

**TREE RESEARCH AND EDUCATION  
ENDOWMENT FUND**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

**Sassetti**



CERTIFIED PUBLIC ACCOUNTANTS

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019

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

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

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, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **TREE RESEARCH AND EDUCATION ENDOWMENT FUND** as of December 31, 2020 and 2019, 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.

*Sassetti LLC*

Oak Park, Illinois  
April 26, 2021

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 416,077	\$ 148,619
Pledges receivable, net	257,976	329,339
Beneficial interest in investments held by Chicago Community Trust	4,903,422	4,701,956
Prepaid expenses	3,874	3,948
Property and equipment, net	734	1,470
Total Assets	\$ 5,582,083	5,185,332
 <b>LIABILITIES</b>		
Accounts payable	\$ 6,987	\$ 65,754
Accrued expenses	14,590	8,237
Grants payable	323,615	362,649
Total Liabilities	345,192	436,640
 <b>NET ASSETS</b>		
Without donor restrictions	(163,215)	(416,122)
With donor restrictions	5,400,106	5,164,814
Total Net Assets	5,236,891	4,748,692
Total Liabilities and Net Assets	\$ 5,582,083	\$ 5,185,332

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$ 357,634	\$ 99,129	\$ 456,763
PPP loan forgiveness	74,523	-	74,523
Special events	151,775	-	151,775
In-kind contributions	17,244	-	17,244
Grant management fees	12,382	-	12,382
Merchandise sales	115	-	115
Increase in beneficial interest value	-	591,527	591,527
Net assets released from restrictions	455,364	(455,364)	-
	<u>1,069,037</u>	<u>235,292</u>	<u>\$ 1,304,329</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	535,696	-	535,696
Administrative and general	189,219	-	189,219
Fundraising	91,215	-	91,215
	<u>816,130</u>	<u>-</u>	<u>816,130</u>
<b>CHANGE IN NET ASSETS</b>	252,907	235,292	488,199
<b>NET ASSETS</b>			
Beginning of year	<u>(416,122)</u>	<u>5,164,814</u>	<u>4,748,692</u>
End of year	<u>\$ (163,215)</u>	<u>\$ 5,400,106</u>	<u>\$ 5,236,891</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions	\$ 275,637	\$ 200,661	\$ 476,298
Special events	433,000	-	433,000
In-kind contributions	121,020	-	121,020
Grant management fees	12,065	-	12,065
Merchandise sales	169	-	169
Increase in beneficial interest value	-	690,885	690,885
Transfer of unrestricted funds from CCT	49,965	(49,965)	-
Net assets released from restrictions	234,910	(234,910)	-
	<u>1,126,766</u>	<u>606,671</u>	<u>\$ 1,733,437</u>
<b>FUNCTIONAL EXPENSES</b>			
Program services	717,955	-	717,955
Administrative and general	253,816	-	253,816
Fundraising	310,253	-	310,253
	<u>1,282,024</u>	<u>-</u>	<u>1,282,024</u>
<b>CHANGE IN NET ASSETS</b>	(155,258)	606,671	451,413
<b>NET ASSETS</b>			
Beginning of year	<u>(260,864)</u>	<u>4,558,143</u>	<u>4,297,279</u>
End of year	<u>\$ (416,122)</u>	<u>\$ 5,164,814</u>	<u>\$ 4,748,692</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, 2020

	Program Services	Administrative and General	Fundraising	Total
Salaries	\$ 132,018	\$ 86,273	\$ 37,088	\$ 255,379
Payroll taxes	11,805	7,627	3,264	22,696
Other employee benefits	13,619	8,900	3,826	26,345
Accounting fees	-	35,400	-	35,400
Bank charges	-	7,195	-	7,195
Communications	4,581	2,994	1,287	8,862
Computer services	5,612	2,911	2,403	10,926
Computer services in-kind	303	157	130	590
Depreciation	294	177	265	736
Dues and subscriptions	382	-	-	382
Insurance	5,724	3,741	1,608	11,073
Miscellaneous	-	2	-	2
Monetary grants	306,602	-	-	306,602
Office supplies	471	3,113	-	3,584
Payroll fees	-	1,345	-	1,345
Postage	848	554	238	1,640
Special event expenses				
Professional services	13,436	-	22,878	36,314
In-kind professional services	-	-	-	-
Communications	1,933	-	3,291	5,224
Merchandise	3,475	-	5,916	9,391
In-kind merchandise	10,492	6,162	-	16,654
Food and space rental	360	-	614	974
Bank charges	-	8,124	-	8,124
Lodging	890	-	1,515	2,405
Telephone	4,995	3,265	1,404	9,664
Travel	3,136	1,660	1,353	6,149
Rent	14,720	9,619	4,135	28,474
Total expenses	<u>\$ 535,696</u>	<u>\$ 189,219</u>	<u>\$ 91,215</u>	<u>\$ 816,130</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, 2019

