



**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(with Summarized Totals for 2023)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreePeople, Inc.

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of TreePeople, Inc. (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in its 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
September 30, 2025

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

ASSETS

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 7,321,093	\$ 5,993,234
Investments (Note 4)	6,723,426	6,278,963
Accounts and other receivables, net	5,839,895	6,348,687
Prepaid expenses and other assets	617,938	484,534
Property held for sale (Note 5)	1,210,080	1,210,080
Property and equipment, net (Note 6)	2,349,031	2,688,744
Property held for conservation (Note 7)	45,065	45,064
Operating lease right-of-use assets (Note 17)	-	12,856
	<hr/>	<hr/>
TOTAL ASSETS	\$ 24,106,528	\$ 23,062,162

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 925,498	\$ 1,902,977
Accrued liabilities (Note 9)	1,216,706	1,196,069
Deferred revenue (Note 12)	1,775,287	885,760
Note payable (Note 11)	-	818,694
Grant repayment liability	437,814	-
Insurance proceeds liability (Note 10)	273,251	282,590
Deferred compensation (Note 14)	222,467	284,372
Operating lease liabilities (Note 17)	-	12,656
	<hr/>	<hr/>
Total Liabilities	4,851,023	5,383,118

COMMITMENTS AND CONTINGENCIES (Note 13)

NET ASSETS

Without donor restrictions	<hr/> 9,981,656	<hr/> 8,246,327
With donor restrictions		
Restricted for time and purpose (Note 15)	5,674,253	6,033,121
Restricted in perpetuity (Note 16)	3,599,596	3,399,596
	<hr/> 9,273,849	<hr/> 9,432,717
Total net assets	<hr/> 19,255,505	<hr/> 17,679,044

TOTAL LIABILITIES AND NET ASSETS	\$ 24,106,528	\$ 23,062,162
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The accompanying notes are an integral part of these consolidated financial statements.

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
REVENUE, SUPPORT, AND OTHER INCOME				
Contributions - individuals	\$ 2,510,642	\$ 1,659,446	\$ 4,170,088	\$ 2,273,671
Contributions - foundations and corporations	301,601	429,326	730,927	5,217,533
Government contributions and grants	11,742,191	752,618	12,494,809	7,257,423
Program revenue	390,945	543,795	934,740	718,609
Special event, net of expenses of \$21,524 and \$22,807, respectively	(21,524)	-	(21,524)	(4,310)
Investment return, net (Note 4)	533,019	43,434	576,453	671,177
Other income	97,445	-	97,445	15,185
Loss on restricted grant repayment	-	(437,814)	(437,814)	-
Change in classification of land (Note 5)	-	-	-	(2,594,000)
Net assets released from restrictions	<u>3,149,673</u>	<u>(3,149,673)</u>	<u>-</u>	<u>-</u>
 Total Revenue, Support, and Other Income	 <u>18,703,992</u>	 <u>(158,868)</u>	 <u>18,545,124</u>	 <u>13,555,288</u>
EXPENSES				
Program services	13,595,185	-	13,595,185	12,561,556
Management and general	2,572,910	-	2,572,910	3,355,230
Fundraising	<u>800,568</u>	<u>-</u>	<u>800,568</u>	<u>906,158</u>
 Total Expenses	 <u>16,968,663</u>	 <u>-</u>	 <u>16,968,663</u>	 <u>16,822,944</u>
 CHANGE IN NET ASSETS	 1,735,329	 (158,868)	 1,576,461	 (3,267,656)
 NET ASSETS, BEGINNING OF YEAR	 <u>8,246,327</u>	 <u>9,432,717</u>	 <u>17,679,044</u>	 <u>20,946,700</u>
 NET ASSETS, END OF YEAR	 <u>\$ 9,981,656</u>	 <u>\$ 9,273,849</u>	 <u>\$ 19,255,505</u>	 <u>\$ 17,679,044</u>

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	Program Services	Management and General	Fundraising	Total	
				2024	2023
PERSONNEL EXPENSES					
Salaries	\$ 6,330,476	\$ 1,202,508	\$ 474,111	\$ 8,007,095	\$ 7,802,150
Employee benefits	647,735	48,709	24,901	721,345	644,932
Payroll taxes	545,931	141,409	38,905	726,245	716,652
Total personnel expenses	<u>7,524,142</u>	<u>1,392,626</u>	<u>537,917</u>	<u>9,454,685</u>	<u>9,163,734</u>
OPERATIONAL EXPENSES					
Direct mail expenses	29	-	30,562	30,591	76,628
Equipment and vehicles	323,093	6,927	4,740	334,760	329,588
Insurance	218,826	97,703	12,948	329,477	160,549
Interest and account fees	6,533	84,143	31,937	122,613	103,155
Marketing and communications	10,506	1,753	5,515	17,774	18,841
Miscellaneous (recoveries)	28,315	7,114	113,220	148,649	118,602
Occupancy	150,218	1,267	-	151,485	145,995
Operations	247,878	202,886	22,445	473,209	306,610
Planting related	847,748	3,064	3,040	853,852	897,802
Professional services	571,656	680,744	2,563	1,254,963	1,367,232
Program expenses	1,633	4,932	644	7,209	3,190
Staff development	6,874	715	223	7,812	27,018
Subcontractors and outside services	3,072,478	3,351	837	3,076,666	3,072,289
Travel	83,632	13,809	4,151	101,592	97,097
Utilities and security	115,436	21,133	6,709	143,278	136,903
Bad debt expense (recoveries)	12,490	(23,096)	-	(10,606)	285,390
Depreciation and amortization	373,698	73,839	23,117	470,654	512,321
Total operational expenses	<u>6,071,043</u>	<u>1,180,284</u>	<u>262,651</u>	<u>7,513,978</u>	<u>7,659,210</u>
TOTAL 2024 FUNCTIONAL EXPENSES	<u>\$ 13,595,185</u>	<u>\$ 2,572,910</u>	<u>\$ 800,568</u>	<u>\$ 16,968,663</u>	
PERCENTAGE OF EXPENSES	80%	15%	5%	100%	
TOTAL 2023 FUNCTIONAL EXPENSES	<u>\$ 12,561,556</u>	<u>\$ 3,355,230</u>	<u>\$ 906,158</u>		<u>\$ 16,822,944</u>
PERCENTAGE OF EXPENSES	75%	20%	5%		100%

