



**TREE RESEARCH AND  
EDUCATION ENDOWMENT  
FUND**

Financial Statements

*December 31, 2023 and 2022*

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position As of December 31, 2023 and 2022	3
Statement of Activities Year Ended December 31, 2023	4
Statement of Activities Year Ended December 31, 2022	5
Statement of Functional Expenses Year Ended December 31, 2023	6
Statement of Functional Expenses Year Ended December 31, 2022	7
Statements of Cash Flows Years Ended December 31, 2023 and 2022	8
Notes to Financial Statements	9 - 22



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, 2023 and 2022 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, 2023 and 2022, 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  
June 25, 2024

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 **AND** 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 525,483	\$ 587,483
Accounts receivable		41,968
Pledges receivable, net	65,924	287,273
Prepaid expenses	27,371	3,038
Certificates of deposit	502,541	
Investments	28,872	26,092
Beneficial interest in investments held by Chicago Community Trust	4,872,516	4,413,384
Property and equipment, net	1,048	1,327
Total Assets	\$ 6,023,755	\$ 5,360,565
<b>LIABILITIES</b>		
Accounts payable	\$ 35,953	\$ 30,661
Accrued expenses	13,113	8,089
Deferred revenue	5,938	
Grants payable	270,895	353,124
Total Liabilities	325,899	391,874
<b>NET ASSETS</b>		
Without donor restrictions	(92,097)	(141,703)
With donor restrictions	5,789,953	5,110,394
Total Net Assets	5,697,856	4,968,691
Total Liabilities and Net Assets	\$ 6,023,755	\$ 5,360,565

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$ 177,828	\$ 288,276	\$ 466,104
Special events	391,870		391,870
Contributions of nonfinancial assets	78,089		78,089
Grant management fees	11,867		11,867
Other income	250		250
Investment return, net	5,321		5,321
Increase in beneficial interest value, net		650,728	650,728
Employee retention credit	59,591		59,591
Net assets released from restrictions	259,445	(259,445)	
	984,261	679,559	1,663,820
<b>FUNCTIONAL EXPENSES</b>			
Program services	297,444		297,444
Administrative and general	221,515		221,515
Fundraising	415,696		415,696
	934,655		934,655
<b>CHANGE IN NET ASSETS</b>	49,606	679,559	729,165
<b>NET ASSETS</b>			
Beginning of year	(141,703)	5,110,394	4,968,691
End of year	\$ (92,097)	\$ 5,789,953	\$ 5,697,856

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
<b>PUBLIC SUPPORT AND REVENUE</b>			
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		(731,737)	(731,737)
Net assets released from restrictions	462,828	(462,828)	
	1,077,515	(921,841)	155,674
<b>FUNCTIONAL EXPENSES</b>			
Program services	613,856		613,856
Administrative and general	169,707		169,707
Fundraising	325,574		325,574
	1,109,137		1,109,137
<b>CHANGE IN NET ASSETS</b>	(31,622)	(921,841)	(953,463)
<b>NET ASSETS</b>			
Beginning of year	(110,081)	6,032,235	5,922,154
End of year	\$ (141,703)	\$ 5,110,394	\$ 4,968,691

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, 2023

	Program Services	Administrative and General	Fundraising	Total
Salaries	\$ 80,736	\$ 25,456	\$ 81,957	\$ 188,149
Payroll taxes	6,191	2,628	6,329	15,148
Other employee benefits	9,320	2,945	9,474	21,739
Accounting fees		45,303		45,303
Advertising		6,684		6,684
Advertising in-kind		44,147		44,147
Bad debt			50,547	50,547
Bank charges		2,550		2,550
Board expense		21,357		21,357
Communications		20,925		20,925
Computer services		5,725		5,725
Credit card fees			10,610	10,610
Depreciation	120	38	121	279
Dues and subscriptions		360		360
Insurance	1,687	533	1,715	3,935
Monetary grants	166,570			166,570
Office supplies		1,294	2,148	3,442
Payroll fees		1,870		1,870
Printing				
Postage		1,056		1,056
Professional services	29,350	11,461	8,692	49,503
Special event expenses				
Professional services			56,750	56,750
Communications			5,114	5,114
Merchandise and supplies			14,829	14,829
In-kind merchandise			17,000	17,000
Food and space rental			14,971	14,971
Lodging and transportation			131,910	131,910
Telephone	924	292	940	2,156
Travel and meetings		26,086		26,086
Rent and utilities	2,546	805	2,589	5,940
Total expenses	<u>\$ 297,444</u>	<u>\$ 221,515</u>	<u>\$ 415,696</u>	<u>\$ 934,655</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
<b>Total expenses</b>	<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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 729,165	\$ (953,463)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation	279	70
Unrealized (gains) losses on investments	(1,856)	4,757
Beneficial interest in investments held by Chicago Community Trust	(650,729)	731,737
(Increase) decrease in:		
Accounts receivable	41,968	(36,405)
Pledges receivable	221,349	(98,770)
Prepaid expenses	(24,333)	(363)
Accrued interest	(1,560)	
Increase (decrease) in:		
Accounts payable	5,292	20,006
Accrued expenses	5,024	(8,027)
Grants payable	(82,229)	19,260
Deferred revenue	5,938	
Net Cash Provided by (Used in) Operating Activities	<u>248,308</u>	<u>(321,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds received from beneficial interest	191,597	184,399
Purchases of certificates of deposit	(501,905)	
Purchases of property and equipment, net		(1,397)
Net Cash (Used in) Provided by Investing Activities	<u>(310,308)</u>	<u>183,002</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,000)	(138,196)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>587,483</u>	<u>725,679</u>
End of year	<u>\$ 525,483</u>	<u>\$ 587,483</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022.

