



**FINANCIAL STATEMENTS
DECEMBER 31, 2021
(with Summarized Totals for 2020)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TreePeople, Inc.

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of TreePeople, Inc. (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
September 28, 2022

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

ASSETS

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,755,094	\$ 7,954,364
Restricted cash	120,860	158,099
Investments	5,790,078	2,680,854
Accounts and other receivables, net	5,794,445	2,748,543
Prepaid expenses and other assets	319,819	240,584
Property held for sale	3,810,080	1,460,080
Property and equipment, net	3,148,388	3,447,211
Property held for conservation	39,064	39,064
TOTAL ASSETS	\$ 25,777,828	\$ 18,728,799

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 812,953	\$ 592,273
Accrued liabilities	875,983	770,197
Deferred revenue	386,737	419,237
Insurance proceeds liability	308,917	405,116
Notes payable	2,817,697	1,145,095
Deferred compensation	524,812	548,506
	5,727,099	3,880,424

COMMITMENTS AND CONTINGENCIES (Note 13)

NET ASSETS		
Without donor restrictions	14,430,747	9,691,926
With donor restrictions		
Restricted for time and purpose	2,820,386	2,696,853
Restricted in perpetuity	2,799,596	2,459,596
	5,619,982	5,156,449
 Total net assets	 20,050,729	 14,848,375
TOTAL LIABILITIES AND NET ASSETS	\$ 25,777,828	\$ 18,728,799

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
REVENUE, SUPPORT AND OTHER INCOME				
Contributions - individuals	\$ 2,036,589	\$ 342,228	\$ 2,378,817	\$ 2,639,827
Contributions - foundations and corporations	2,378,625	1,878,806	4,257,431	1,670,726
Government contributions and grants	6,362,095	-	6,362,095	4,879,307
Bequests	619,675	-	619,675	1,777,367
Mitigation fees	22,703	120,000	142,703	262,359
Investment income, net	168,158	129,260	297,418	170,193
Other income	9,997	-	9,997	86,688
PPP loan forgiveness	77,380	-	77,380	890,375
Net assets released from restriction	<u>2,006,761</u>	<u>(2,006,761)</u>	<u>-</u>	<u>-</u>
Total Revenue, Support and Other Income	<u>13,681,983</u>	<u>463,533</u>	<u>14,145,516</u>	<u>12,376,842</u>
EXPENSES				
Program services	6,526,776	-	6,526,776	6,650,016
Management and general	1,386,305	-	1,386,305	1,252,344
Fundraising	<u>1,030,081</u>	<u>-</u>	<u>1,030,081</u>	<u>995,286</u>
Total Expenses	<u>8,943,162</u>	<u>-</u>	<u>8,943,162</u>	<u>8,897,646</u>
CHANGE IN NET ASSETS	4,738,821	463,533	5,202,354	3,479,196
NET ASSETS, BEGINNING OF YEAR	<u>9,691,926</u>	<u>5,156,449</u>	<u>14,848,375</u>	<u>11,369,179</u>
NET ASSETS, END OF YEAR	<u>\$ 14,430,747</u>	<u>\$ 5,619,982</u>	<u>\$ 20,050,729</u>	<u>\$ 14,848,375</u>

