

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

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

June 30, 2017

With Comparative Summarized Information for June 30, 2016

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

	<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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent in all material respects with the audited financial statements from which it has been derived.

*RBTK, LLP*

November 30, 2017

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

June 30, 2017

With Comparative Summarized Information at June 30, 2016

**ASSETS**

	2017	2016
Cash and cash equivalents:		
Unreserved cash and cash equivalents	\$ 79,867	50,713
Operating reserves	173,134	590,547
Total cash and cash equivalents	253,001	641,260
Unconditional promises to give (Note 3)	30,000	125,000
Prepaid expenses	47,276	97,048
Other assets	8,394	7,344
Property and equipment, net (Note 4)	20,586	22,871
Investments - other, at fair value (Note 5)	28,307	28,307
Endowment investments, at fair value (Note 5)	65,137	63,149
Total assets	\$ 452,701	984,979

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 95,508	67,375
Total liabilities	95,508	67,375
Net assets:		
Unrestricted	(228,595)	(313,492)
Temporarily restricted	529,238	1,174,546
Permanently restricted	56,550	56,550
Total net assets	357,193	917,604
Total liabilities and net assets	\$ 452,701	984,979

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, 2017

With Comparative Summarized Information for the Year Ended June 30, 2016

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Changes in net assets:					
Support and revenue:					
Contributions and grants	\$ 1,518,479	2,125,905	-	3,644,384	3,273,138
Special events:					
Revenues	253,145	-	-	253,145	336,713
Expenses	(83,336)	-	-	(83,336)	(85,073)
Net special event revenue	169,809	-	-	169,809	251,640
Interest and dividend income	1,181	498	-	1,679	3,499
Net realized and unrealized gain on investments	5,236	1,490	-	6,726	(2,269)
Unrelated business income	-	-	-	-	75
Net assets released from restrictions	2,773,201	(2,773,201)	-	-	-
Total support and revenue	4,467,906	(645,308)	-	3,822,598	3,526,083
Expenditures:					
Program activities:					
Floresta Haiti	708,956	-	-	708,956	612,296
Floresta Dominican Republic	589,232	-	-	589,232	543,490
Floresta Tanzania	439,959	-	-	439,959	465,992
Floresta Mexico	393,555	-	-	393,555	430,295
Floresta Burundi	365,235	-	-	365,235	364,131
Floresta Congo	193,053	-	-	193,053	200,542
Floresta Thailand	187,676	-	-	187,676	195,309
Other countries	38,967	-	-	38,967	740
Constituency education	657,370	-	-	657,370	564,544
Total program activities	3,574,003	-	-	3,574,003	3,377,339
Supporting activities:					
Expansion campaign	349,768	-	-	349,768	318,200
Fundraising	263,360	-	-	263,360	223,541
General and administrative	195,878	-	-	195,878	167,790
Total supporting activities	809,006	-	-	809,006	709,531
Total expenditures	4,383,009	-	-	4,383,009	4,086,870
Change in net assets	84,897	(645,308)	-	(560,411)	(560,787)
Net assets, beginning of year	(313,492)	1,174,546	56,550	917,604	1,478,391
Net assets, end of year	\$ (228,595)	529,238	56,550	357,193	917,604