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,576,461	\$ (3,267,656)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	470,655	512,321
Realized and unrealized gains on investments	(175,854)	(337,375)
Contributions restricted for investment in perpetuity	(200,000)	(300,000)
Change in allowance for uncollectable receivables	(10,606)	285,390
Loss on grant repayment	437,814	-
Change in classification of land	-	2,594,000
Change in operating assets and liabilities:		
Accounts and other receivables	519,398	(640,587)
Prepaid expenses and other assets	(133,404)	(83,411)
Accounts payable	(977,479)	453,890
Accrued liabilities	20,637	337,315
Deferred revenue	889,527	510,022
Insurance proceeds liability	(9,339)	-
Deferred compensation	(61,905)	(24,811)
Operating lease right-of-use assets and liabilities	200	(200)
Net Cash Provided By Operating Activities	<u>2,346,105</u>	<u>38,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(130,942)	(146,757)
Reinvested interest and dividends	(401,070)	(334,293)
Purchase of investments	(1,851,914)	(746,920)
Proceeds on sale of investments	<u>1,984,375</u>	<u>590,076</u>
Net Cash Used In Investing Activities	<u>(399,551)</u>	<u>(637,894)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(818,694)	(71,123)
Contributions restricted for investment in perpetuity	<u>200,000</u>	<u>300,000</u>
Net Cash Provided By (Used In) Financing Activities	<u>(618,694)</u>	<u>228,877</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,327,860	(370,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,993,234</u>	<u>6,363,353</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,321,094</u>	<u>\$ 5,993,234</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 137,360</u>	<u>\$ 103,958</u>

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

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Description of Organization

TreePeople, Inc. (TreePeople) is a California not-for-profit organization whose mission is to inspire, engage, and support people to take personal responsibility for the environment, making it safe, healthy, fun, and sustainable, and to share the process as a model for the world. TreePeople has inspired millions of people to come together to plant and care for trees, restore fire-scarred forests, harvest the rain, and renew depleted landscapes. TreePeople unites with communities to grow greener, shadier, and more climate-resilient and water-secure communities through greening efforts in the national forest, local mountains, and at homes, schools, parks, and public streets throughout many diverse neighborhoods. TreePeople engages with tens of thousands of volunteer leaders using its flagship *Community Forester* model, as well as with public agencies and the private sector, to promote climate and environmental literacy and innovative nature-based solutions for healthy, equitable, resilient, and economically thriving communities.

Incorporated in August 1973, TreePeople has inspired communities throughout the world to come together to plant and care for countless numbers of trees and native plants, from the national forests to the mountains to the most over-paved urban streets. With the support of millions of volunteers, community members, teachers, students, philanthropists, the press, public agencies, and the private sector, TreePeople has grown from the dreams and efforts of a small group of teenagers led by TreePeople founder Andy Lipkis, who planted smog-tolerant seedlings in the San Bernardino Mountains while at camp, into a movement of people planting and caring for trees and transforming their local landscapes through nature-based solutions.

Today, TreePeople has tens of thousands of supporters, a staff of over 100 professional foresters, educators, community organizers, researchers, and program and policy facilitators, a dedicated board of directors, and more than 10,000 volunteers. TreePeople touches diverse neighborhoods throughout the region and people throughout the world. TreePeople pioneers sustainable practices around forestry, environmental education, local water, healthy soil, and climate resilience that influence cities throughout the United States and the world.

Creating Climate-Resilient and Water-Secure Communities

In response to mounting environmental, economic, and public health threats from a changing climate and diminishing natural resources, TreePeople has dramatically expanded its scale of impact and its focus on equity and environmental justice.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Description of Organization (Continued)

Creating Climate-Resilient and Water-Secure Communities (Continued)

TreePeople is engaged in a global effort to mobilize people to grow climate-resilient urban communities with healthy tree canopy by pursuing three major goals:

1. Training, supporting, and organizing neighborhoods to increase tree canopy cover to protect people against air pollution, wildfires, flooding, droughts, and extreme heat and severe weather, while improving public health, equity, and livability.
2. Advocating for nature-based solutions, stormwater capture, and an affordable, clean, and reliable locally sourced water supply to provide security against droughts, pollution, flooding, and other threats.
3. Promoting healthy urban soil policies to lower urban temperatures and absorb carbon dioxide.

To achieve these goals, TreePeople is working at both the community and public policy levels to promote systemic changes and holistic, nature-inspired solutions that transform urban landscapes to function like a natural forest. TreePeople is pioneering a new paradigm of urban environmental management and environmental justice that is crucial for the 21st century.

Award-Winning Programs

TreePeople's Environmental Education Programs provide virtual and in-person hands-on, science-based environmental curricula and school greening opportunities to kindergarten through twelfth-grade students each year, providing direct and indirect benefit to nearly 350,000 local students and teachers. In addition to increasing science education and greening in schools, these programs are designed to inspire and empower future generations to take action for the environment. In addition, TreePeople's virtual and in-person community education programs train thousands of people to plant and care for trees, transform their landscapes to be sustainable, and harvest rainwater.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Description of Organization (Continued)

Award-Winning Programs (Continued)

TreePeople's Forestry and Urban Greening Programs inspire thousands of volunteers to plant and care for trees, distribute fruit trees to low-income residents, and restore damaged natural ecosystems in parks, mountains, neighborhoods, and school yards. Special focus is given to addressing equity and environmental justice in areas with low tree canopy. TreePeople's pioneering *Community Forestry* model gives people the extraordinary ability to improve the environment by incorporating nature and "forest-mimicking" technologies into urban landscapes. In 2003, the United Nations World Forestry Organization recognized TreePeople's forestry work as a global model for other large cities.