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2021</u>	<u>2020</u>
PERSONNEL EXPENSES					
Salaries	\$ 3,117,458	\$ 897,697	\$ 359,579	\$ 4,374,734	\$ 4,067,717
Employee benefits	392,859	62,424	43,272	498,555	300,482
Payroll taxes	<u>254,308</u>	<u>45,313</u>	<u>25,962</u>	<u>325,583</u>	<u>275,524</u>
Total personnel expenses	<u>3,764,625</u>	<u>1,005,434</u>	<u>428,813</u>	<u>5,198,872</u>	<u>4,643,723</u>
OPERATIONAL EXPENSES					
Bad debt	-	19,302	-	19,302	42,958
Depreciation	322,084	67,730	52,203	442,017	432,110
Direct mail expenses	-	-	198,592	198,592	132,539
Equipment and vehicles	130,162	9,983	5,878	146,023	148,765
Interest and account fees	1,493	80,919	29,228	111,640	99,380
Marketing and communications	9,605	320	24,293	34,218	10,486
Miscellaneous	2,925	2,800	6,065	11,790	25,730
Occupancy	138,473	576	-	139,049	172,758
Operations	201,928	83,432	36,755	322,115	278,030
Planting related	96,508	-	-	96,508	341,242
Professional services	1,618,750	89,088	223,364	1,931,202	2,369,251
Program expenses	63,773	-	-	63,773	40,191
Special events expenses	88	-	4,644	4,732	3,093
Staff development	6,992	5,594	724	13,310	6,565
Travel	64,112	2,729	5,729	72,570	30,984
Utilities and security	101,534	18,398	13,793	133,725	117,786
Volunteer recognition	<u>3,724</u>	<u>-</u>	<u>-</u>	<u>3,724</u>	<u>2,055</u>
Total operational expenses	<u>2,762,151</u>	<u>380,871</u>	<u>601,268</u>	<u>3,744,290</u>	<u>4,253,923</u>
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 6,526,776</u>	<u>\$ 1,386,305</u>	<u>\$ 1,030,081</u>	<u>\$ 8,943,162</u>	
PERCENTAGE OF EXPENSES	73%	16%	11%	100%	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 6,650,016</u>	<u>\$ 1,252,344</u>	<u>\$ 995,286</u>		<u>\$ 8,897,646</u>
PERCENTAGE OF EXPENSES	75%	14%	11%		100%

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

TREEPEOPLE, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	For the Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,202,354	\$ 3,479,196
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	442,017	432,110
Net realized and unrealized gains on investments	(290,100)	(170,193)
Contributions restricted for investment in perpetuity	(340,000)	(357,359)
Contributions of property held for conservation	-	(1)
Contributed value of land for investment	(490,000)	-
Change in operating assets and liabilities:		
Accounts receivable	(3,045,902)	(414,218)
Prepaid expenses and other assets	(79,235)	(206,013)
Accounts payable	220,680	280,319
Accrued liabilities	105,786	428,612
Insurance proceeds liability	(96,199)	(353,051)
Deferred revenue	(32,500)	(36,000)
Deferred compensation	(23,694)	32,660
Net Cash Provided By Operating Activities	1,573,207	3,116,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(143,194)	(107,017)
Acquisition of land for investment	-	(250,000)
Reinvested interest and dividends	(108,083)	(91,664)
Purchase of investments	(6,163,095)	(205,664)
Proceeds on sale of investments	3,452,054	520,779
Net Cash Used In Investing Activities	(2,962,318)	(133,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net draw on line of credit	-	(150,750)
Payments on notes payable	(187,398)	(54,905)
Contributions restricted for investment in perpetuity	340,000	357,359
Net Cash Provided By Financing Activities	152,602	151,704
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,236,509)	3,134,200
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	8,112,463	4,978,263
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 6,875,954	\$ 8,112,463
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 51,647	\$ 64,641
Noncash investing and financing information:		
Acquisition of land for investment with issuance of note payable	\$ 1,860,000	\$ -

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

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

NOTE 1 – Description of Organization

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

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

Today, TreePeople has tens of thousands of supporters, a staff of over 70 professional foresters, educators, community organizers, researchers, and program and policy facilitators, a dedicated Board of Directors, and more than 10,000 volunteers. The Organization touches diverse neighborhoods throughout the region and people throughout the world. TreePeople pioneers sustainable practices around forestry, environmental education, local water, healthy soil, and climate resilience that influence cities throughout the United States and the world.