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, 2017

With Comparative Summarized Totals for the Year Ended June 30, 2016

	Program Activities									Supporting Activities				Total Year Ended June 30, 2017	Total Year Ended June 30, 2016	
	Haiti Expense	Dominican Expense	Tanzania Expense	Mexico Expense	Burundi Expense	Congo Expense	Thailand Expense	Other Countries	Constituency Education	Total Program Activities	Expansion Campaign	Fund Raising	General and Administrative			Total Supporting Activities
Allocations to international programs	\$ 621,454	484,998	357,056	325,836	293,253	113,079	142,000	4,456	-	2,342,132	-	-	-	-	2,342,132	2,294,431
Salary, wages, taxes and benefits	66,796	81,123	66,481	54,691	58,336	70,047	37,018	33,018	515,141	982,651	297,931	170,390	135,106	603,427	1,586,078	1,355,168
Development, public relations and events	76	2,795	36	83	12	12	12	-	21,978	25,004	10,336	19,148	490	29,974	54,978	(2,342)
Mission and vision trips	-	-	-	-	-	-	-	-	46,711	46,711	-	-	-	-	46,711	26,238
Office and postage	902	844	829	639	636	828	446	382	7,535	13,041	-	5,690	4,374	10,064	23,105	33,808
Rent / occupancy	3,807	3,604	4,759	3,807	4,079	4,147	2,040	1,088	22,029	49,360	8,290	22,814	21,588	52,692	102,052	67,537
Professional / consultant fees	-	-	-	-	-	-	-	-	-	-	24,165	-	30,228	54,393	54,393	131,333
Printing and publications	45	45	45	35	34	45	23	23	18,500	18,795	-	2,501	993	3,494	22,289	26,580
Travel	6,379	3,182	5,267	3,563	5,629	2,640	1,611	-	19,831	48,102	6,716	7,087	-	13,803	61,905	43,765
Financial fees, taxes and state registration	127	217	128	127	142	37	112	-	-	890	-	31,432	285	31,717	32,607	31,481
Merchandise for resale	-	-	-	-	-	-	-	-	283	283	-	3,642	-	3,642	3,925	5,644
Learning and development, global	9,370	12,424	5,358	4,774	3,114	2,218	4,414	-	5,362	47,034	2,330	656	2,814	5,800	52,834	73,226
<b>Total year ended June 30, 2017</b>	<b>\$ 708,956</b>	<b>589,232</b>	<b>439,959</b>	<b>393,555</b>	<b>365,235</b>	<b>193,053</b>	<b>187,676</b>	<b>38,967</b>	<b>657,370</b>	<b>3,574,003</b>	<b>349,768</b>	<b>263,360</b>	<b>195,878</b>	<b>809,006</b>	<b>4,383,009</b>	<b>4,086,870</b>
<b>Total year ended June 30, 2016</b>	<b>\$ 612,296</b>	<b>543,490</b>	<b>465,992</b>	<b>430,295</b>	<b>364,131</b>	<b>200,542</b>	<b>195,309</b>	<b>740</b>	<b>564,544</b>	<b>3,377,339</b>	<b>318,200</b>	<b>223,541</b>	<b>167,790</b>	<b>709,531</b>		

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, 2017  
With Comparative Summarized Information for the Year Ended June 30, 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (560,411)	(560,787)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated investments	(299,607)	(139,721)
Proceeds from sale of donated investments	300,978	138,052
Net investment return	(3,359)	2,953
Depreciation and amortization	8,020	6,736
Changes in assets and liabilities:		
Unconditional promises to give	95,000	125,000
Prepaid expenses	49,772	97,939
Other assets	(1,050)	3,654
Accounts payable and accrued expenses	28,133	16,323
	<u>(382,524)</u>	<u>(309,851)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(5,735)	(11,540)
Donated investments, net	-	31,530
	<u>(5,735)</u>	<u>19,990</u>
Net cash (used in) provided by investing activities		
Net decrease in cash	(388,259)	(289,861)
Cash, beginning of year	<u>641,260</u>	<u>931,121</u>
Cash, end of year	<u>\$ 253,001</u>	<u>641,260</u>

See Accompanying Notes to Financial Statements



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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**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.

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**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.

*Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Organization considers all financial instruments with original maturities of three months or less to be cash equivalents.

*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 and dividends) is included in the statement of activities as a change in net assets.

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**2. Summary of Significant Accounting Policies, Continued**

*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

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.

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**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.

*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, 2016, from which the summarized information was derived.

*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 unconditional promises to give, the fair value of investments, depreciable lives of property and equipment, accrued expenses, and the allocation of functional expenses.

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**2. Summary of Significant Accounting Policies, Continued**

Subsequent Events

Management has evaluated subsequent events through November 30, 2017, 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.

**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 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, 2017 and 2016, were as follows:

<u>Unconditional Promises to Give</u>	<u>2017</u>	<u>2016</u>
Less than one year	\$ 30,000	125,000
One to five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	<u>\$ 30,000</u>	<u>125,000</u>

Management believes that all unconditional promises to give are fully collectible; therefore, no allowance for doubtful accounts was recorded as of June 30, 2017.

