

**TREE RESEARCH AND EDUCATION
ENDOWMENT FUND**

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021



Sassetti

CERTIFIED PUBLIC ACCOUNTANTS



TREE RESEARCH AND EDUCATION ENDOWMENT FUND
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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Board of Directors
Tree Research and Education Endowment Fund
Naperville, Illinois

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of TREE RESEARCH AND EDUCATION ENDOWMENT FUND (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TREE RESEARCH AND EDUCATION ENDOWMENT FUND as of December 31, 2022 and 2021, and the results of its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TREE RESEARCH AND EDUCATION ENDOWMENT FUND's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TREE RESEARCH AND EDUCATION ENDOWMENT FUND'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.

Sassetti LLC

Oak Brook, Illinois
May 3, 2023

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 587,483	\$ 725,679
Accounts receivable	41,968	5,563
Pledges receivable, net	287,273	188,503
Investments	26,092	30,849
Beneficial interest in investments held by Chicago Community Trust	4,413,384	5,329,520
Prepaid expenses	3,038	2,675
Property and equipment, net	<u>1,327</u>	<u>-</u>
Total Assets	<u><u>\$ 5,360,565</u></u>	<u><u>6,282,789</u></u>
 LIABILITIES		
Accounts payable	\$ 30,661	\$ 10,655
Accrued expenses	8,089	16,116
Grants payable	<u>353,124</u>	<u>333,864</u>
Total Liabilities	<u>391,874</u>	<u>360,635</u>
 NET ASSETS		
Without donor restrictions	(141,703)	(110,081)
With donor restrictions	<u>5,110,394</u>	<u>6,032,235</u>
Total Net Assets	<u>4,968,691</u>	<u>5,922,154</u>
 Total Liabilities and Net Assets	<u><u>\$ 5,360,565</u></u>	<u><u>\$ 6,282,789</u></u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 195,255	\$ 272,724	\$ 467,979
Special events	336,138	-	336,138
Contributions of nonfinancial assets	74,610	-	74,610
Grant management fees	12,192	-	12,192
Other income	1,249	-	1,249
Investment return, net	(4,757)	-	(4,757)
Increase in beneficial interest value, net	-	(731,737)	(731,737)
Net assets released from restrictions	462,828	(462,828)	-
	<u>1,077,515</u>	<u>(921,841)</u>	<u>\$ 155,674</u>
Total public support and revenue			
FUNCTIONAL EXPENSES			
Program services	613,856	-	613,856
Administrative and general	169,707	-	169,707
Fundraising	325,574	-	325,574
	<u>1,109,137</u>	<u>-</u>	<u>1,109,137</u>
Total functional expenses			
CHANGE IN NET ASSETS	(31,622)	(921,841)	(953,463)
NET ASSETS			
Beginning of year	<u>(110,081)</u>	<u>6,032,235</u>	<u>5,922,154</u>
End of year	<u>\$ (141,703)</u>	<u>\$ 5,110,394</u>	<u>\$ 4,968,691</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 204,895	\$ 307,667	\$ 512,562
PPP loan forgiveness	53,750	-	53,750
Grant income	35,178	-	35,178
Special events	259,071	-	259,071
Contributions of nonfinancial assets	49,864	-	49,864
Grant management fees	6,263	-	6,263
Other income	578	-	578
Investment return, net	(686)	-	(686)
Increase in beneficial interest value	-	603,090	603,090
Net assets released from restrictions	278,628	(278,628)	-
	<u>887,541</u>	<u>632,129</u>	<u>\$ 1,519,670</u>
FUNCTIONAL EXPENSES			
Program services	418,927	-	418,927
Administrative and general	97,207	-	97,207
Fundraising	318,273	-	318,273
	<u>834,407</u>	<u>-</u>	<u>834,407</u>
CHANGE IN NET ASSETS	53,134	632,129	685,263
NET ASSETS			
Beginning of year	<u>(163,215)</u>	<u>5,400,106</u>	<u>5,236,891</u>
End of year	<u>\$ (110,081)</u>	<u>\$ 6,032,235</u>	<u>\$ 5,922,154</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Administrative and General	Fundraising	Total
Salaries	\$ 138,397	\$ 39,088	\$ 78,270	\$ 255,755