TREEPEOPLE, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

NOTE 1 – Description of Organization (Continued)

Creating Climate-Resilient and Water-Secure Communities

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

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

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

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

Award-Winning Programs

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 1 – Description of Organization (Continued)

Award-Winning Programs (Continued)

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

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

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 1 – Description of Organization (Continued)

Award-Winning Programs (Continued)

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

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

TreePeople Land Trust

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

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

The Trust achieves its goal of preserving the Santa Monica Mountains’ natural resources by implementing three distinct programs: Acquisitions, Restoration, and Education.

Program 1 – Acquisition / Real Estate: The Trust owns 1,429.12 acres in fee title, 1,364.78 acres in conservation easements, and 5.28 acres of trail easements. There are 12 acres of leased land and building at Headwaters Corner. The Trust acquires land to protect the significant ecological areas of Cold Creek, La Sierra, and other strategic habitats.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 1 – Description of Organization (Continued)

TreePeople Land Trust (Continued)

Program 2 – Land Stewardship and Restoration: The Santa Monica Mountains contain renowned ecosystems for biodiversity, and are, in fact, recognized as a global “biodiversity hotspot.” Mediterranean climates, found here and on only 2.25% of the world’s surface, support nearly 50,000 plant species. It also supports a significant amount of humans, human developments and invasive species due to its short wet winters and long dry summers. The Trust has a staff of field specialists and technicians working 5 days a week at various restoration sites across the Santa Monica Mountains to remove invasive plants and aquatic species, provide native plantings and restore critical habitats, including oak woodlands, riparian streams, chaparral and sage-scrub hillsides across the approximately 3,000 acres owned or managed by the Trust. The Trust also continues to work with state and national park units on collaborative projects, as well as jurisdictional agencies on mitigation for unavoidable impacts.

Program 3 – Environmental Education: The Trust has drastically reduced its environmental education program in 2021 due to the COVID-19 pandemic. The program typically focusses on students from the San Fernando Valley and Los Angeles Basin, encouraging young students to explore the local wildlands adjacent to their urban areas.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Comparative Totals

The consolidated financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2020 from which the summarized financial information was derived.

Classes of Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

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

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash

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

The Organization has certain cash funds that are required by donors to be restricted from general operating funds.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 6,755,094	\$ 7,954,364
Restricted cash	<u>120,860</u>	<u>158,099</u>
	<u>\$ 6,875,954</u>	<u>\$ 8,112,463</u>

Investments

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Accounts and Other Receivables

The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, collection efforts, type of customer, the age of outstanding receivables and existing economic conditions. At December 31, 2021 and 2020, the allowance for doubtful accounts was \$58,096 and \$38,794, respectively.

Property and Equipment

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

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

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

Property Held for Conservation

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended December 31, 2021.

Deferred Revenue

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

Bequests

The Organization records all legacies and bequests as revenue when donors' wills have been declared valid by the probate court and the amount is determinable.

Revenue Recognition

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

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

The Organization is party to conditional grants with grant terms through March 2026 and additional funding of approximately \$14,167,000 that has not been recognized at December 31, 2021 because qualifying expenditures have not yet been incurred.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

Contributed Goods and Services

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

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

Concentration of Credit Risks

The accounts receivable balance outstanding at December 31, 2021 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Organization receivables consist of earned fees from contract programs granted by governmental agencies.

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

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

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

Functional Allocation of Expenses

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

Use of Estimates

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

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

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

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position 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 consolidated statement of activities. During June 2020, the FASB approved a deferral of the effective date of *Topic 842* until annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard.