TreePeople's Policy and Research Programs work with all levels of government to conduct cutting-edge scientific research and create progressive laws, policies, and incentives to support 21st century "green" infrastructure, using nature and nature-based technologies to make communities resilient and sustainable. Over the past 20 years, TreePeople has played a leading role in demonstrating that it is technologically, socially, and environmentally feasible to use multi-benefit green infrastructure to create a local water supply source and transform neighborhoods to be healthy and resilient. Faced with historic droughts, wildfires, flooding, and a changing climate, TreePeople's leadership and innovations are needed more than ever. Policy successes include an innovative Multi-Agency Collaborative recognized by the U.S. Environmental Protection Agency, a 2014 leadership delegation to learn the lessons from Australia's 12-year Millennium Drought, the development of the Los Angeles Department of Water and Power's first-ever Stormwater Capture Master Plan, the completion of the first-ever Los Angeles County LIDAR tree canopy assessment, and the launch of TreePeople's forward-thinking *Healthy Urban Soils* research to develop policies, incentives, and support for "brown" infrastructure.

TreePeople Center for Community Forestry is a renowned campus resource to accomplish the mission of educating, inspiring, and supporting people to make a difference for nature and the environment. In partnership with the City of Los Angeles (the City), TreePeople is caretaker to the 45-acre Coldwater Canyon Park. Located in the heart of Los Angeles, this magnificent Santa Monica Mountains setting and wildlife corridor attracts more than 200,000 visitors each year, including school children, hikers, community volunteers, and policymakers.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Description of Organization (Continued)

Award-Winning Programs (Continued)

The enter for Community Forestry’s campus of sustainably designed buildings includes a conference center, which achieved the U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) highest rating of Platinum. These structures, as well as the parking grove, collect rainwater, which is then stored in a 216,000-gallon underground cistern for use in irrigating the gardens and trees.

An interpretive program provides visitors with innovative and inspiring displays, and an ongoing series of events and programs brings local and national leaders together to find solutions to the looming climate, water, and energy crises facing Los Angeles and many other urban centers in the coming years.

TreePeople Land Trust

TreePeople Land Trust dba Mountain Restoration Trust (the Trust) became the wholly owned subsidiary of TreePeople beginning November 1, 2019. The Trust is a non-profit accredited land trust dedicated to preserving natural land through restoration, education, and land acquisition. Founded in 1981, the Trust collaborates with members of the public and government agencies in an ongoing effort to maintain a cooperative relationship between urbanization and native land.

During 2020, the Trust filed a Fictitious Business Name Statement with the County of Los Angeles to allow the Trust to “do business as” TreePeople Land Trust.

The Trust achieves its goal of preserving the Santa Monica Mountains’ natural resources by implementing three distinct programs as follows:

Acquisitions: The Trust owns 1,455.2 acres in fee title, 1,380.3 acres in conservation easements, and 5.28 acres of trail easements. The Trust has are 12 acres of leased land and buildings at Headwaters Corner and acquires additional land to protect the significant ecological areas of Cold Creek, La Sierra, and other strategic habitats.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 1 – Description of Organization (Continued)

TreePeople Land Trust (Continued)

Restoration: The Santa Monica Mountains contain renowned ecosystems for biodiversity, and are recognized as a global “biodiversity hotspot.” Mediterranean climates, found on only 2.25% of the world’s surface, support nearly 50,000 plant species. The climate also supports a significant number of humans, human developments, and invasive species due to its short, wet winters and long, dry summers. The Trust has a staff of field specialists and technicians working five days a week at various restoration sites across the Santa Monica Mountains to remove invasive plants and aquatic species, provide native plantings, and restore critical habitats, including oak woodlands, riparian streams, chaparral, and sage-scrub hillsides across the approximately 3,000 acres overseen by the Trust. The Trust also continues to work with state and national park units on collaborative projects, as well as jurisdictional agencies on mitigation for unavoidable impacts.

Education: The Trust’s environmental education program focuses on students from the San Fernando Valley and Los Angeles Basin, encouraging young students to explore the local wildlands adjacent to these urban areas.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

These consolidated financial statements include the accounts of TreePeople and the Trust (collectively, the Organization). Intercompany transactions are eliminated in consolidation.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Comparative Totals

The consolidated financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity U.S. GAAP. Accordingly, such financial information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2023, from which the summarized financial information was derived.

Classes of Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Without Donor Restrictions - These generally result from revenue generated by receiving contributions without donor restrictions, providing services, and receiving income from investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

With Donor Restrictions – The Organization reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from purpose or time restrictions. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity but permits the Organization to expend all of the income (or other economic benefits) derived from the donated assets.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash and cash equivalents. The Organization places its cash and cash equivalents with high-credit, quality financial institutions. At times, such investments may be in excess of federally insured limits. The Organization has not incurred losses related to these investments and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities and money market funds are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Accounts and Other Receivables

The carrying value of receivables, net of the allowance for uncollectable receivables, represents their estimated net realizable value. The allowance for uncollectable receivables is estimated based on historical collection trends, collection efforts, type of customer, the age of outstanding receivables, and existing economic conditions. The allowance for uncollectable receivables was \$317,880 for the year ended December 31, 2024.

Property Held for Sale

Property held for sale is recorded at cost if purchased or at fair value at the date of donation if donated. Property classified as held for sale can be sold and the proceeds can be used towards the Organization's programs or can be contributed to other organizations.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvements occurs over the term of the lease agreement. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

Buildings	Lesser of life of asset or term of lease
Furniture and Equipment	7 years
Computer Equipment and Software	3-5 years
Leasehold Improvements	Term of lease
Transportation Equipment	5 years

Property Held for Conservation

Property held for conservation purposes includes purchased or donated properties to be sold or transferred to governmental agencies or other individuals and organizations for conservation purposes or maintained as a nature preserve in perpetuity. Land and conservation easements are treated as commitments and are recorded in property held for conservation at a minimal value of \$1,000 for each parcel of land and \$1 for each easement, due to deed restrictions, which affect potential sales and the principal market value.

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2024.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Lease Arrangements

The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances.

The Organization's policy for determining its lease discount rate used in measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Organization has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Organization has elected a policy to account for short-term leases, defined as any lease with a term of less than 12 months, by recognizing all components of the lease payment in the consolidated statement of activities in the period in which the obligation for the payments is incurred.

Deferred Revenue

Fees for services that are paid for in advance are deferred and recognized as revenue in the period when the services are rendered.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met.