Payroll taxes	11,116	3,110	6,329	20,555
Other employee benefits	17,659	4,987	9,987	32,633
Accounting fees	-	42,226	-	42,226
Advertising	-	23,368	-	23,368
Bank charges	-	3,491	-	3,491
Computer services	-	4,609	-	4,609
Depreciation	38	11	21	70
Dues and subscriptions	-	5,180	-	5,180
Insurance	1,297	367	733	2,397
Miscellaneous	-	382	-	382
Monetary grants	431,705	-	-	431,705
Office supplies	-	4,937	-	4,937
Printing	-	1,231	2,603	3,834
Postage	-	2,084	-	2,084
Professional services	-	7,925	250	8,175
Special event expenses				
Professional services	-	-	76,135	76,135
Merchandise and supplies	-	-	29,294	29,294
Food and space rental	-	-	28,290	28,290
Bank charges	-	-	17,815	17,815
Lodging and transportation	-	-	73,177	73,177
Telephone	1,827	516	1,034	3,377
Travel and meetings	8,924	25,377	-	34,301
Rent and utilities	2,893	818	1,636	5,347
Total expenses	<u>\$ 613,856</u>	<u>\$ 169,707</u>	<u>\$ 325,574</u>	<u>\$ 1,109,137</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Administrative and General	Fundraising	Total
Salaries	\$ 131,478	\$ 34,337	\$ 76,618	\$ 242,433
Payroll taxes	10,280	2,847	6,015	19,142
Other employee benefits	13,847	3,616	8,069	25,532
Accounting fees	-	38,905	-	38,905
Advertising	-	-	32,214	32,214
Bank charges	-	4,685	-	4,685
Communications	6,203	1,620	3,615	11,438
Computer services	8,636	2,255	5,167	16,058
Depreciation	294	175	265	734
Dues and subscriptions	1,076	-	-	1,076
Insurance	2,166	565	1,262	3,993
Monetary grants	219,465	-	-	219,465
Office supplies	6,178	1,617	3,600	11,395
Payroll fees	-	1,543	-	1,543
Postage	1,253	327	730	2,310
Special event expenses				
Professional services	-	-	61,859	61,859
Merchandise	-	-	27,101	27,101
Food and space rental	-	-	6,276	6,276
Bank charges	-	-	10,940	10,940
Lodging	-	-	64,023	64,023
Telephone	4,136	1,080	2,410	7,626
Travel	2,311	604	1,347	4,262
Rent	11,604	3,031	6,762	21,397
Total expenses	<u>\$ 418,927</u>	<u>\$ 97,207</u>	<u>\$ 318,273</u>	<u>\$ 834,407</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (953,463)	\$ 685,263
Adjustments to reconcile net assets to net cash (used in) provided by operating activities:		
Depreciation	70	734
PPP loan forgiveness	-	(53,750)
Unrealized gains on investments	4,757	(686)
Donated securities	-	(30,163)
Beneficial interest in investments held by Chicago Community Trust	731,737	(603,090)
(Increase) decrease in:		
Accounts receivable	(36,405)	5,563
Pledges receivable	(98,770)	58,347
Prepaid expenses	(363)	1,199
Increase (decrease) in:		
Accounts payable	20,006	3,668
Accrued expenses	(8,027)	1,526
Grants payable	19,260	10,249
Net Cash (Used in) Provided by Operating Activities	<u>(321,198)</u>	<u>78,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds received from beneficial interest	184,399	176,992
Purchases of property and equipment, net	<u>(1,397)</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>183,002</u>	<u>176,992</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	<u>-</u>	<u>53,750</u>
Net Cash Provided by Financing Activities	<u>-</u>	<u>53,750</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(138,196)	309,602
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>725,679</u>	<u>416,077</u>
End of year	<u><u>\$ 587,483</u></u>	<u><u>\$ 725,679</u></u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The objectives of the Tree Research and Education Endowment Fund (the Fund) are both educational and scientific. The Fund provides a greater appreciation of trees through promotion of research, improved technology and the practice of professional arboriculture. The Fund's primary revenues consist of special events and contributions from individual donors and various arboriculture-related companies, both public and private.