Subsequent Events

The Organization has evaluated subsequent events from the consolidated statement of financial position date through September 28, 2022, the date the consolidated financial statements were available to be issued for the year ended December 31, 2021.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – Liquidity and Availability

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	\$ 6,755,094	\$ 7,954,364
Restricted cash	120,860	158,099
Investments	5,790,078	2,680,854
Accounts and other receivables	<u>5,785,079</u>	<u>2,748,543</u>
	18,451,111	13,541,860
Funds held for deferred compensation with contractual restrictions	(524,812)	(548,506)
Funds held for insurance proceeds	(308,917)	(405,116)
Donor-imposed restrictions:		
Funds subject to purpose or time restrictions	(2,820,386)	(2,696,853)
Funds restricted in perpetuity	<u>(2,799,596)</u>	<u>(2,459,596)</u>
	<u>\$11,997,400</u>	<u>\$ 7,431,789</u>

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

NOTE 4 – Investments

Investments measured at fair value consists of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021:				
Mutual funds	\$ 123,079	\$ -	\$ -	\$ 123,079
Marketable equity securities	2,904,125	-	-	2,904,125
Debt securities	<u>2,762,874</u>	<u>-</u>	<u>-</u>	<u>2,762,874</u>
	<u>\$ 5,790,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,790,078</u>

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 4 – Investments (Continued)

	Level 1	Level 2	Level 3	Total
December 31, 2020:				
Mutual funds	\$ 51,662	\$ -	\$ -	\$ 51,662
Marketable equity securities	2,506,818	-	-	2,506,818
Debt securities	122,374	-	-	122,374
	\$ 2,680,854	\$ -	\$ -	\$ 2,680,854

NOTE 5 – Property Held for Sale

Property held for sale at December 31, 2021 consists of the following:

	Acres	Value
Land - Los Angeles County, CA	217.77	\$ 3,810,080

The property is recorded at cost if purchased, or at fair value at the date of donation if donated. This property can be sold and the proceeds used towards the programs or they can be contributed to other organizations.

During 2021, the Trust received a reimbursement-basis grant for the purchase of property under the Federal Recreational Trails Program. The property had an appraised value of \$2,350,000. The acquisition was funded with a note payable of \$1,860,000 (Note 11) and a recognized noncash contribution from the previous owner of \$490,000. The grant funds were received in 2022 and used to repay the note payable.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 6 – Property and Equipment

Property and equipment at December 31 consists of the following:

	<u>2021</u>	<u>2020</u>
Conference center	\$ 5,396,286	\$ 5,396,286
Environmental Learning Center	3,182,470	3,182,470
Furniture and equipment	675,848	675,848
Computer equipment and software	220,667	220,667
Leasehold improvements	461,663	426,926
Transportation equipment	<u>452,891</u>	<u>344,434</u>
	10,389,825	10,246,631
Less accumulated depreciation and amortization	<u>(7,241,437)</u>	<u>(6,799,420)</u>
Property and equipment, net	<u>\$ 3,148,388</u>	<u>\$ 3,447,211</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$442,017 and \$432,110, respectively.

NOTE 7 – Property Held for Conservation

At December 31, 2021, the Organization held 1,429.12 acres in Los Angeles County that it valued at \$39,000, which is restricted for use in its programs and conservation.

Additionally, at December 31, 2021, the Organization held the following easements that are restricted for use in its programs:

	<u>Acres</u>	<u>Value</u>
Los Angeles County, CA	897.95	\$ 59
Ventura County, CA	<u>466.83</u>	<u>5</u>
	<u>1,364.78</u>	<u>\$ 64</u>

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(WITH COMPARATIVE TOTALS FOR 2020)**

NOTE 8 – Line of Credit

The Organization had a working capital line of credit, with an interest rate of 0.25% above prime, (3.25% as of December 31, 2021), with a capacity of \$500,000, and a maturity date of December 2021. Subsequent to year-end, the line of credit was extended through December 2022.

