

**BALTIMORE TREE TRUST, INC.**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Years Ended December 31, 2021 and 2020**



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**DECEMBER 31, 2021 AND 2020**

**CONTENTS**

<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors  
Baltimore Tree Trust, Inc.

### ***Opinion***

We have audited the statements of financial position of Baltimore Tree Trust Inc. (BTT), as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BTT as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

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



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls 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 BTT's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BTT's ability to continue as a going concern one year after the issuance date or available for issuance.

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 controls-related matters that we identified during the audit.

Owings Mills, Maryland  
November 1, 2022

*S B & Company, LLC*

**BALTIMORE TREE TRUST, INC.****Statements of Financial Position  
As of December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 268,054	\$ 288,968
Accounts and grants receivable	719,679	381,692
Prepaid expense and other	3,306	7,334
Vehicle and equipment, net	54,940	36,764
Beneficial interest in endowment fund	4,994	4,461
<b>Total Assets</b>	<b>\$ 1,050,973</b>	<b>\$ 719,219</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 186,772	\$ 117,112
Unearned revenue	43,376	-
Line of credit	100,000	-
Paycheck Protection Program (PPP) loan	-	55,542
<b>Total Liabilities</b>	<b>330,148</b>	<b>172,654</b>
<b>Net Assets</b>		
Without donor restrictions	523,778	372,960
With donor restrictions	197,047	173,605
<b>Total Net Assets</b>	<b>720,825</b>	<b>546,565</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,050,973</b>	<b>\$ 719,219</b>

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

**BALTIMORE TREE TRUST, INC.****Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2021, and 2020**

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenue and Other Support</b>		
Government grants	\$ 652,053	\$ 525,986
Contributions	279,864	214,850
Program service fees	381,137	23,868
Federal grant -PPP loan forgiveness	112,233	-
Other income	444	2,595
Net assets released from restrictions	41,956	190,234
<b>Total Revenue and Other Support</b>	<u>1,467,687</u>	<u>957,533</u>
<b>Expenses</b>		
Program services	1,066,956	788,248
Management and general	211,607	144,776
Fundraising	38,306	17,905
<b>Total Expenses</b>	<u>1,316,869</u>	<u>950,929</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>150,818</u>	<u>6,604</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	64,865	164,122
Investment return on beneficial interest	533	613
Satisfaction of restrictions	(41,956)	(190,234)
<b>Change in Net Assets With Donor Restrictions</b>	<u>23,442</u>	<u>(25,499)</u>
Changes in total net assets	174,260	(18,895)
Net assets, beginning of year	546,565	565,460
<b>Net Assets, End of Year</b>	<u>\$ 720,825</u>	<u>\$ 546,565</u>

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

**BALTIMORE TREE TRUST, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2021, with Comparative Totals for 2020**

	<b>2021</b>				<b>2020 Totals</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Salaries	\$ 453,498	\$ 73,240	\$ 27,723	\$ 554,461	\$ 256,608
Payroll taxes	35,436	5,723	2,166	43,325	20,869
Employee benefits	22,033	3,558	1,347	26,938	17,639
Contract services	239,868	-	-	239,868	277,256
Tree planting supplies	206,671	-	-	206,671	219,361
Professional fees	-	76,359	3,350	79,709	47,983
Vehicle maintenance	65,357	-	-	65,357	49,587
Travel and meetings	-	16,098	-	16,098	2,181
Office supplies	3,319	11,539	-	14,858	6,980
Depreciation	11,424	1,908	-	13,332	10,977
Education and training	11,189	-	-	11,189	7,813
Dues and subscriptions	-	10,862	-	10,862	5,154
Website and computer	8,187	1,367	-	9,554	3,886
Rent	5,257	878	-	6,135	10,278
Insurance	4,717	799	-	5,516	1,037
Payroll processing fees	-	4,676	-	4,676	3,725
Bad debt expense	-	4,600	-	4,600	6,000
Marketing/advertising	-	-	3,720	3,720	3,560
Recruiting	-	-	-	-	35
<b>Total Expenses</b>	<b>\$ 1,066,956</b>	<b>\$ 211,607</b>	<b>\$ 38,306</b>	<b>\$ 1,316,869</b>	<b>\$ 950,929</b>

The accompanying notes are an integral part of this financial statement.