Basis of Presentation - These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Fund considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Fund has deposits at a financial institution which at times may exceed federally insured limits. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

No amounts were paid for interest or income taxes in the years ended December 31, 2022 and 2021.

Pledges Receivable, Net - Pledges receivable are recorded in the fiscal year in which the notification of an unconditional pledge is received and then are classified as with or without donor restrictions, depending on the existence and/or nature of donor restrictions. Unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved, which was 5.5% at December 31, 2022 and 2021. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledge receivable. There was no allowance at December 31, 2022 and 2021. There was no bad debt expense for the years ended December 31, 2022 and 2021.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Acquisitions of property and equipment in excess of \$3,000 are capitalized. During both the years ended December 31, 2022 and 2021, there was depreciation expense of \$70 and \$734, respectively.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Classification of Net Assets - Net assets of the Fund are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Fund's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Fund reports gifts of cash or other assets as revenue with donor restrictions 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 purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Fund to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Contributions – The Fund recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues with without donor restrictions. Promises to give that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. There were no conditional promises to give for the years ended December 31, 2022 and 2021.

Grant Management Fee Revenue – The Fund recognizes grant management fee revenue equally over the length of the associated grant term. The Fund applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. The Fund accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Fund applies judgment in determining the customer's ability and intention to pay based on a variety of factors including the customer's historical payment experience.

While generally accepted accounting principles are generally applied to an individual contract with a customer, as a practical expedient, the Fund has applied this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The Fund reasonably expects that the effect of applying this guidance to the portfolio would not differ materially from applying the guidance to individual contracts (or performance obligations) within the portfolio.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Payment terms associated with grant management fee revenue differ based on the associated grant agreement. In some cases, the grant management fee is charged against the balance of a restricted contribution received by the Fund in the current or prior years. In other cases, the grant management fee payment terms are specified in the agreement and can be paid upon contract execution, in installments, or upon grant completion. Any amounts received but not earned at the end of the year are classified as contract liabilities. There were no contract liabilities at December 31, 2022 and 2021.

Special Events - Special events consist of raffles, a bike tour, and auctions. The purpose of special events is to raise financial support and public awareness to stimulate and encourage arboricultural research.

Donated Goods and Services - Donated services are recognized as contributions at their fair value at the date of donation if the services create or enhance nonfinancial assets or require specialized skills and would otherwise be purchased by the Fund. Donated materials are recorded as contributions at their fair values at the date of donation.

The Fund has a volunteer committee review grant applications and their time is not recorded as a contribution and expenditure because the Fund has no objective basis to measure or value these services. When services are measurable and meet the definition of services that can be recorded, the determined amount is recorded. Any expenses that would have been incurred from hiring a committee for review of the grants would be recorded as program expenses.

Functional Expense Allocation – The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Fund are reported as expenses of that functional area. Costs that benefit multiple functional areas are allocated across program, management and general, and fundraising expenses based on functional salary expenses. Salary expenses are attributed to a functional area based on estimates of time and effort reported by personnel each pay period.

Income Tax Status - The Fund is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). However, organizations which are exempt may be subject to unrelated business income taxes when an organization generates revenues from activities which are unrelated to the exempt purpose of the organization. Management does not believe that it has taxable unrelated income for 2020 or prior fiscal years. The Fund's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current year presentation.