NOTE 9 – Accrued Liabilities

Accrued liabilities at December 31 consists of the following:

	<u>2021</u>	<u>2020</u>
Accrued expenses	\$ 103,891	\$ 40,737
Accrued insurance	302,541	167,605
Accrued payroll and payroll taxes	283,761	378,942
Accrued vacation	185,790	181,229
Accrued interest	<u>-</u>	<u>1,684</u>
Total accrued liabilities	<u>\$ 875,983</u>	<u>\$ 770,197</u>

NOTE 10 – Insurance Proceeds Liability

The Trust sustained significant damages due to a fire in 2016, destroying a building and a bridge. Insurance proceeds were received by the lessor and are required to be used to rebuild the building and bridge, as well as to cover overhead expenses directly related to repairing the fire damage. Funds used during the years ended December 31, 2021 and 2020 totaled \$96,199 and \$353,051, respectively. As of December 31, 2021, insurance proceeds received, but not yet used, totaled \$308,917 and are considered to be conditional for use of rebuilding after the fire.

NOTE 11 – Notes Payable

At December 31, 2021, the Organization is party to a term loan agreement with an interest rate of 4.95%, monthly payments of principal and interest of \$9,504, and remaining principal and interest due December 2024 (Term Loan). The Term Loan is collateralized by 1st position UCC-1 filing on the Organization's business assets.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 – Note Payable (Continued)

Additionally, in 2021, the Trust entered into a credit agreement with a Foundation for a loan of \$1,860,000 (the Foundation Loan). The Foundation Loan bears interest at a rate of 0.5%. The principal and accrued interest is due at the earlier of a) receipt of funding from the California Department of Parks and Recreation as reimbursement for the purchase of certain land, or b) December 2022. Subsequent to year-end, the Trust repaid the Foundation Loan in July 2022.

The notes payable is due to be repaid as follows:

<u>Year Ending December 31,</u>	
2022	\$ 1,920,872
2023	63,999
2024	<u>832,826</u>
	<u>\$ 2,817,697</u>

NOTE 12 – Deferred Revenue

During 2001, the Organization began receiving Proposition K funding from the City to be used to build a conference center and an environmental learning center and to pave the parking lot. The total funding received was \$1,080,000 and repayment of this amount consists of providing services annually valued at \$36,000 for 30 years in lieu of cash repayments. No cash repayments to the City are required unless the above services are not performed.

The Organization recognized revenue of \$36,000 under this contract for each of the years ended December 31, 2021 and 2020.

At December 31, 2021 and 2020, deferred revenue consists of funding from the City for the construction of the conference center and related amenities totaled \$379,000 and \$415,000, respectively. At December 31, 2021 and 2020, deferred revenue for advance payments on tours consisted of \$7,737 and \$4,237, respectively.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – Deferred Revenue (Continued)

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

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

NOTE 13 – Commitments and Contingencies

Contracts

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

Obligations under Operating Leases

The Organization has various month-to-month leases. Total rent expense was \$35,678 and \$33,006 for the years ended December 31, 2021 and 2020, respectively. In addition, the Organization has a lease agreement with the City for the use of the facilities and park where its forestry, education, and administrative operations are centered. In exchange for use of the park and its facilities, the Organization has agreed to maintain the park grounds, trails and buildings. The agreement expires in 2029. The cost to maintain the park and trails totaled \$430,585 and \$416,887 for the years ended December 31, 2021 and 2020, respectively.

In addition, the Trust has a \$1 per year lease agreement with the City of Calabasas commencing on October 1, 2014 and terminating on September 30, 2024. Additionally, the Trust is granted the right to extend the lease term for one additional period of ten years, until September 30, 2034.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – Commitments and Contingencies (Continued)

Litigation

A quiet title action was filed in Los Angeles County Superior Court by Canyon Vineyard Estates, LLC against Mountains Restoration Trust, et al. on October 5, 2017. The subject is the conservation restrictions placed on the Tuna Canyon DeJoria property in January 2002. The plaintiff does not seek any monetary damages from the Trust. At the time of the audit report, the appeals court has affirmed the trial court's decision upholding the Trust's conservation easement. The plaintiff may seek to further appeal this case to the California Supreme Court.