**BALTIMORE TREE TRUST, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 187,509	\$ 56,625	\$ 12,474	\$ 256,608
Payroll taxes	15,249	4,606	1,014	20,869
Employee benefits	12,889	3,893	857	17,639
Contract services	277,256	-	-	277,256
Tree planting supplies	219,361	-	-	219,361
Professional fees	-	47,983	-	47,983
Vehicle maintenance	36,742	12,845	-	49,587
Travel and meetings	618	1,563	-	2,181
Office supplies	1,956	5,024	-	6,980
Depreciation	9,584	1,393	-	10,977
Education and training	7,813	-	-	7,813
Dues and subscriptions	-	5,154	-	5,154
Website and computer	3,393	493	-	3,886
Rent	8,973	1,305	-	10,278
Insurance	905	132	-	1,037
Payroll processing fees	-	3,725	-	3,725
Bad debt expense	6,000	-	-	6,000
Marketing/advertising	-	-	3,560	3,560
Recruiting	-	35	-	35
<b>Total Expenses</b>	<b>\$ 788,248</b>	<b>\$ 144,776</b>	<b>\$ 17,905</b>	<b>\$ 950,929</b>

The accompanying notes are an integral part of this financial statement.



**BALTIMORE TREE TRUST, INC.****Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 174,260	\$ (18,895)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	13,332	10,977
Federal grant - PPP loan forgiveness	(55,542)	-
Unrealized/realized loss net	(533)	(592)
Effects of changes in non-cash operating assets and liabilities:		
Accounts and grants receivable	(337,987)	(97,818)
Prepaid expense and other	4,028	(6,834)
Accounts payable and accrued expenses	169,660	28,455
Unearned revenue	43,376	-
<b>Net Cash from Operating Activities</b>	<u>10,594</u>	<u>(84,707)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	<u>(31,508)</u>	<u>(30,170)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from PPP loan	<u>-</u>	<u>55,542</u>
Net change in cash	(20,914)	(59,335)
Cash, beginning of year	288,968	348,303
<b>Cash, End of Year</b>	<u>\$ 268,054</u>	<u>\$ 288,968</u>

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

# **BALTIMORE TREE TRUST, INC.**

## **Notes to the Financial Statements December 31, 2021 and 2020**

### **1. BACKGROUND OF THE ORGANIZATION**

The Baltimore Tree Trust, Inc. (BTT) is a 501(c)(3) organization founded in 2008. The mission is to make Baltimore a greener and healthier place to live. BTT's initial priority was to "plant out" the Harris Creek Watershed, an underground creek spanning from Canton to Clifton Park in east Baltimore.

The almost 10,000 trees planted and maintained by BTT since being founded shade, clean, and cools the surrounding area, which helps to offset the carbon footprint and reducing the impact of a changing climate.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements of BTT are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

#### **Accounts and Grants Receivable**

Accounts and grants receivable arise from services rendered through grants with government agencies, corporations, and not-for-profit organizations. Management establishes the allowance for doubtful accounts based on industry experience and its historical collection experience and individual accounts. Receivables are written off by management when, in their determination, all reasonable collection efforts have been exhausted. Management believes that receivables were fully collectible, and thus, no allowance for doubtful accounts was recorded as of December 31, 2021 and 2020.

Accounts and grants receivable also include unbilled accounts receivable from services rendered under contracts that have not yet been billed by BTT.

## **BALTIMORE TREE TRUST, INC.**

### **Notes to the Financial Statements December 31, 2021 and 2020**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Vehicles and Equipment, Net**

Vehicles and equipment purchased with a cost of greater than \$1,000 and a useful life over one year are capitalized at cost. Donated vehicles and equipment are capitalized at the estimated fair market value on the date received. Depreciation is recorded using the straight-line method over the estimated useful life of five years. Costs for repairs and maintenance are expensed when incurred.

##### **Beneficial Interest in Endowment Fund**

Generally accepted accounting principles require not-for-profit beneficiaries of endowment funds held by unrelated parties to be recorded as a contribution and as an asset at the present value of the estimated future cash receipts to be received from the endowment fund over the life of the endowment fund. Due to the perpetual nature of the fund held by the Baltimore Community Foundation, Inc. (BCF), the future cash flows from this fund cannot be estimated. Under such circumstance, not-for-profits are permitted to base the present value measurement on the fair value of the endowment fund's assets. Changes in the fund's fair value are to be recorded as gains and losses with donor restrictions in the statements of activities and changes in net assets. Annual income distributions from the fund are recorded as investment income in the statements of activities and changes in net assets.

