaluating the effects this standard will have on future financial statements and related disclosures.

Investments

The Organization reports investments at fair value rather than historical or amortized cost. Fair value is based on quoted market prices. Realized gains and losses on the sale of investments are computed using the specific cost of the investment sold. Unrealized gains and losses are included in the change in net assets.

2. LIQUIDITY AND AVAILABILITY

As part of Green Forests Work, Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. It is the responsibility of the financial officers to assure availability of sufficient operational cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 685,029
Accounts receivable, net	514,056
Prepaid expenses	<u>76,515</u>
Subtotal	1,275,600
Less: assets with restrictions	<u>(187,776)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,087,834</u></u>

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

2. LIQUIDITY AND AVAILABILITY (CONTINUED)

In addition to financial assets available to meet general expenditures within one year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

3. PROMISES TO GIVE AND GRANTS RECEIVABLE

Included in "Promises to give and grants receivable" are the following as of June 30, 2023 and 2022:

	2023	
	Promises To Give	Grants
Due currently	\$ -	\$ 514,056
Restricted to future periods	-	-
Promises to give and grants receivable before unamortized discount and allowance for uncollectible amounts	-	514,056
Less: unamortized discount	-	-
Subtotal	-	514,056
Less: allowance for uncollectible amounts	-	-
Net promises to give and grants receivable	\$ -	\$ 514,056
	2022	
	Promises To Give	Grants
Due currently	\$ -	\$ 83,082
Restricted to future periods	-	-
Promises to give and grants receivable before unamortized discount and allowance for uncollectible amounts	-	83,082
Less: unamortized discount	-	-
Subtotal	-	83,082
Less: allowance for uncollectible amounts	-	-
Net promises to give and grants receivable	\$ -	\$ 83,082

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

		<u>2023</u>
Komatsu	\$	169,226
Mennen Environmental Foundation		<u>18,550</u>
1.		<u><u>187,776</u></u>
		<u>2022</u>
Komatsu	\$	180,000
Mennen Environmental Foundation		<u>6,716</u>
	\$	<u><u>186,716</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of the passage of time, or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

		<u>2023</u>
Satisfaction of donor stipulations:		
Komatsu	\$	264,742
Mennen Environmental Foundation		<u>14,166</u>
	\$	<u><u>278,907</u></u>
		<u>2022</u>
Satisfaction of donor stipulations:		
Mennen Environmental Foundation	\$	<u>12,034</u>
	\$	<u><u>12,034</u></u>

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

5. SALARY SUPPORT AND OTHER EXPENSES

The Organization advances funds to the University of Kentucky (“the University”) periodically to reimburse the University for personnel, travel and other related program expenses. The funds are maintained in an account by the University and are available for the Organization’s use. As of June 30, 2023 and 2022, the funds available to be spent in future periods total \$15,813 and \$36,203, respectively. This amount is included in “prepaid expense” in the statement of financial position. The total expense reimbursements paid to the University during the years ended June 30, 2023 and 2022, amounted to \$236,274 and \$172,283.

6. LEASES

The organization leases a storage unit on a month to month basis where program supplies are stored. Total rent paid for the years ended June 30, 2023 and 2022, respectively, was \$2,052 and \$2,052.

7. CONCENTRATIONS

Green Forests Work, Inc.’s cash deposits are maintained in one financial institution located in Central Kentucky. Cash balances maintained in deposit accounts are insured up to \$250,000 for each depositor at each financial institution. As of June 30, 2023 and 2022, the Organization had deposits of \$435,029 and \$158,446, respectively, in excess of the federally insured limit.

In the years ended June 30, 2023 and 2022, a significant amount of grants and contributions were provided by a few major donors/grantors. Six donors/grantors provided 50% of the Organization’s support in 2023 and five donors/grantors provided 53% of the Organization’s support 2022. It is always considered reasonably possible that grantors or donors might be lost in the near term.

8. FAIR VALUE MEASUREMENT

GAAP establishes a fair value hierarchy which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and give the lowest priority to unobservable inputs (level 3 measurements). The following provides a description of the three levels of inputs that may be used to measure fair value under GAAP:

Level 1: Measurement based upon quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date.

Level 2: Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

8. FAIR VALUE MEASUREMENT (CONTINUED)

assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Measurement based on the Organization's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2023:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Investments	\$ 13,468	\$ 13,468	\$ -	\$ -

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2022:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Investments	\$ 15,482	\$ 15,482	\$ -	\$ -

9. INVESTMENTS

Investments consist of the following as of June 30, 2023 and 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 20,668	\$ 15,482	\$ 20,668	\$ 13,468

GREEN FORESTS WORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 & 2022

9. INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return including interest earned and its classification in the statement of activities for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dividend and interest income	\$ -	\$ -
Unrealized gain (loss) on investments	2,014	(7,200)
Realized gain (loss) on investments	-	-
	<u>\$ 2,014</u>	<u>\$ (7,200)</u>

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 12, 2024, the date which the financial statements were available to be issued. Subsequent events past this date, as they pertain to the years ended June 30, 2023 & 2022, have not been evaluated by the Organization.