Other

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

Business Risks Associated with the Impact of COVID-19

Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization's business could be significant and have a material impact on its financial position and operating results. Management continues to evaluate the potential future impact on its business and consolidated financial statements.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 – Deferred Compensation Plan

The Organization adopted a deferred compensation (Rabbi) trust in December 2000 for the purpose of providing a deferred compensation plan for its President in recognition of 27 years of commitment to the Organization. A second such trust was adopted in December 2014. The deferred compensation trusts permit deferral of a portion of the President’s salary until future years. All amounts of compensation deferred, all property and rights purchased with those amounts, and all income attributable to those amounts are subject to the claims of the Organization’s general creditors in the event of insolvency and otherwise are subject only to the right of the President of TreePeople or his designated beneficiary. Under the terms of the agreements, the trust will be distributed over a 9-year period, beginning at the President’s 70th birthday. At December 31, 2021 and 2020, the Organization has recorded a deferred compensation liability of \$524,812 and \$548,506, respectively.

NOTE 15 – Net Assets With Donor Restrictions

Net Assets Restricted for Time and Purpose

Net assets with donor restrictions for time and purpose are restricted for the following:

	December 31,	
	2021	2020
Mountain Forestry/Forest Aid	\$ 848,975	\$ 799,318
Renovation project	400,000	-
Residential stormwater retrofit projects	397,991	408,681
Policy and research	299,055	482,056
USACE Valley 2 (Argo Ditch)	200,471	200,937
USACE Creekside	176,846	178,771
Urban cooling	115,348	100,000
Other USACE	80,184	146,819
Urban Forestry Initiative	79,280	37,906
Stewardship and legal defense funds	71,835	63,362
Other	69,624	55,418
Education	59,880	1,250
Huntington Park project	20,897	20,897
“Make Everyone TreePeople” campaign	-	201,438
	\$ 2,820,386	\$ 2,696,853

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 – Net Assets With Donor Restrictions (Continued)

Net Assets Restricted in Perpetuity

Net assets with donor restrictions that are restricted in perpetuity at December 31, 2021 and 2020 relate to its endowment funds. (See Note 16.)

NOTE 16 – Endowments

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

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

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

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

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 – Endowments (Continued)

The composition of the endowments at December 31, 2021 consisted of donor-restricted gifts required to be maintained in perpetuity.

The changes in the endowments for the year ended December 31, 2021 are as follows:

Endowment net assets – December 31, 2020	\$ 2,459,596
Contributions	300,000
Mitigation fees	40,000
Investment earnings	129,260
Expenditure appropriations	<u>(129,260)</u>
Endowment net assets – December 31, 2021	<u>\$ 2,799,596</u>

NOTE 17 – PPP Loans

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In April and May 2020, the TreePeople and the Trust were granted loans in the amounts of approximately \$737,000 and \$154,000, respectively, through the PPP. As of December 31, 2020, the organizations determined they had met the conditions for forgiveness in the agreement as they had spent the PPP loans on qualifying costs and, therefore, recognized the grants as revenue for the year ended December 31, 2020. In November 2020 and February 2021, TreePeople and the Trust received approval notification for forgiveness of the loan in full from the Small Business Administration, respectively.

In March 2021, the Trust received a second draw from the PPP in the amount of \$77,380. As of December 31, 2021, the Trust determined it had met the conditions for forgiveness in the agreement as it had spent the PPP loan on qualifying costs and, therefore, recognized the grant as revenue for the year ended December 31, 2021. In February 2022, the Trust received approval notification for forgiveness of the loan in full from the Small Business Administration.

TREEPEOPLE, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 18 – Related-Party Transactions

The Organization receives donations from board members, who are considered related parties to the Organization. The Organization engaged Greenberg Glusker LLP, where a board member is a partner. Fees paid for these legal services for the year ended December 31, 2021 and 2020 were \$13,796 and \$27,250, respectively.