

**TREE RESEARCH AND EDUCATION
ENDOWMENT FUND**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013 AND 2012**

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tree Research and Education
Endowment Fund:

We have audited the accompanying financial statements of Tree Research and Education Endowment Fund (the Fund), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dugan & Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
May 13, 2014

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>A S S E T S</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 240,648	\$ 288,953
Pledges receivable	93,406	48,400
Other contributions and grants receivable	5,275	34,048
Investments held by Chicago Community Trust	2,604,083	1,973,475
Prepaid expenses	12,435	15,982
Total current assets	<u>2,955,847</u>	<u>2,360,858</u>
PROPERTY AND EQUIPMENT, at cost:		
Furniture and equipment	30,120	30,120
Less - Accumulated depreciation	<u>(30,120)</u>	<u>(30,120)</u>
Net property and equipment	<u>-</u>	<u>-</u>
OTHER ASSETS:		
Pledges receivable, net of current maturities	<u>34,790</u>	<u>55,565</u>
	<u>\$ 2,990,637</u>	<u>\$ 2,416,423</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 17,777	\$ 12,038
Grants payable	93,010	157,533
Deferred revenue	780	25,900
Accrued expenses	9,729	5,701
Total liabilities	<u>121,296</u>	<u>201,172</u>
NET ASSETS:		
Unrestricted	774,032	592,114
Temporarily restricted	886,779	623,454
Permanently restricted	<u>1,208,530</u>	<u>999,683</u>
Total net assets	<u>2,869,341</u>	<u>2,215,251</u>
	<u>\$ 2,990,637</u>	<u>\$ 2,416,423</u>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 141,409	\$ 170,054	\$ 152,581	\$ 464,044
Special events	590,737	-	-	590,737
In-kind	216,912	-	-	216,912
Merchandise sales	3,687	-	-	3,687
Investment income	154,746	189,442	56,266	400,454
Miscellaneous income	4,301	-	-	4,301
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	96,171	(96,171)	-	-
Total public support and revenue	1,207,963	263,325	208,847	1,680,135
FUNCTIONAL EXPENSES:				
Program services	327,839	-	-	327,839
Administration and governance	90,357	-	-	90,357
Fundraising	607,849	-	-	607,849
Total functional expenses	1,026,045	-	-	1,026,045
CHANGE IN NET ASSETS	181,918	263,325	208,847	654,090
NET ASSETS, Beginning of year	592,114	623,454	999,683	2,215,251
NET ASSETS, End of year	<u>\$ 774,032</u>	<u>\$ 886,779</u>	<u>\$ 1,208,530</u>	<u>\$ 2,869,341</u>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 105,370	\$ 117,347	\$ 67,553	\$ 290,270
Special events	670,579	-	-	670,579
In-kind	170,640	-	-	170,640
Merchandise sales	4,886	-	-	4,886
Investment income	83,940	101,239	21,403	206,582
Miscellaneous income	2,006	-	-	2,006
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions.	77,390	(77,390)	-	-
Total public support and revenue	1,114,811	141,196	88,956	1,344,963
FUNCTIONAL EXPENSES:				
Program services	339,339	-	-	339,339
Administration and governance	94,216	-	-	94,216
Fundraising	523,472	-	-	523,472
Total functional expenses	957,027	-	-	957,027
CHANGE IN NET ASSETS	157,784	141,196	88,956	387,936
NET ASSETS, Beginning of year	434,330	482,258	910,727	1,827,315
NET ASSETS, End of year	\$ 592,114	\$ 623,454	\$ 999,683	\$ 2,215,251

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 654,090</u>	<u>\$ 387,936</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	2,174
Realized/unrealized (gain) on investments	(381,957)	(186,688)
Donated stock	-	5,823
Change in assets and liabilities:		
(Increase) decrease in pledges receivable	(24,231)	59,318
(Increase) decrease in other contributions and grants receivable	28,773	(23,604)
(Increase) decrease in prepaid expenses	3,547	(7,405)
Increase (decrease) in accounts payable	5,739	(20,580)
Increase (decrease) in grants payable	(64,523)	62,086
Increase (decrease) in deferred revenue	(25,120)	23,400
Increase in accrued expenses	<u>4,028</u>	<u>2,864</u>
Net adjustments	<u>(453,744)</u>	<u>(82,612)</u>
Net cash provided by operating activities	200,346	305,324
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, at Chicago Community Trust	<u>(248,651)</u>	<u>(135,034)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(48,305)	170,290
CASH AND CASH EQUIVALENTS, Beginning of year	<u>288,953</u>	<u>118,663</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 240,648</u></u>	<u><u>\$ 288,953</u></u>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 the 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.