	Program Services	Administrative and General	Fundraising	Total
Salaries	\$ 120,213	\$ 104,677	\$ 70,954	\$ 295,844
Payroll taxes	11,537	10,190	6,837	28,564
Other employee benefits	12,973	11,297	7,657	31,927
Accounting fees	-	32,705	-	32,705
Advertising in-kind	19,096	-	32,515	51,611
Bank charges	-	4,154	-	4,154
Board	-	13,100	-	13,100
Communications	10,629	9,255	6,274	26,158
Computer services	7,367	3,822	3,155	14,344
Computer services in-kind	477	248	204	929
Depreciation	294	177	265	736
Dues and subscriptions	1,260	-	-	1,260
Insurance	1,614	1,406	953	3,973
Miscellaneous	-	12,849	-	12,849
Monetary grants	401,603	-	-	401,603
Office supplies	805	5,577	-	6,382
Payroll fees	-	1,209	-	1,209
Postage	1,516	1,320	895	3,731
Special event expenses				
Professional services	27,559	-	46,925	74,484
Merchandise	5,249	-	8,938	14,187
In-kind merchandise	9,163	-	15,603	24,766
Food and space rental	4,217	-	7,179	11,396
In-kind food and space rental	16,174	-	27,540	43,714
Bank charges	-	20,021	-	20,021
Insurance	5,014	-	8,537	13,551
Lodging	29,223	-	49,757	78,980
Telephone	3,183	2,772	1,879	7,834
Travel	17,672	9,356	7,624	34,652
Rent	11,117	9,681	6,562	27,360
Total expenses	<u>\$ 717,955</u>	<u>\$ 253,816</u>	<u>\$ 310,253</u>	<u>\$ 1,282,024</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, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 488,199	\$ 451,413
Adjustments to reconcile net assets to net cash used in operating activities:		
Depreciation	736	736
PPP loan forgiveness	(74,523)	-
Beneficial interest in investments held by Chicago Community Trust	(591,527)	(690,885)
(Increase) decrease in:		
Pledges receivable	71,363	8,147
Prepaid expenses	74	(524)
Increase (decrease) in:		
Accounts payable	(58,767)	63,317
Accrued expenses	6,353	(4,443)
Grants payable	(39,034)	32,709
	<u>(197,126)</u>	<u>(139,530)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Funds transferred to beneficial interest	(27,930)	-
Funds received from beneficial interest	417,991	148,203
	<u>390,061</u>	<u>148,203</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	74,523	-
	<u>74,523</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	267,458	8,673
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	148,619	139,946
End of year	<u>\$ 416,077</u>	<u>\$ 148,619</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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.

No amounts were paid for interest or income taxes in the years ended December 31, 2020 and 2019.

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, 2020 and 2019. 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, 2020 and 2019. There was no bad debt expense for the years ended December 31, 2020 and 2019.

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

# TREE RESEARCH AND EDUCATION ENDOWMENT FUND

## NOTES TO FINANCIAL STATEMENTS

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capitalized. During both the years ended December 31, 2020 and 2019, there was depreciation expense of \$736.

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, 2020 and 2019.

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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
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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.

During the years ended December 31, 2020 and 2019, the Fund recorded in-kind services and donated goods of \$17,244 and \$121,020, respectively.

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.

Joint Costs - The Fund incurs joint costs for special events. These events provide both programming activities and activities that include fundraising appeals. For the year ended December 31, 2020, the Fund incurred \$64,800 in joint costs, allocating \$30,586 and \$34,214 to program and fundraising functional categories, respectively. For the year ended December 31, 2019, the Fund incurred \$261,078 in joint costs, allocating \$96,599 and \$164,479 to program and fundraising functional categories, respectively.