Subsequent Events - The Fund has evaluated subsequent events through May 3, 2023, the date these financial statements were available to be issued.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2. DESCRIPTION OF PROGRAMS

Directed Grants

Directed grants are funded by a sponsor or donor for a specific project or topic. Proposals for the program are limited to the size specified in the "Request for Proposal". The schedule for submissions of proposals and awarding of the grant is dependent on the individual project.

Hyland R. Johns Grant

The Hyland R. Johns Grant Program provides funds to priority programs that benefit the arboricultural industry and enhance the many contributions of urban and community forests.

John Z. Duling Grant

The John Z. Duling Grant Program provides seed money to support research projects that address topics that have benefit to the everyday working arborist. Grant awards vary depending on the assessed value of the project to the needs of the arboricultural industry.

Tree Fund Research Fellowship Grant

Starting in 2008, the Tree Research Fellow Grant was designed to address a specific topic as defined by the TREE Fund Trustees and to provide support to a young scientist who is being mentored by an established and published scientist.

Jack Kimmel International Grant

The Jack Kimmel International Grant Program is championed by the Canadian TREE Fund and honors the late Jack Kimmel, former director of parks for the City of Toronto. The program provides much needed funding to arboriculture and urban forestry researchers all over the world.

Ohio Chapter ISA Grant

The Ohio Chapter Arboriculture Education Grant Program funds arboricultural education programs or projects within the state of Ohio which serve a target population of 16 years of age or older.

Utility Arborist Research Fund Grants

Started in 2018, the Utility Arborist Research Fund grants support work with real importance and benefit to utility tree care professionals via research projects managed by academic or consulting scientists.

Safe Arborist Techniques Fund Grants

Started in 2017, the Safe Arborist Techniques Fund supports original research that creates a safer work environment for people working in the tree care industry and the general public they serve.

Bob Skiera Memorial Fund Grants

The Bob Skiera Memorial Fund provides financial support for projects which will help arborists and urban foresters communicate the value of trees and urban forests in communities across the country.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
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Education

The Educational programs support numerous public education endeavors. The Tour des Trees provides educational opportunities through presentation and media interviews on the importance of trees and the role of tree research. Programs include information for pre-school to high school age students. Programs also describe the career opportunities in arboriculture.

Scholarships

The Robert Felix Memorial Scholarship Program was established to honor Robert Felix and his commitment to the advancement of arboriculture through education. The Fund provides scholarships to students pursuing a career in commercial arboriculture.

The Will Nutter Memorial Scholarship fund was established to honor Will Nutter, with the purpose of supporting education.

The John Wright Memorial Scholarship is for high school seniors and returning college students interested in a career in arboriculture.

The Horace M. Thayer Scholarship Program supports college students from Pennsylvania or Delaware enrolled in a program related to the practice of arboriculture and urban forestry.

The Fran Ward Women in Arboriculture Scholarship Program supports female college students from Pennsylvania or Delaware enrolled in a program related to the practice of arboriculture and urban forestry.

The Bonnie Appleton Memorial Scholarship supports college students studying arboriculture, urban forestry, horticulture, nursery management or a related field with the intention of becoming a professional in one of these fields.

3. ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard was adopted by the Fund on January 1, 2022. All of the Fund's leases are short-term in nature and as a result, the adoption had no material impact on the Fund's financial statements.

The FASB has issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958), which clarified the current standard and requires a not-for-profit to present contributed nonfinancial assets (in-kind contributions) as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the Statement of Activities, disaggregated by category that depicts the type of nonfinancial assets. The standard also required additional disclosures. The standard was adopted for the Fund's fiscal year ending December 31, 2022.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Fund operates on a consistent annual cycle, with known major expenditures for grant-making, payments on existing grants, and the Tour des Trees community engagement event, all being predictable and schedulable well in advance of required cash needs. The Fund's grant-making process results in multi-year accrued expenses. Payments required to satisfy those expenses are made using the annual distribution proceeds from the Fund's beneficial interest in the investments held by Chicago Community Trust (CCT). CCT administers the Fund's endowment and releases each year's earnings, also on a predictable, schedulable basis.