Accounts Receivable - Accounts receivable consist of duplicate payments to the grantee and grant management fees. Accounts receivable are stated at their unpaid balances. The Fund reviews accounts receivable and determines the need for an allowance for doubtful accounts based on management's experience and information. There is no provision for uncollectible accounts at December 31, 2023 and 2022, as management considers all accounts to be fully collectible. If an account becomes uncollectible, management writes off the account directly to bad debt expense.

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, 2023 and 2022. 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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

was no allowance at December 31, 2023 and 2022. The bad debt expense for the year ended December 31, 2023 was \$50,547; there was no bad debt expense for 2022.

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, 2023 and 2022, there was depreciation expense of \$279 and \$70, respectively.

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 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, 2023 and 2022.

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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.

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. The Fund had a contract liability balance of \$5,983 at December 31, 2023. There was no contract liability balance at December 31, 2022.

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. Special event revenues are recorded as deferred revenue when received and recognized as earned when the underlying event occurs.

Contributions of Nonfinancial Assets - Contributions of nonfinancial assets include donated services and materials. 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 2021 or prior fiscal years. The Fund's Forms

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events - The Fund has evaluated subsequent events through June 25, 2024, the date these financial statements were available to be issued.

## 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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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.

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.

The Larry Hall Memorial Scholarship supports high school seniors and returning college students interested in the arboriculture industry.

3. ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. This standard replaces the incurred loss methodology and is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and trade receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The new standard was adopted by the Fund on January 1, 2023 and had no material impact on the Fund's financial statements.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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

	2023	2022
Cash and cash equivalents	\$ 525,483	\$ 587,483
Accounts receivable		41,968
Pledges receivable, net	65,924	287,273
Certificates of deposit	502,541	
Investments	28,872	26,092
Beneficial interest in investments held by Chicago Community Trust	4,872,516	4,413,384
Total financial assets available	5,995,336	5,356,200
Less: Amounts unavailable for general expenditure within one year, due to:		
Restricted by donors with purpose and/or time restriction	(494,934)	(367,740)
Restricted by donors in perpetuity	(638,843)	(536,102)
Restricted due to Chicago Community Trust spending policy	(4,656,176)	(4,206,552)
Total amounts unavailable for general expenditures within one year	(5,789,953)	(5,110,394)
Total financial assets available to management for general expenditure within one year	\$ 205,383	\$ 245,806

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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

5. PLEDGES RECEIVABLE

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

	2023	2022
Receivable in less than one year	\$ 57,400	\$ 246,080
Receivable in one to five years	7,500	44,047
Thereafter	3,000	4,500
Total pledges receivable	<u>67,900</u>	<u>294,627</u>
Discounts to net present value at 5.5%	<u>(1,976)</u>	<u>(7,354)</u>
Net pledges receivable	<u>\$ 65,924</u>	<u>\$ 287,273</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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022.

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

Certificates of Deposit - Valued at original cost plus accrued interest, 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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

health issues, recessions, or other events could have a significant impact on the value of the investments.

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, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 28,872	\$	\$	\$ 28,872
Certificates of deposit		502,541		502,541
Beneficial Interest in Investments Held by Chicago Community Trust			4,872,516	4,872,516
Total	\$ 28,872	\$ 502,541	\$ 4,872,516	\$ 5,403,929

  

	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	\$ 26,092	\$	\$ 4,413,384	\$ 4,439,476

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

	2023	2022
Balance, beginning of the year	\$ 4,413,384	\$ 5,329,520
Realized and unrealized gains (losses), net	633,304	(734,329)
Reinvested earnings, net of fees	17,425	2,591
Disbursements	(191,597)	(184,398)
Balance, end of the year	\$ 4,872,516	\$ 4,413,384

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

8. PROPERTY AND EQUIPMENT

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

	2023	2022
Furniture and equipment	\$ 1,397	\$ 5,075
Less: Accumulated depreciation	(349)	(3,748)
Total	\$ 1,048	\$ 1,327

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:

	2023	2022
Hyland R. Johns grants	\$ 20,850	\$ 40,824
John Z. Duling grants	30,264	26,150
Jack Kimmel grants	15,300	16,700
Utility Arborist Research Fund project	80,007	45,049
Safety Arborist Techniques Fund grants		14,792
Robert Felix grants	2,500	5,000
State Game Lands grant	57,244	158,109
Bonnie Appleton scholarships	2,500	2,500
Bob Skiera grants	53,130	33,200
John Wright scholarships	2,500	2,500
Fran Ward scholarships		2,500
Larry Hall scholarships	2,500	
Will Nutter scholarships	2,500	
Jim Barborinas grants	1,200	5,400
Tree and Soil Research Fund grants	400	400
	\$ 270,895	\$ 353,124

Grant balances payable in future years are as follows:

2024	\$ 196,235
2025	55,078
2026	15,582
2027	4,000
	\$ 270,895

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
<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	\$ 117,413	\$ 102,326
Gamma Fund	89,369	77,885
John White Fund	120,677	105,170
Tree and Soil Research Fund	95,156	82,928
Mark McClure Research Fund	113,640	99,038
Illinois Arborists Association Fund	103,757	94,782
Safe Arborist's Technique Fund	356,466	310,661
John Wright Scholarship Fund	120,046	108,978
Utility Arborist Research Fund	1,336,951	1,208,679
Ohio Chapter ISA Funds	185,860	166,274
Bob Skiera Memorial Fund	575,010	526,430
Collier Arborist Training Trust	248,317	216,409
Bonnie Appleton Fund	125,378	113,625
John Duling Fund	293,928	330,398
Robert Felix Fund	923,916	811,731
The Davey Fund	66,632	58,070
	4,872,516	4,413,384
Total Funds Held by CCT		
Less: Funds approved for spending by CCT	(216,340)	(206,832)
	4,656,176	4,206,552
Total amounts subject to spending policy of of Chicago Community Trust		

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

	2023	2022
<u>Amounts restricted by donors to be held in perpetuity held by the Fund</u>		
John White Fund	\$ 28,186	\$ 28,086
Tree and Soil Research Fund	45,097	39,598
Davey Fund	201,135	151,135
Hyland Johns Endowment Fund	114,886	47,340
Will Nutter Scholarship Fund	117,780	117,680
Robert Felix Fund	5,000	5,000
Barborinas Fund	25,750	25,650
John Wright Scholarship Fund	15,547	
Utility Arborist Research Fund	40,119	39,118
Larry R Hall Memorial Fund	31,358	15,464
Bonnie Appleton Memorial Fund	1,485	1,484
 Total amounts restricted by donors to be held in perpetuity held by the Fund	 626,343	 470,555
 <u>Promises to give, proceeds of which have been restricted by donors to be held in perpetuity</u>	 12,500	 65,547
 <u>Amounts subject to expenditure for a specified purpose or period</u>		
Funds approved for spending by CCT	216,340	206,832
Bob Skiera Memorial Fund	83,384	74,368
Safe Arborist Techniques Fund	3,318	3,318
Ohio Chapter ISA Funds	500	500
Collier Fund	500	400
Gameland sponsored research grant	133,018	17,457
Other research grants and scholarships	19,850	8,718
Time restricted contributions	38,024	56,147
 Total subject to expenditure for a specified purpose or period	 494,934	 367,740
 Total net assets with donor restrictions	 \$ 5,789,953	 \$ 5,110,394

11. EMPLOYEE BENEFITS

The Fund maintains a 403(8) 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 \$900 and \$3,150 for the years ended December 31, 2023 and 2022, respectively.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

12. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2023 and 2022, the Fund received contributed nonfinancial goods and services as follows:

Type of Nonfinancial Asset or Service	2023	2022	Utilization in Programs/Activities	Valuation Techniques and Inputs
Advertising services	\$ 44,147	\$ 18,623	General and administrative	Estimated based on current rates for similar advertising services
Food and space rental	5,354	3,038	Board meetings	Estimated based on actual rates paid by the donor
Travel and lodging	11,588	9,111	Board meetings	Estimated based on actual rates paid by the donor
Merchandise and supplies	17,000	13,247	Tour de Trees	Estimated based on wholesale values of similar products sold in the United States
Travel and lodging		25,375	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>\$ 78,089</u>	<u>\$ 74,610</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 rents storage space on a month-to-month basis. Rent expense was \$3,063 and \$2,776 for the years ended December 31, 2023 and 2022, respectively.

14. CONCENTRATIONS

Three donors comprised 78% and 84% of the total receivable balance due at December 31, 2023 and 2022, respectively.

Approximately 41% and 38% of revenues, excluding investment income, the change in the beneficial interest value, and the employee retention credit, were derived from one special event, for the years ended December 31, 2023 and 2022, respectively. Likewise, one funder comprised 17% and 18% of revenues, excluding investment income, the change in the beneficial interest value, and the employee retention credit, for the years ended December 31, 2023 and 2022, respectively.