##### **Net Assets**

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by BTT has been restricted by donors, primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

##### **Support and Other Revenue**

BTT recognizes grants and contributions when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Grants and contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

# **BALTIMORE TREE TRUST, INC.**

## **Notes to the Financial Statements December 31, 2021 and 2020**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Support and Other Revenue (continued)**

When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Government grants are recognized when the conditions of the grants are met in most cases it is when the actual expenses are incurred. Program service fees qualify as exchange transactions and are recognized as services are performed.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services that benefit from these costs. Management and general expenses include those not directly identified or allocated to a specific function but provide for the overall support and direction of BTT. Shared expenses are allocated based on level of effort.

#### **Income Taxes**

BTT is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and is recognized as such by the Internal Revenue Service.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. BTT performed an evaluation of uncertain tax positions as of December 31, 2021 and 2020, and determined that there were no matters that would require recognition in the financial statements, or which may have any effect on its tax-exempt status. As of December 31, 2021, the statute of limitations for fiscal years 2018 through 2021 remains open with the U.S. Federal jurisdiction. It is BTT's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

## BALTIMORE TREE TRUST, INC.

### Notes to the Financial Statements December 31, 2021 and 2020

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Liquidity and Availability of Resources

The following reflects BTT's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

	<u>2021</u>
Cash	\$ 268,054
Accounts and grants receivable	<u>719,679</u>
	987,733
Less: net assets with donor restrictions	<u>192,053</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 795,680</u>

BTT manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. To help manage unanticipated liquidity needs, BTT has a committed line of credit in the amount of \$100,000 of which 100% had been drawn up on as of December 31, 2021.

##### Implemented Accounting Pronouncement

In September 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-13, *Revenue Recognition (Topic 605)*, and *Revenue from Contracts with Customers (Topic 606)*. This ASU requires recognition of revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. BTT implemented the ASU for the year ended December 31, 2021.

##### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, that creates a singular reporting model for leases. This standard will require BTT to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard will be effective for the associated fiscal year ending December 31, 2022.

# BALTIMORE TREE TRUST, INC.

## Notes to the Financial Statements December 31, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. This standard will be effective for fiscal year ending after June 15, 2021.

Management is evaluating the effects of these pronouncements on the financial statements and does not believe the adoption of this pronouncements will have a material effect on the financial statements.

#### Subsequent Events

BTT's management evaluated the accompanying financial statements for subsequent events and transactions November 1, 2022, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

### 3. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable as of December 31, 2021, and 2020, included the following billed and unbilled amounts.

	<u>2021</u>	<u>2020</u>
Billed	\$ 561,235	\$ 174,432
Unbilled	158,444	109,442
	<u>\$ 719,679</u>	<u>\$ 283,874</u>

### 4. BENEFICIAL INTEREST IN ENDOWMENT FUND

In 2013, BTT entered into an agreement with Baltimore Community Foundation (BCF), a 501(c)(3) organization, to establish an endowment fund with BCF to be known as "The Baltimore Tree Trust Endowment Fund" (the Fund).

The purpose of establishing the Fund was to encourage and enhance contributions, ensure perpetual continuity, and provide professional investment management of BTT's endowment fund. As part of this agreement, the board of directors of BTT authorized the transfer of its own funds to BCF.

## BALTIMORE TREE TRUST, INC.

### Notes to the Financial Statements December 31, 2021 and 2020

#### 4. BENEFICIAL INTEREST IN ENDOWMENT FUND (continued)

The agreement for the Fund stipulates that the principal portion of the Fund will be held in perpetuity and that an amount of the net annual income earned by the Fund, as determined under the BCF's spending policy, will be distributed to BTT for as long as BTT is in existence. If for any reason BTT ceases operations, the agreement with BCF provides that this income will be used for a similar purpose.

The fair value of the Fund held by BCF was \$4,994 and \$3,869, as of December 31, 2021 and 2020, respectively, which has been reflected as an asset in the statements of financial position. A gain of \$533 and \$592, associated with the Fund's change in fair value, has been recognized for the years ended December 31, 2021 and 2020, respectively, in the statements of activities and changes in net assets.

The following is a description of the valuation methodology used for investments measured in at fair value.

*Beneficial interest in assets held by a third party* is held by a third party for the benefit of BTT. Investments are valued at the relative fair value of the underlying market value of the investments and are rendered Level 2 in the fair value hierarchy.

The methodology described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while BTT believes its valuation method is 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 a different fair value measurement at the reporting date.