The Fund owns no real property and has no long-term contracts or commitments beyond grants awarded, credit card balances (typically paid off in full each month), and accrued paid time off balances, and is an at-will employer with flexibility to adjust and adapt staffing as needed on relatively short notice to address any unexpected changes of situations that may arise. Furthermore, TREE Fund maintains a robust insurance portfolio to respond to the types of unusual or unexpected situations and circumstances that could result in sudden requirements for cash liquidity to meet corporate obligations.

Because of the cyclical predictability of its annual operations, TREE Fund manages its operations with lean liquidity to maximize the resources applied in real time to mission-based programs.

The Fund considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

The Fund's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 587,483	\$ 725,679
Accounts receivable	41,968	5,563
Pledges receivable, net	287,273	188,503
Investments	26,092	30,849
Beneficial interest in investments held by Chicago Community Trust	<u>4,413,384</u>	<u>5,329,520</u>
Total financial assets available	5,356,200	6,280,114
Less: Amounts unavailable for general expenditure within one year, due to:		
Restricted by donors with purpose and/or time restriction	(367,740)	(454,127)
Restricted by donors in perpetuity	(536,102)	(446,486)
Restricted due to Chicago Community Trust spending policy	<u>(4,206,552)</u>	<u>(5,131,622)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,110,394)</u>	<u>(6,032,235)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 245,806</u>	<u>\$ 247,879</u>

The Fund may also, from time to time, submit one or more recommendations to CCT concerning the distribution of income and principal to the Fund in excess of CCT's spending policy, provided that the amount of any such distribution complies with the bylaws of the Fund and is approved by the majority of the members of the governing body of the Fund. Although such a distribution is subject to the approval of CCT, it is an available source of liquidity. In addition, the Fund also has an available credit card limit for cash advances and other purchases.

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5. PLEDGES RECEIVABLE

Pledges are due to be received as follows, for the years ended December 31:

	2022	2021
Receivable in less than one year	\$ 246,080	\$ 89,471
Receivable in one to five years	44,047	108,547
Thereafter	4,500	-
Total pledges receivable	294,627	198,018
Discounts to net present value at 5.5%	(7,354)	(9,515)
Net pledges receivable	<u>\$ 287,273</u>	<u>\$ 188,503</u>

6. BENEFICIAL INTEREST IN INVESTMENTS

The Fund was established in 2002 specifically to build and manage an endowment fund, the proceeds of which will be used to fund research, education, and community engagement. During the year ended December 31, 2008, the Fund transferred its endowment assets to Chicago Community Trust (CCT), an unrelated party. The CCT established the Tree Research and Education Endowment Fund, with the Fund named as its sole beneficiary. Any subsequent contributions to the endowment are collected by the Fund and transferred to CCT on a quarterly basis.

As a result of the transfer, the investment held at the CCT is presented in the statement of financial position as a beneficial interest in investments held by Chicago Community Trust. The beneficial interest in investments held by Chicago Community Trust as well as any investment income, net of fees, is considered a donor restricted asset subject to the spending policy of CCT until a disbursement to the Fund is approved by CCT.

CCT's defined spending plan allocates an annual spendable balance to be paid to the Fund based on a five-year rolling average of the Fund's aggregate value at the end of CCT's fiscal year on September 30. CCT releases the restriction on the spendable balance annually following the close of their fiscal year and pays the Fund the balance in two payments of 50% each, annually, unless the Fund directs CCT to hold the funds. If the Fund elects to not receive the spendable balance in any given year, it remains available for the Fund to draw down at any time. Funds made available by CCT but not drawn by the Fund are considered amounts subject to expenditure for a specified purpose or period.

While CCT administers the Fund's endowment as a single fund, the Fund maintains subsidiary accounts to preserve and pursue donor intentions for the funds.

7. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Fund considers the principal or

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most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Generally accepted accounting principles also establish a fair value hierarchy that requires the Fund to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual Funds - Valued at the quoted net asset value of the fund, which approximates fair value.