Revenue from certain federal, state, and county grants are conditioned upon certain performance requirements, which can include the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions and any other conditions are met. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a receivable or an advance, whichever is applicable.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization is party to conditional grants with grant terms through August 2031 and additional funding of approximately \$50,212,000 that has not been recognized at December 31, 2024, because qualifying expenditures have not yet been incurred.

Program revenue for mitigation is recognized in accordance with the California Environmental Quality Act in coordination with government agencies, such as the California Department of Fish and Wildlife and the United States Department of Fish and Wildlife, which require that the potential impacts from development on species, habitats, and farmland be considered. A project proponent may pay an in-lieu fee to a lead agency or other designated agency to be used to acquire the required mitigation land or conservation easement. As an approved mitigation agency, the Organization receives mitigation fee revenue from project proponents. These funds may contain certain conditions or restrictions for use of funding.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have donated significant amounts of their time to the Organization. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

Concentration of Credit Risks

The accounts and other receivables balance outstanding at December 31, 2024, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to receivables are limited, as the majority of the Organization's receivables consist of revenue from contracts granted by government agencies

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risks (Continued)

The Organization holds investments in the form of money market funds, corporate bonds, mutual funds, and common stocks of publicly held companies. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Finance Committee of the Organization's Board of Directors.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded in these financial statements. The Organization is also exempt under California Revenue and Taxation Code Section 23701(d).

The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been presented in the consolidated statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses full-time equivalents to allocate indirect costs.

Use of Estimates

In preparing the consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the report date.
- Level 2 Pricing inputs other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the report date.
- Level 3 Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and, therefore, have little or no price transparency are classified as level 3.

Subsequent Events

The Organization has evaluated subsequent events from the consolidated statement of financial position date through September 30, 2025, the date the consolidated financial statements were available to be issued for the year ended December 31, 2024.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 3 – Liquidity and Availability

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

	December 31,	
	2024	2023
Cash and cash equivalents	\$ 7,321,093	\$ 5,993,234
Investments	6,723,426	6,278,963
Accounts and other receivables	5,839,895	6,348,687
	<u>19,884,414</u>	<u>18,620,884</u>
Funds held for deferred compensation with contractual restrictions	(222,467)	(284,372)
Funds held for insurance proceeds	(273,251)	(282,590)
Donor-imposed restrictions:		
Funds subject to purpose or time restrictions	(5,674,253)	(6,033,121)
Funds restricted in perpetuity	<u>(3,599,596)</u>	<u>(3,399,596)</u>
	<u>\$ 10,114,847</u>	<u>\$ 8,621,205</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 4 – Investments

Investments measured at fair value consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2024				
Mutual funds	\$ 78,634	\$ -	\$ -	\$ 78,634
Marketable equity securities	1,717,306	-	-	1,717,306
Debt securities	4,906,549	-	-	4,906,549
Real assets	-	20,937	-	20,937
	<u>\$ 6,702,489</u>	<u>\$ 20,937</u>	<u>\$ -</u>	<u>\$ 6,723,426</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
Mutual funds	\$ 66,143	\$ -	\$ -	\$ 66,143
Marketable equity securities	1,810,954	-	-	1,810,954
Debt securities	4,401,866	-	-	4,401,866
	<u>\$ 6,278,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,278,963</u>

Net investment return consists of:

	For the Year Ended	
	December 31,	
	<u>2024</u>	<u>2023</u>
Interest and dividend income from investments	\$ 401,070	\$ 334,293
Realized and unrealized gains, net	175,854	337,375
Fees	<u>(471)</u>	<u>(491)</u>
	<u>\$ 576,453</u>	<u>\$ 671,177</u>

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 5 – Property Held for Sale

Property held for sale at December 31, 2024 consists of the following:

	<u>Acres</u>	<u>Value</u>
Land - Los Angeles County, CA	82.83	\$ 1,210,080

During 2023, certain land held for sale as of December 31, 2022 was reclassified to property held for conservation, based on obtaining certain restrictions on the land that exclude future development. As a result, the land value was reduced by \$2,594,000 to \$1,000 per parcel, based on the Trust's accounting policies.

NOTE 6 – Property and Equipment

Property and equipment consist of the following:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Conference center	\$ 5,396,286	\$ 5,396,286
Environmental Learning Center	3,182,470	3,182,470
Furniture and equipment	684,963	683,886
Computer equipment and software	223,395	224,472
Leasehold improvements	788,476	788,476
Transportation equipment	<u>822,210</u>	<u>691,269</u>
	11,097,800	10,966,859
Less accumulated depreciation and amortization	<u>(8,748,769)</u>	<u>(8,278,115)</u>
Property and equipment, net	<u>\$ 2,349,031</u>	<u>\$ 2,688,744</u>

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$470,655 and \$512,321, respectively.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 7 – Property Held for Conservation

At December 31, 2024 and 2023, the Organization held 1,346.29 acres in Los Angeles County valued at \$45,000, respectively, which is restricted for use in its programs and conservation.

Additionally, at December 31, 2024, the Organization held the following easements that are restricted for use in its programs:

	<u>Acres</u>	<u>Value</u>
Los Angeles County, CA	897.90	\$ 59
Ventura County, CA	<u>482.83</u>	<u>6</u>
	<u>1,380.73</u>	<u>\$ 65</u>

NOTE 8 – Line of Credit

The Organization had a working capital line of credit with an interest rate of 0.25% above prime, (7.5% as of December 31, 2024), a capacity of \$1,500,000, and a maturity date of March 2026.

NOTE 9 – Accrued Liabilities

Accrued liabilities consist of the following:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Accrued expenses	\$ 544,719	\$ 583,142
Accrued insurance	97,370	62,515
Accrued payroll and payroll taxes	320,514	312,566
Accrued vacation	<u>254,103</u>	<u>237,846</u>
Total accrued liabilities	<u>\$ 1,216,706</u>	<u>\$ 1,196,069</u>

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 10 – Insurance Proceeds Liability

The Trust sustained significant damages due to a fire in 2016, destroying a building and a bridge. Insurance proceeds were received by the lessor and are required to be used to rebuild the building and bridge, as well as to cover overhead expenses directly related to repairing the fire damage. Funds used during the year ended December 31, 2024 totaled \$9,339. No funds were used during the year ended December 31, 2023. As of December 31, 2024 and 2023, insurance proceeds received, but not yet used, totaled \$273,251 and \$282,590, respectively, and are considered to be conditional for use of rebuilding after the fire.