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**4. Property and Equipment**

A summary of property and equipment at June 30, 2017 and 2016, is as follows:

	2017	2016
Furniture and equipment	\$ 120,277	114,542
Less accumulated depreciation	(99,691)	(91,671)
	\$ 20,586	22,871

**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, 2017 and 2015.

*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, 2017

With Comparative Summarized Information for June 30, 2016

**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, 2017 and 2016:

*Assets at Fair Value as of June 30, 2017*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>452</u>	<u>-</u>	<u>-</u>	<u>452</u>
Total mutual funds	20,716	-	-	20,716
Investment in Los Arbolitos	<u>-</u>	<u>-</u>	<u>28,307</u>	<u>28,307</u>
Total investments at fair value	<u>\$ 65,137</u>	<u>-</u>	<u>28,307</u>	<u>93,444</u>

*Assets at Fair Value as of June 30, 2016*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 44,406	-	-	44,406
Mutual funds:				
Bonds	7,029	-	-	7,029
U.S. equities	6,892	-	-	6,892
International equities	4,002	-	-	4,002
Emerging markets	<u>820</u>	<u>-</u>	<u>-</u>	<u>820</u>
Total mutual funds	18,743	-	-	18,743
Investment in Los Arbolitos	<u>-</u>	<u>-</u>	<u>28,307</u>	<u>28,307</u>
Total investments at fair value	<u>\$ 63,149</u>	<u>-</u>	<u>28,307</u>	<u>91,456</u>

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**5. Investments, at Fair Value, Continued**

Net investment return for the year ended June 30, 2017 and 2016, is as follows:

	2017	2016
Dividend and interest income	\$ 498	1,488
Realized and unrealized gains	6,726	(2,269)
Investment fees	(3,865)	(2,172)
	\$ 3,359	(2,953)

**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 \$5,993 through February 28, 2017, with annual increases thereafter. Rent expense, excluding other costs of occupancy, under this lease was \$72,638 and \$58,710 for the years ended June 30, 2017 and 2016, respectively.

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

2018	\$ 74,800
2019	77,100
2020	6,500
Total	\$ 158,400

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, 2017, there were no such commitments for future program grants. Subsequent to June 30, 2017, the Organization made additional such commitments for future program grants totaling approximately \$2,249,000.



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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**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 \$59,202 and \$50,203 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, contributions received by the Organization from the ten largest donors represented 41% and 48% of total revenues, respectively, representing a concentration of risk.

Credit Risk

At June 30, 2017, the Organization had approximately \$253,000 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, 2017

With Comparative Summarized Information for June 30, 2016

**9. Temporarily Restricted Net Assets**

Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Expansion campaign	\$ 185,681	897,974
Chicago hub	180,273	-
Ethiopia	98,752	77,810
Tanzania	30,000	50,000
Haiti	25,945	-
Mexico	-	80,300
Dominican Republic	-	51,863
Other countries	-	10,000
Unappropriated endowment earnings	<u>8,587</u>	<u>6,599</u>
	<u>\$ 529,238</u>	<u>1,174,546</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions during the years ended June 30, 2017 and 2016, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Expansion campaign	\$ 1,018,483	1,029,698
Haiti	387,164	372,558
Dominican Republic	314,899	306,773
Mexico	295,572	242,680
Tanzania	250,984	200,366
Burundi	163,305	171,121
Congo	163,186	100,010
Chicago hub	82,894	-
Thailand	82,258	94,134
Other countries	10,000	-
Ethiopia	<u>4,456</u>	<u>740</u>
	<u>\$ 2,773,201</u>	<u>2,518,080</u>

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**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, 2017 and 2016, 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.

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**10. Permanently Restricted Net Assets, Continued**

Endowments consist of the following assets as of June 30:

	2017	2016
Equities, bonds, mutual funds and other	\$ 20,716	18,743
Money market funds	44,421	44,406
	\$ 65,137	63,149

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

*June 30, 2017*

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

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

June 30, 2017

With Comparative Summarized Information for June 30, 2016

**10. Permanently Restricted Net Assets, Continued**

*June 30, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	8,414	56,550	64,964
Contributions	-	-	-	-
Investment loss	-	(1,815)	-	(1,815)
Appropriation of endowment assets for expenditure	-	-	-	-
 Endowment net assets, end of year	\$ -	6,599	56,550	63,149

All endowments at June 30, 2017 and 2016, are donor restricted endowment funds.

**11. Supplemental Cash Flow Information**

During the years ended June 30, 2017 and 2016, the Organization paid no interest and no income taxes.

During the years ended June 30, 2017 and 2016, the Organization received donated securities with a total fair value of \$299,607 and \$139,721, respectively, on the date of donation.