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 2018 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.

Subsequent Events - The Fund has evaluated subsequent events through April 26, 2021, 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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

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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 the arboriculture through education. The Fund provides scholarships to students pursuing a career in commercial arboriculture.

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. 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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 416,077	\$ 148,619
Pledges receivable, net	87,000	329,339
Beneficial interest in investments held by Chicago Community Trust	<u>4,903,422</u>	<u>4,701,956</u>
Total financial assets available within one year	5,406,499	5,179,914
Less: Amounts unavailable for general expenditure within one year, due to:		
Restricted by donors with purpose and/or time restriction	(134,280)	(86,953)
Restricted by donors in perpetuity	(475,745)	(342,390)
Restricted due to Chicago Community Trust spending policy	<u>(4,713,229)</u>	<u>(4,521,400)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,323,254)</u>	<u>(4,950,743)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 83,245</u>	<u>\$ 229,171</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.



TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
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4. PLEDGES RECEIVABLE

The Fund records pledges to the endowment fund as promises to give in the period in which the promise is received.

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 87,000	\$ 80,000
Receivable in one to five years	183,000	255,000
Thereafter	<u>7,547</u>	<u>29,547</u>
Total unconditional promises to give	277,547	364,547
Discounts to net present value at 5.5%	<u>(19,571)</u>	<u>(35,208)</u>
Net unconditional promises to give	<u>\$ 257,976</u>	<u>\$ 329,339</u>

5. 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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND  
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6. 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 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, 2020 and 2019.

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 method 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.

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably

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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.

	Asset Fair Value at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Investments				
Held by Chicago Community Trust	\$ -	\$ -	\$4,903,422	\$4,903,422

	Asset Fair Value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Investments				
Held by Chicago Community Trust	\$ -	\$ -	\$4,701,956	\$4,701,956

The following table sets forth a summary of changes in fair value of the Level 3 assets for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of the year	\$ 4,701,956	\$ 4,159,274
Realized and unrealized gains, net	581,283	664,177
Reinvested earnings, net of fees	10,244	26,708
Disbursements	(417,991)	(148,203)
Contributions	27,930	-
Balance, end of the year	\$ 4,903,422	\$ 4,701,956

7. PROPERTY AND EQUIPMENT

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

	2020	2019
Furniture and equipment	\$ 3,678	\$ 3,678
Less: Accumulated depreciation	(2,944)	(2,208)
	\$ 734	\$ 1,470

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8. 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:

	2020	2019
Hyland R. Johns grants	\$ 34,690	\$ 54,234
John Z. Duling grants	41,237	33,000
Jack Kimmel grants	22,078	22,367
Utility Arborist Research Fund project	86,273	104,523
Research Fellowship grant	38,485	53,485
Safety Arborist Techniques Fund grant	7,202	14,404
Utility Arborist Association grant	24,865	24,865
Robert Felix grants	2,500	7,500
State Game Lands grant	9,345	16,195
Bonnie Appleton scholarship	2,500	2,500
Bob Skiera grant	39,441	27,076
John Wright grant	2,500	2,500
Fran Ward grant	2,500	-
Jim Barborinas grant	9,999	-
	\$ 323,615	\$ 362,649

Grant balances are payable in future years as follows:

Years ending December 31,		
2021	\$	255,400
2022		61,415
2023		6,800
	\$	323,615

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9. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
<u>Amounts subject to spending policy of Chicago Community Trust :</u>		
Beneficial interest in assets held by Chicago Community Trust:		
Barborinas Family Fund	\$ 118,525	\$ 108,471
Gamma Fund	-	160,785
John White Fund	108,556	96,748
Tree and Soil Research Fund	89,896	52,561
Mark McClure Research Fund	102,226	134,262
Illinois Arborists Association Fund	97,833	85,360
Safe Arborist's Technique Fund	340,806	302,147
John Wright Scholarship Fund	122,100	108,345
Utility Arborist Research Fund	1,339,949	1,251,533
Ohio Chapter ISA Funds	181,241	160,823
Bob Skiera Memorial Fund	583,191	528,829
Collier Arborist Training Trust	223,376	198,200
Bonnie Appleton Fund	126,897	112,504
John Duling Fund	535,864	564,752
Robert Felix Fund	873,021	783,541
The Davey Fund	59,939	53,093
Total Funds Held by CCT	4,903,420	4,701,954
Less: Funds approved for spending by CCT	(190,192)	(180,553)
Total amounts subject to spending policy of Chicago Community Trust	4,713,228	4,521,401
<u>Amounts restricted by donors to be held in perpetuity held by the Fund</u>		
John White Fund	15,951	15,951
Tree and Soil Research Fund	31,722	22,183
Davey Fund	50,935	835
Hyland Johns Endowment Fund	6,650	-
Barborinas Fund	15,200	10,100
Utility Arborist Research Fund	20,438	14,013
Larry R Hall Memorial Fund	14,663	12,883
Bonnie Appleton Memorial Fund	1,122	850
Total amounts restricted by donors to be held in perpetuity held in cash	156,681	76,815

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	2020	2019
<u>Promises to give, proceeds of which have been restricted by donors to be held in perpetuity</u>	170,547	225,547
<u>Amounts subject to expenditure for a specified purpose or period</u>		
Funds approved for spending by CCT	190,192	180,553
Bob Skiera Memorial Fund	58,801	38,243
Safe Arborist Techniques Fund	1,600	1,685
Ohio Chapter ISA Funds	500	-
Collier Fund	200	100
Other research grants and scholarships	14,904	9,679
Time restricted contributions	93,453	110,791
Total subject to expenditure for a specified purpose or period	359,650	341,051
Total net assets with donor restrictions	\$ 5,400,106	\$ 5,164,814

10. 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 \$3,796 and \$7,280 for the years ended December 31, 2020 and 2019, respectively.

11. LEASE COMMITMENTS

The Fund has an office lease that expires in August of 2021. The Fund also rents storage space on a month-to-month basis. Rent expense was \$28,474 and \$27,360 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments are \$19,359 for the year ending December 31, 2021.

12. CONCENTRATIONS

At December 31, 2020, 90% of the total pledge receivable balance was due from three donors. At December 31, 2019, 91% of the total pledge receivable balance was due from three donors.

At December 31, 2019, 25% of revenues were derived from two special events. At December 31, 2020 and 2019, 13% and 12% of revenues, respectively, were from one donor.

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13. SBA LOAN FORGIVENESS

On April 30, 2020, the Fund entered into a loan agreement with Wintrust for \$74,523, pursuant to the Paycheck Protection Program (the "PPP") of the CARES Act, which was enacted March 27, 2020. The application for these funds required the Company in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Fund.

During 2020, the Fund received notice from the Small Business Administration that the entire balance of PPP loan was forgiven. The proceeds of the loan are reflected in contributions in the Statement of Activities.

14. COVID-19 PANDEMIC UNCERTAINTIES

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. The Fund cannot predict how legal and regulatory responses to concerns about COVID-19 or other major public health issues will impact the Fund. There is still uncertainty regarding whether the Fund's main fundraising event, Tour de Trees, can be held in person in 2021. If so, there is also uncertainty as to how many participants an in-person event would attract. Pledge commitments have also been uncertain, as donors do not know whether they can hold related fundraising events and how many participants those fundraising events would attract, if held. The magnitude, timing, and duration of any such potential financial impacts cannot be reasonably estimated at this time. The effects of the pandemic are expected to continue into fiscal 2021.

15. SUBSEQUENT EVENTS

On February 19, 2021, the Fund entered into a loan agreement for a second loan of \$53,750 under the PPP loan program. The loan and accrued interest are forgivable after twenty-four weeks, provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains specific payroll levels. The amount of the loan eligible for forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over five years at an annual interest rate of 1%, with a deferral of payments for ten months after the covered period, as identified by the Fund. While the Fund currently believes that its use of the loan proceeds will meet the conditions for the forgiveness of the loan, there can be no assurances that the Fund will be eligible for forgiveness of the loan, in whole or in part.

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16. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued 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 will be effective for the Fund's December 31, 2022 financial statements. Early adoption is permitted.

The Fund is currently evaluating the impact of the adoption of the above standard on its financial statements.