NOTE 11 – Note Payable

At December 31, 2023, the Organization was party to a term loan agreement with an interest rate of 4.95%, monthly payments of principal and interest of \$9,504, and remaining principal and interest due December 2024 (the Term Loan). The Term Loan was collateralized by a 1st position UCC-1 filing on the Organization's business assets. During the year ended December 31, 2024, the balance of the loan was fully paid.

NOTE 12 – Deferred Revenue

During 2001, the Organization began receiving Proposition K funding from the City to be used to build a conference center and an environmental learning center and to pave the parking lot. The total funding received was \$1,080,000 and repayment of this amount consists of providing services annually valued at \$36,000 for 30 years in lieu of cash repayments. Cash repayments to the City are not required unless the above services are performed.

The Organization recognized revenue of \$36,000 under this contract for each of the years ended December 31, 2024 and 2023, which is included in government contributions and grants in the accompanying consolidated financial statements.

At December 31, 2024 and 2023, deferred revenue, which consists of funding from the City for the construction of the conference center and related amenities, totaled \$271,000 and \$307,000, respectively.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 12 – Deferred Revenue (Continued)

This funding contract has been incorporated into the lease agreement with the City as described below. Any default under this contract will also constitute a default under the lease agreement. These services are itemized as follows:

- Provide interactive displays at the environmental learning center as the starting point for Eco-Tours
- Provide interactive youth conferences
- Maintain the park as a place for self-guided hikes and tours for families

Additionally, at December 31, 2024 and 2023, deferred revenue included advance payments of conditional grant funds of \$1,556,123 and \$578,760, respectively, to be recognized as conditions are met.

NOTE 13 – Commitments and Contingencies

Contracts

The Organization's grants and contracts are subject to inspection and audit by the appropriate government funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, which may result from these government audits, cannot be reasonably estimated and, accordingly, the Organization has no provision for the possible disallowance of program costs on its consolidated financial statements.

Litigation

During the normal course of business, the Organization may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the consolidated financial statements for the Organization as of December 31, 2024.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 13 – Commitments and Contingencies (Continued)

Other

The Trust and the California Coastal Conservancy (the Conservancy) are working mutually to find a resolution for a disagreement regarding the repayment of a grant provided by the Conservancy in 1984. At the time of this audit, it is unclear how much the Trust may owe to the Conservancy, or if repayment is indeed warranted. In the event that the Conservancy finds that the Trust was in violation of the grant agreement, the Conservancy would enact reversionary interest in four parcels owned by the Trust. Each of these four parcels is deed-restricted and valued at \$1,000, therefore, the financial implications of this potential liability would be a reduction of \$4,000 to the Trust's assets.

NOTE 14 – Deferred Compensation Plan

The Organization adopted a deferred compensation (Rabbi) trust in December 2000 for the purpose of providing a deferred compensation plan for its president in recognition of 27 years of commitment to the Organization. A second trust was adopted in December 2014. The deferred compensation trusts permit deferral of a portion of the President's salary until future years. All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts are subject to the claims of the Organization's general creditors in the event of insolvency and otherwise are subject only to the right of the president or his designated beneficiary. Under the terms of the agreements, the trust will be distributed over a nine-year period, beginning on the president's 70th birthday. At December 31, 2024 and 2023, the Organization has recorded a deferred compensation liability of \$222,467 and \$284,372, respectively.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 15 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	December 31,	
	2024	2023
Restricted for time and purpose:		
Urban Forestry Initiative	\$ 1,890,723	\$ 2,432,995
Education	1,584,229	521,397
Community organizations	627,549	137,663
Restoration - Tuna Canyon Park	350,871	-
Stewardship and legal defense funds	252,913	253,700
USACE Valley 2 (Argo Ditch)	222,859	164,105
USACE Creekside	176,321	176,321
Other USACE	124,898	77,276
Native Garden Kit program	77,138	94,994
Urban cooling	75,889	152,021
Mountain Forestry/Forest Aid	8,001	243,757
Headwaters Corner facility	-	476,176
Policy and research	-	531,556
Renovation project	-	226,845
Residential stormwater retrofit projects	-	379,652
Other	282,862	164,663
	<u>5,674,253</u>	<u>6,033,121</u>
Endowment - restricted in perpetuity (Note 16)	<u>3,599,596</u>	<u>3,399,596</u>
	<u>\$ 9,273,849</u>	<u>\$ 9,432,717</u>

NOTE 16 – Endowments

The Organization's endowments consist of funds established by donor-restricted gifts and bequests to an endowment held in perpetuity to provide a permanent source of income to the Organization for stewardship and restoration.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 16 – Endowments (Continued)

The Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Organization has utilized investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long term, allow them to grow at a rate exceeding expected inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments, diversified between sectors, to achieve its long-term return objectives within prudent risk constraints.

The composition of the endowments at December 31, 2024 consisted of donor-restricted gifts required to be maintained in perpetuity.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(WITH COMPARATIVE TOTALS FOR 2023)**

NOTE 16 – Endowments (Continued)

The changes in the endowments for the year ended December 31, 2024 are as follows:

Endowment net assets – December 31, 2023	\$ 3,399,596
Contributions	200,000
Earnings	43,434
Appropriations	<u>(43,434)</u>
Endowment net assets – December 31, 2024	<u>\$ 3,599,596</u>

NOTE 17 – Operating Leases

The Organization leases equipment under a long-term operating lease, which was converted into a month-to-month lease in December 2024. The Organization has various month-to-month leases, which are excluded from the calculation of right-of-use assets and liabilities due to their short-term nature.

In addition, the Organization has a lease agreement with the City of Los Angeles for the use of the facilities and park where its forestry, education, and administrative operations are centered. In exchange for use of the park and its facilities, the Organization has agreed to maintain the park grounds, trails, and buildings. The agreement expires in 2029. The cost to maintain the park and trails totaled \$437,260 and \$509,463 for the years ended December 31, 2024 and 2023, respectively.