Investments Held at Chicago Community Trust: Fair values for investments are provided by the trust administrator who determines the fair value by reference to quoted market prices and other relevant information generated by market transactions.

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 Fund believes their 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 different fair value measurements at the reporting date.

The value of securities or other investments may be affected by various factors, including, without limitation: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax treaties between various countries; or (iv) currency, interest rate and price fluctuations. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the value of the investments.

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Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

The following summarizes the classification of investments by classification and method of valuation:

Asset Fair Value at December 31, 2022				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 26,092	\$ -	\$ -	\$ 26,092
Beneficial Interest in Investments Held by Chicago Community Trust	-	-	4,413,384	4,413,384
Total	<u>\$ 26,092</u>	<u>\$ -</u>	<u>\$ 4,413,384</u>	<u>\$ 4,439,476</u>

Asset Fair Value at December 31, 2021				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 30,849	\$ -	\$ -	\$ 30,849
Beneficial Interest in Investments Held by Chicago Community Trust	-	-	5,329,520	5,329,520
Total	<u>\$ 30,849</u>	<u>\$ -</u>	<u>\$ 5,329,520</u>	<u>\$ 5,360,369</u>

The following table sets forth a summary of changes in fair value of the Level 3 assets for the years ended December 31:

	2022	2021
Balance, beginning of the year	\$ 5,329,520	\$ 4,903,422
Realized and unrealized (losses) gains, net	(734,329)	599,678
Reinvested earnings, net of fees	2,591	3,412
Disbursements	(184,398)	(176,992)
Contributions	-	-
Balance, end of the year	<u>\$ 4,413,384</u>	<u>\$ 5,329,520</u>

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following, at December 31:

	2022	2021
Furniture and equipment	\$ 5,075	\$ 3,678
Less: Accumulated depreciation	(3,748)	(3,678)
Total	<u>\$ 1,327</u>	<u>\$ -</u>

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9. GRANTS PAYABLE

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities. The following is a summary of grants authorized but not yet paid at December 31:

	2022	2021
Hyland R. Johns grants	\$ 40,824	\$ 25,674
John Z. Duling grants	26,150	43,350
Jack Kimmel grants	16,700	18,101
Utility Arborist Research Fund project	45,049	90,020
Research Fellowship grants	-	5,955
Safety Arborist Techniques Fund grants	14,792	800
Robert Felix grants	5,000	35,030
State Game Lands grant	158,109	45,874
Bonnie Appleton scholarships	2,500	2,500
Bob Skiera grants	33,200	52,136
John Wright scholarships	2,500	2,500
Fran Ward scholarships	2,500	-
Jim Barborinas grants	5,400	7,098
Tree and Soil Research Fund grants	400	4,826
	<u>\$ 353,124</u>	<u>\$ 333,864</u>

Grant balances payable in future years are as follows:

Years ending December 31,		
2023	\$	302,148
2024		42,176
2025		8,800
	<u>\$</u>	<u>353,124</u>

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ended December 31:

	2022	2021
<u>Amounts subject to spending policy</u>		
<u>of Chicago Community Trust :</u>		
Beneficial interest in assets held by		
Chicago Community Trust:		
Barborinas Family Fund	\$ 102,326	\$ 130,203
Gamma Fund	77,885	90,280
John White Fund	105,170	121,908
Tree and Soil Research Fund	82,928	96,127
Mark McClure Research Fund	99,038	114,799
Illinois Arborists Association Fund	94,782	109,866
Safe Arborist's Technique Fund	310,661	376,321
John Wright Scholarship Fund	108,978	132,118
Utility Arborist Research Fund	1,208,679	1,458,501
Ohio Chapter ISA Funds	166,274	198,533
Bob Skiera Memorial Fund	526,430	638,379
Collier Arborist Training Trust	216,409	250,850
Bonnie Appleton Fund	113,625	137,504
John Duling Fund	330,398	454,309
Robert Felix Fund	811,731	952,510
The Davey Fund	58,070	67,312
Total Funds Held by CCT	4,413,384	5,329,520
Less: Funds approved for spending by CCT	(206,832)	(197,898)
Total amounts subject to spending policy of of Chicago Community Trust	4,206,552	5,131,622