#### 5. VEHICLES AND EQUIPMENT, NET

As of December 31, 2021 and 2020, Vehicles and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>Useful Life</u>
Vehicles	\$ 141,850	\$ 112,741	5 years
Equipment	8,700	6,301	5 years
Website	4,000	4,000	5 years
	<u>154,550</u>	<u>123,042</u>	
Less: accumulated depreciation	99,610	86,278	
<b>Vehicles and Equipment, Net</b>	<u>\$ 54,940</u>	<u>\$ 36,764</u>	

Depreciation and amortization expense was \$13,332 and \$10,977, for the years ended December 31, 2021 and 2020, respectively.

## BALTIMORE TREE TRUST, INC.

### Notes to the Financial Statements December 31, 2021 and 2020

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, BTT's net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Neighborhood Foresters program	\$ 22,865	\$ 127,598
Trees for Public Health	<u>169,188</u>	<u>41,546</u>
	<u>192,053</u>	<u>169,144</u>
Endowment:		
Subject to endowment spending policy and appropriation:		
Beneficial Interest in Endowment Fund	<u>4,994</u>	<u>4,461</u>
<b>Total</b>	<u>\$ 197,047</u>	<u>\$ 173,605</u>

Net assets released from donor restrictions for the years ended December 31, 2021 and 2020, happened by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follow:

BTT's endowment consists of one fund established with BCF. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Maryland has enacted UPMIFA. The guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds are board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Board of Directors of BTT has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) 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, BTT classifies as net assets with donor restrictions (a) the original value of 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. In accordance with MUPMIFA, BTT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) other resources of BTT.



# BALTIMORE TREE TRUST, INC.

## Notes to the Financial Statements December 31, 2021 and 2020

### 6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

#### *Investment Return Objectives, Risk Parameters and Strategies*

BTT has adopted investment and spending policies and BCF, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that as sufficient liquidity to make an annual distribution of not more than 5% while growing the fund, if possible. Therefore, BTT expects its endowment assets, over time, to produce an average annual rate of return that is approximately equal to or greater than the rate of inflation measured by the consumer price index, plus any spending and administrative expenses over a full market cycle, estimated to be at least 5 years depending on market condition. Actual return in any given year may vary

#### *Investment Return Objectives, Risk Parameters and Strategies (continued)*

from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risks.

#### *Spending Policy*

BTT has a policy of appropriating for distribution each year, not more than 5% of the previous twelve-quarter's average of the endowment fund's fair value. In establishing this policy, BTT considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

BTT's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. No distributions of spendable income from the fund will be made until the principal balance of the fund reaches \$10,000.

Changes in endowment net assets for years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 4,461	\$ 3,869
Unrealized gain on beneficial interest in endowment fund	533	592
<b>Endowment Net Assets, End of Year</b>	<u>\$ 4,994</u>	<u>\$ 4,461</u>

## **BALTIMORE TREE TRUST, INC.**

### **Notes to the Financial Statements December 31, 2021 and 2020**

#### **7. PAYCHECK PROTECTION PROGRAM**

On February 14, 2021, BTT received loan proceeds in the amount of \$56,691 under the Paycheck Protection Program (PPP) round 2. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for the average monthly payroll expenses. The loan is at a fixed rate equal to 1.00% per annum. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including benefits, rent and utilities, and maintaining its payroll levels. This loan was forgiven during the year ended December 31, 2021 and was recorded as a federal grant on the statement of activities and changes on net assets.

The PPP loan was received from the U.S federal government under the CARES Act passed by Congress. Prior to year end on November 15<sup>th</sup>, 2021, BTT received forgiveness of the PPP loan round 2 and is recognized as forgiveness of debt, which is reflected as federal grant revenue in the accompanying statement of activities and changes in nets assets.

In 2021, BTT also received forgiveness of the first round PPP loan received on July 27, 2020, for approximately \$55,542 that was outstanding in 2020, which is reflected as a Federal grant in the accompanying statement of activities and changes and net assets.

#### **8. COMMITMENTS AND CONTINGENCIES**

BTT receives financial assistance from governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of BTT. BTT's management believes such disallowance, if any, would be immaterial.

#### **9. RETIREMENT PLAN**

BTT has a contributory profit-sharing plan. The plan covers all employees who meet its eligibility requirements. BTT can make a discretionary match on voluntary employee contributions and a discretionary profit-sharing contribution. BTT made a discretionary contribution of \$1,507 and \$1,895, for the years ended December 31, 2021 and 2020, respectively.