The Trust has a \$1 per year lease agreement with the City of Calabasas commencing on October 1, 2014, and terminating on September 30, 2034. As the market rate value of the leases with the City of Los Angeles and City of Calabasas are not readily available due to the unique nature of the property, no value for a donated contribution, operating lease right-of-use assets, or lease liabilities has been recorded.

As part of its lease agreements, variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

(WITH COMPARATIVE TOTALS FOR 2023)

NOTE 17 – Operating Leases (Continued)

Lease expenses included in "Occupancy" in the consolidated statement of functional expenses include the following components:

	For the Year Ended	
	December 31,	
	2024	2023
Operating lease costs	\$ 10,910	\$ 10,022
Short-term lease costs	43,601	37,077
	<u>\$ 54,511</u>	<u>\$ 47,099</u>

For the year ended December 31, 2024, cash paid for amounts included in the measurement of lease liabilities was \$10,308 and is considered an operating cash flow.

NOTE 18 – Related-Party Transactions

The Organization receives donations from board members, who are considered related parties to the Organization. The Organization engaged Greenberg Glusker LLP for legal services, where a board member is a partner. Fees paid for these legal services for the years ended December 31, 2024 and 2023 were approximately \$57,000 and \$144,000, respectively.

SUPPLEMENTARY INFORMATION

TREEPEOPLE, INC.

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024**

ASSETS				
	<u>TreePeople</u>	<u>Trust</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,922,251	\$ 1,398,842	\$ -	\$ 7,321,093
Investments	4,782,177	1,941,249	-	6,723,426
Accounts and other receivables, net	6,000,115	190,013	(350,233)	5,839,895
Prepaid expenses and other assets	597,954	19,984	-	617,938
Property held for sale	-	1,210,080	-	1,210,080
Property and equipment, net	2,288,947	60,084	-	2,349,031
Property held for conservation	-	45,065	-	45,065
TOTAL ASSETS	<u>\$ 19,591,444</u>	<u>\$ 4,865,317</u>	<u>\$ (350,233)</u>	<u>\$ 24,106,528</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 905,258	\$ 20,240	\$ -	\$ 925,498
Accrued liabilities	1,190,500	26,206	-	1,216,706
Deferred revenue	1,775,287	-	-	1,775,287
Grant repayment liability	-	437,814	-	437,814
Insurance proceeds liability	-	273,251	-	273,251
Deferred compensation	222,467	-	-	222,467
Related party payable	-	350,233	(350,233)	-
	<u>4,093,512</u>	<u>1,107,744</u>	<u>(350,233)</u>	<u>4,851,023</u>
COMMITMENTS AND CONTINGENCIES (Note 13)				
NET ASSETS				
Without donor restrictions	<u>8,766,830</u>	<u>1,214,826</u>	<u>-</u>	<u>9,981,656</u>
With donor restrictions				
Restricted for time and purpose	4,231,102	1,443,151	-	5,674,253
Restricted in perpetuity	<u>2,500,000</u>	<u>1,099,596</u>	<u>-</u>	<u>3,599,596</u>
	<u>6,731,102</u>	<u>2,542,747</u>	<u>-</u>	<u>9,273,849</u>
Total net assets	<u>15,497,932</u>	<u>3,757,573</u>	<u>-</u>	<u>19,255,505</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,591,444</u>	<u>\$ 4,865,317</u>	<u>\$ (350,233)</u>	<u>\$ 24,106,528</u>

The Independent Auditors' Report should be read in conjunction with
these consolidating statements.

TREEPEOPLE, INC.

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	TreePeople			Trust				Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND OTHER INCOME										
Contributions - individuals	\$ 2,510,642	\$ 1,562,691	\$ 4,073,333	\$ -	\$ 96,755	\$ 96,755	\$ -	\$ 2,510,642	\$ 1,659,446	\$ 4,170,088
Contributions - foundations and corporations	301,601	429,326	730,927	-	-	-	-	301,601	429,326	730,927
Government grants and contributions	11,742,191	664,099	12,406,290	-	88,519	88,519	-	11,742,191	752,618	12,494,809
Program revenue	390,945	-	390,945	-	543,795	543,795	-	390,945	543,795	934,740
Special event, net of expenses of \$21,524	(21,524)	-	(21,524)	-	-	-	-	(21,524)	-	(21,524)
Investment return, net	404,753	-	404,753	128,266	43,434	171,700	-	533,019	43,434	576,453
Other income	202,124	-	202,124	13,606	-	13,606	(118,285)	97,445	-	97,445
Loss on restricted grant repayment	-	-	-	-	(437,814)	(437,814)	-	-	(437,814)	(437,814)
Net assets released from restrictions	2,960,268	(2,960,268)	-	189,405	(189,405)	-	-	3,149,673	(3,149,673)	-
 Total Revenue, Support, and Other Income	 18,491,000	 (304,152)	 18,186,848	 331,277	 145,284	 476,561	 (118,285)	 18,703,992	 (158,868)	 18,545,124
EXPENSES										
Program services	12,941,803	-	12,941,803	771,667	-	771,667	(118,285)	13,595,185	-	13,595,185
Management and general	2,521,950	-	2,521,950	50,960	-	50,960	-	2,572,910	-	2,572,910
Fundraising	800,568	-	800,568	-	-	-	-	800,568	-	800,568
 Total Expenses	 16,264,321	 -	 16,264,321	 822,627	 -	 822,627	 (118,285)	 16,968,663	 -	 16,968,663
 CHANGE IN NET ASSETS	 2,226,679	 (304,152)	 1,922,527	 (491,350)	 145,284	 (346,066)	 -	 1,735,329	 (158,868)	 1,576,461
 NET ASSETS, BEGINNING OF YEAR	 6,540,151	 7,035,254	 13,575,405	 1,706,176	 2,397,463	 4,103,639	 -	 8,246,327	 9,432,717	 17,679,044
 NET ASSETS, END OF YEAR	 \$ 8,766,830	 \$ 6,731,102	 \$ 15,497,932	 \$ 1,214,826	 \$ 2,542,747	 \$ 3,757,573	 \$ -	 \$ 9,981,656	 \$ 9,273,849	 \$ 19,255,505

The Independent Auditors' Report should be read in conjunction with
these consolidating statements.

TREEPEOPLE, INC.