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	<u>2022</u>	<u>2021</u>
<u>Amounts restricted by donors to be held in perpetuity held by the Fund</u>		
John White Fund	\$ 28,086	\$ 21,185
Tree and Soil Research Fund	39,598	39,247
Davey Fund	151,135	100,935
Hyland Johns Endowment Fund	47,340	41,409
Will Nutter Scholarship Fund	117,680	59,340
Robert Felix Fund	5,000	5,000
Barborinas Fund	25,650	20,300
Utility Arborist Research Fund	39,118	26,938
Larry R Hall Memorial Fund	15,464	15,463
Bonnie Appleton Memorial Fund	1,484	1,122
Total amounts restricted by donors to be held in perpetuity held in cash	470,555	330,939
<u>Promises to give, proceeds of which have been restricted by donors to be held in perpetuity</u>	65,547	115,547
<u>Amounts subject to expenditure for a specified purpose or period</u>		
Funds approved for spending by CCT	206,832	197,898
Bob Skiera Memorial Fund	74,368	65,976
Safe Arborist Techniques Fund	3,318	2,650
Ohio Chapter ISA Funds	500	500
Collier Fund	400	300
Gameland sponored research grant	17,457	102,689
Other research grants and scholarships	8,718	11,629
Time restricted contributions	56,147	72,485
Total subject to expenditure for a specified purpose or period	367,740	454,127
Total net assets with donor restrictions	\$ 5,110,394	\$ 6,032,235

11. EMPLOYEE BENEFITS

The Fund maintains a 403(B) plan that covers full-time employees. The Fund matches fifty cents per dollar of each employee dollar up to a maximum employee contribution of 4.25% of employee salary up to \$3,500. The Fund contributed \$3,150 and \$2,898 for the years ended December 31, 2022 and 2021, respectively.

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12. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2022 and 2021, the Fund received contributed nonfinancial goods and services as follows:

Type of Nonfinancial Asset or Service	2022	2021	Utilization in Programs/Activities	Valuation Techniques and Inputs
Advertising services	\$ 18,623	\$ 32,348	General and administrative	Estimated based on current rates for similar advertising services
Food and space rental	3,038	-	Board meetings	Estimated based on actual rates paid by the donor
Travel and lodging	9,111	-	Board meetings	Estimated based on actual rates paid by the donor
Trees	-	2,670	Program	Estimated based on actual rates paid by the donor
Merchandise and supplies	13,247	13,581	Tour de Trees	Estimated based on wholesale values of similar products sold in the United States
Travel and lodging	25,375	1,265	Tour de Trees	Estimated based on actual rates paid by the donor
Massage therapist services	4,916	-	Tour de Trees	Estimated based on current rates for similar massage services
Training programs	300	-	Tour de Trees	Estimated based on current rates for similar training programs
	<u>\$ 74,610</u>	<u>\$ 49,864</u>		

Unless otherwise noted, there were no ongoing donor restrictions related to the contributions. All contributions were utilized in ongoing operations of the Fund rather than monetized. All contributed nonfinancial assets were used in the United States.

13. LEASE COMMITMENTS

The Fund had an office lease that expired in August of 2021. The Fund also rents storage space on a month-to-month basis. Rent expense was \$4,955 and \$21,397 for the years ended December 31, 2022 and 2021, respectively.

14. CONCENTRATIONS

At December 31, 2022, 90% of the total pledge receivable balance was due from three donors. At December 31, 2021, 95% of the total pledge receivable balance was due from three donors.

Approximately 38% and 28% of revenues, excluding investment income and the change in the beneficial interest value, were derived from one special event, for the years ended December 31, 2022 and 2021, respectively.