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	TreePeople				Trust				Eliminations	Consolidated			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total		Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES													
Salaries	\$ 6,008,710	\$ 1,191,258	\$ 474,111	\$ 7,674,079	\$ 321,766	\$ 11,250	\$ -	\$ 333,016	\$ -	\$ 6,330,476	\$ 1,202,508	\$ 474,111	\$ 8,007,095
Employee benefits	611,412	48,232	24,901	684,545	36,323	477	-	36,800	-	647,735	48,709	24,901	721,345
Payroll taxes	519,226	140,499	38,905	698,630	26,705	910	-	27,615	-	545,931	141,409	38,905	726,245
Total personnel expenses	7,139,348	1,379,989	537,917	9,057,254	384,794	12,637	-	397,431	-	7,524,142	1,392,626	537,917	9,454,685
OPERATIONAL EXPENSES													
Direct mail expenses	29	-	30,562	30,591	-	-	-	-	-	29	-	30,562	30,591
Equipment and vehicles	298,347	6,899	4,740	309,986	24,746	28	-	24,774	-	323,093	6,927	4,740	334,760
Insurance	209,306	94,013	12,948	316,267	9,520	3,690	-	13,210	-	218,826	97,703	12,948	329,477
Interest and account fees	6,533	84,143	31,937	122,613	-	-	-	-	-	6,533	84,143	31,937	122,613
Marketing and communications	10,506	1,753	5,515	17,774	-	-	-	-	-	10,506	1,753	5,515	17,774
Miscellaneous	28,315	3,309	113,220	144,844	-	3,805	-	3,805	-	28,315	7,114	113,220	148,649
Occupancy	114,159	-	-	114,159	36,059	1,267	-	37,326	-	150,218	1,267	-	151,485
Operations	138,407	198,733	22,445	359,585	109,471	4,153	-	113,624	-	247,878	202,886	22,445	473,209
Planting related	847,748	3,064	3,040	853,852	-	-	-	-	-	847,748	3,064	3,040	853,852
Professional services	499,149	677,621	2,563	1,179,333	190,792	3,123	-	193,915	(118,285)	571,656	680,744	2,563	1,254,963
Program expenses	1,633	4,932	644	7,209	-	-	-	-	-	1,633	4,932	644	7,209
Staff development	6,874	715	223	7,812	-	-	-	-	-	6,874	715	223	7,812
Subcontractors and outside services	3,057,543	2,638	837	3,061,018	14,935	713	-	15,648	-	3,072,478	3,351	837	3,076,666
Travel	82,282	13,283	4,151	99,716	1,350	526	-	1,876	-	83,632	13,809	4,151	101,592
Utilities and security	115,436	21,133	6,709	143,278	-	-	-	-	-	115,436	21,133	6,709	143,278
Bad debt expense (recoveries)	12,490	(43,096)	-	(30,606)	-	20,000	-	20,000	-	12,490	(23,096)	-	(10,606)
Depreciation and amortization	373,698	72,821	23,117	469,636	-	1,018	-	1,018	-	373,698	73,839	23,117	470,654
Total operational expenses	5,802,455	1,141,961	262,651	7,207,067	386,873	38,323	-	425,196	(118,285)	6,071,043	1,180,284	262,651	7,513,978
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 12,941,803	\$ 2,521,950	\$ 800,568	\$ 16,264,321	\$ 771,667	\$ 50,960	\$ -	\$ 822,627	\$ (118,285)	\$ 13,595,185	\$ 2,572,910	\$ 800,568	\$ 16,968,663

The Independent Auditors' Report should be read in conjunction with
these consolidating statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
TreePeople, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of TreePeople, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-01 and 2024-02 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Windes, Inc." in a cursive script.

Long Beach, California
September 30, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
TreePeople, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited TreePeople, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2024. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Windes, Inc." with a stylized, cursive script.

Long Beach, California
September 30, 2025

TREEPEOPLE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing	Contract/ Agreement Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Passed through National Fish and Wildlife Foundation</i>				
Forest Aid Phase III	10.U01	0806.21.071971	\$ -	\$ 291
Forest Aid Phase IV	10.U05	0806.22.075167	-	468,340
Forest Aid CM Park	10.U06	1301.23.078600	-	24,195
Forest Aid Pollinator	10.U07	2007.24.081453	-	12,716
			-	505,542
<i>Passed through National Forest Foundation</i>				
NFF Bigcone	10.682	AP-504	-	974
NFF Powerhouse Oaks	10.682		-	13,232
			-	14,206
<i>Passed through Partnership Agreements</i>				
SBNF Planning	10.699		-	4,613
			-	4,613
<i>Passed through Community Project Funding Congressionally Designated Funding</i>				
Aliso Canyon and O'Melveny Park Restoration	10.723	22-DG-11052021-245	-	2,502
			-	2,502
<i>Passed through IRA Urban and Community Forestry</i>				
USFS IRA	10.727		-	219,748
			-	219,748
Total U.S. Department of Agriculture			-	746,611
U.S. Department of Housing and Urban Development				
<i>Pass through Economic Development Initiative</i>				
West Valley Community Greening Project	14.251	B-23-CP-CA-0215	-	69,494
			-	69,494
<i>Pass through FY2019 Choice Neighborhoods Implementation</i>				
Watts Residential Landscaping	14.889	CA9D004CNG119	-	71,638
			-	71,638
Total U.S. Department of Housing and Urban Development			-	141,132
Corporation for National and Community Service				
AmeriCorp 1	94.006	21ACIY28-C190	-	55,318
			-	55,318
Total Expenditures of Federal Awards			\$ -	\$ 943,061

TREEPEOPLE, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of TreePeople, Inc. (the Organization). The SEFA does not include expenditures of the Organization's subsidiary, TreePeople Land Trust. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 – Summary of Significant Accounting Policies

The SEFA is presented using the accrual basis of accounting, which is described in the notes to the consolidated financial statements of the Organization as of and for the year ended December 31, 2024.

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

The independent auditors' report expresses an unmodified opinion on whether the consolidated financial statements of TreePeople, Inc. were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – Yes
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – None reported
2. Significant deficiencies identified? – None reported
3. Type of auditors' report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No
5. Identification of major programs:

National Fish and Wildlife Foundation – #10.U01 Forest Aid Phase III; #10.U05 Forest Aid Phase IV; #10.U06 Forest Aid CM Park ; #10.U07 Forest Aid Pollinator
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

TREEPEOPLE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT

The following items are considered to be material weaknesses:

2024-01 Year-End Reconciliation and Close Process

Condition: We noted a number of material adjustments recorded during the audit fieldwork as a result of audit procedures, which indicates certain month-end reconciliations and close processes were not operating as designed. These adjustments related to a) overstatement of revenue for cash receipts received for prior year receivables or duplicate invoices; b) misstated revenue and related accounts based on terms of the grant and services performed.

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting.

Cause: The Organization implemented a new accounting system and experienced management turnover during 2023 and 2024, which led to difficulties in reconciling accounts and schedules and the financial statements at year-end.

Effect: Financial reporting may not be accurate.

Recommendation: We recommend the Organization implement additional closing procedures related to reconciling consolidated statement of financial position accounts and transaction cycles to ensure all necessary journal entries are recorded, accounts are reconciled, and management reviews monthly financial reporting.

Management's

Response: In 2024 TreePeople hired a new CFO and subsequently brought on a new Controller. Both are in the process of refining the month end and year end close processes to improve accuracy and reporting. The Billing team, which transitioned under the Finance department on December 1, 2024, is now being integrated into these close processes and is expected to improve both the timing and accuracy of our reporting.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION II – FINDINGS FINANCIAL STATEMENTS AUDIT (Continued)

2024-01 Year-End Reconciliation and Close Process (Continued)

Management's
Response
(Continued):

The integration is expected to enhance our reporting and revenue recognition processes. We are also reviewing best practices for program and non-program activities for revenue and expenses. The CFO and Controller are currently evaluating and implementing additional controls that will establish more rigor to the month end and year end close processes. Additional review processes for revenues and expenses with integration of our Billing team will cohesively improve invoicing and alignment with the Accounting team. This evaluation is underway and will retroactively apply to financial activities beginning in early 2025.

2024-02 Restricted Net Asset Reporting

Condition: The Organization tracks grants by individual cost-centers, which allows for total revenue and total expenditures. Reports by grant activity are used for the schedule of net assets with donor restrictions and expenditures for federally-sourced grants. During the audit, it was noted that the schedule of net assets with donor restrictions required significant adjustment to identify the grants and correct expenditure (release) amounts to be included and presented as ending restricted balances.

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting.

Cause: The Organization implemented a new accounting system and experienced management turnover during 2023 and 2024, which led to an inconsistent processes for recording restricted grants and related expenses.

TREEPEOPLE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

2024-02 Restricted Net Asset Reporting (Continued)

Effect: Financial transactions may be recorded to the wrong program or reporting may be inaccurate.

Recommendation: We recommend management implement more robust procedures and policies around tracking of grants and the related expenditures to ensure accurate and complete reporting the schedule of net assets with donor restrictions.

Management's
Response:

TreePeople implemented a new software application to improve expense tracking and reconciling of program and SEFA reporting. In addition, the CFO engaged a new technology consulting firm effective November 1, 2024, with deep experience in the application to support the design and implementation of improved reporting processes.

The CFO and Controller will meet with the auditors to better define the final steps on aligning the net asset schedule, so we are better aligned, ultimately facilitating the 2025 audit process. As previously noted, the transition of the Billing team under the CFO's oversight will further strengthen the month end and year end reporting and revenue recognition. A formal review of net assets will be incorporated into the ongoing processes. These enhancements will increase accuracy and improve the timeliness of financial reporting for both revenue and expenses. All process improvements are scheduled for implementation prior to December 31, 2025.

TREEPEOPLE, INC.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024**

2023 – FINDINGS FINANCIAL STATEMENTS AUDIT

The following items are considered to be material weaknesses:

2023-01 Year-End Reconciliation and Close Process

Condition: We noted a number of material adjustments recorded during the audit fieldwork and as a result of audit procedures, which indicates certain month-end reconciliations and close processes were not operating as designed. These adjustments related to a) overstatement of revenue for cash receipts received for prior year receivables or duplicate invoices; b) differences between the subledgers and ledgers for receivables and payables; c) management estimate of collectability of receivables at year-end; d) services recorded in the incorrect period; and e) misstated revenue and related accounts based on terms of the grant and services performed.

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting.

Status: This is considered a repeat finding in 2024 as 2024-01.

2023-02 Expense Tracking and SEFA Reporting

Condition: The Organization tracks grants by individual cost-centers, which allows for total revenue and total expenditures. Reports by grant activity are used for the schedule of net assets with donor restrictions and expenditures for federally-sourced grants. During the audit, it was noted that expenses were tracked to grant cost-centers in excess of grant funds, resulting in challenges for management to generate accurate reports. The preparation of the Schedule of Expenditures of Federal Awards (SEFA) and the schedule of net assets with donor restrictions required significant auditor assistance to identify the grants and correct expenditure (release) amounts to be included.

TREEPEOPLE, INC.

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024**

2023 – FINDINGS FINANCIAL STATEMENTS AUDIT (Continued)

2023-02 Expense Tracking and SEFA Reporting (Continued)

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over proper SEFA reporting and net asset reporting. Additionally, Section 2 CFR 200.510(b) of the Uniform Guidance requires that an auditee prepare a schedule of expenditures of federal awards, which includes individual federal programs by federal agency and total federal awards expended for each individual federal program and Assistance Listing Number.

Status: This finding appears partially mitigated in 2024; updated finding noted as 2024-02.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

The following item is considered to be significant deficiency:

2023-03 Period of Performance

**U.S. Department of Agriculture
National Fish and Wildlife Foundation: Bigcone, Shake Plantation
Assistance Listing: 10.U02, 10.U03**

Condition: The Organization's federal grants include periods of performance that ended at various periods during the year ended December 31, 2023. As part of the testwork of expenditures, we noted multiple transactions charged to two of its grants that were outside the period of performance for both payroll and nonpayroll expenditures.

Criteria: A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance. Management is responsible for establishing and maintaining procedures to ensure expenses applied to federal awards are incurred within the allowable period of performance.

Questioned Costs: \$28,100

Status: This was not observed in 2024.