The financial statements were available to be issued May 13, 2014, with subsequent events being evaluated through this date.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Accounting -

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

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.

Credit Risk -

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash. The Fund places its cash and deposits with high credit quality financial institutions; however, during the year deposits may exceed the federally insured limits.

Property and Equipment -

Acquisitions of property and equipment in excess of \$3,000 are capitalized. Computer equipment is recorded at cost and is depreciated on the straight-line method over its estimated useful life of three years. Depreciation expense for 2013 and 2012 was \$-0- and \$2,174, respectively.

Net Assets -

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted, operating - Unrestricted net assets include all net assets which are neither temporarily or permanently restricted.

Temporarily restricted - Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and ultimate purpose of the contribution is not permanently restricted.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Assets - (Continued)

Permanently restricted - Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions -

Annual contributions are available for unrestricted use in the related year unless specifically restricted by the donor.

Grants that meet the definition of a contribution and other contributions of cash and other assets are reported as temporarily 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges Receivable -

Pledges receivable are recorded in the fiscal year, in which the notification of an unconditional pledge is received and then are classified as either unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of donor restrictions. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation 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 pledges receivable. For the years ended December 31, 2013 and 2012, management felt there was no need for an allowance.

(2) DESCRIPTION OF PROGRAMS:

Directed Grants -

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

Hyland R. Johns Grant -

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

John Z. Duling Grant -

The John Z. Duling Grant Program provides seed money to support research projects that address topics that have benefit to the everyday working arborist. Grant awards vary depending on the assessed value of the project to the needs of the arboricultural industry. No single award will exceed \$10,000.

(2) DESCRIPTION OF PROGRAMS: (Continued)

Tree Research Fellow Grants -

Starting in 2008, the Tree Research Fellow Grant is 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. The grant will support multi-year research projects (three to five years in duration), but no more than one grant can be awarded to any project. Grants are for a total of \$100,000 over three years, with approximately one-third released each of the three years, pending completion of interim and final reports.

Education -

The Educational programs support numerous public education endeavors. The Tour des Trees provides educational opportunities through presentations and media interviews on the importance of trees and the role of tree research. Programs include information for pre-school to high school. Programs also describe the career opportunities in arboriculture. Finally, funds may be provided to underwrite student attendance at the TCI Expo.

Scholarships -

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

The John Wright Memorial Scholarship is for high school seniors and returning college students interested in a career in arboriculture. Established in 2008 by the Wright Tree Service, Des Moines, IA and funded through an annual gift, the intent of this award is to enable undergraduate-level students to attend college without accumulating burdensome debt.

The Bonnie Appleton Memorial Fund was established to honor Bonnie Appleton and establish a scholarship.

Jack Kimmel International Grants -

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. Projects are expected to be completed within one to three years.

Million Trees NYC Training -

The Million Trees NYC Training program provides experiential learning in tree care to disenfranchised young adults from the four boroughs of New York City. Professional arboriculture training is provided to young adults with the goal of employment within the green industry. The Fund facilitated collaboration between NYC Parks and the Fund, partners to provide training, equipment and technical support to the program.

(2) DESCRIPTION OF PROGRAMS: (Continued)

Ohio Chapter ISA Grants -

Starting in 2012, the Ohio Chapter International Society of Arboriculture Education Grant funds arboricultural education programs or projects within the State of Ohio. The purpose of the grant is to raise the public awareness of and support the advancement of knowledge in the field of arboriculture and urban forestry to benefit people, trees and the environment. The grant application process is open to 501(c)(3) organizations including, but not limited to, arboretums, public gardens, high schools, vocational schools, and two and four-year colleges, which serve a target population of 16 years of age and older.

(3) SPECIAL EVENTS:

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

(4) INCOME TAXES:

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Fund files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Fund is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2010. The Fund does not expect a material net change in unrecognized tax benefits in the next twelve months.

(5) PLEDGES RECEIVABLE:

Unconditional pledges receivable at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 93,406	\$ 48,400
Receivable in greater than one year	<u>36,200</u>	<u>58,400</u>
Total unconditional pledges receivable	129,606	106,800
Less - Discounts to net present value	<u>(1,410)</u>	<u>(2,835)</u>
Net unconditional pledges receivable	<u>\$ 128,196</u>	<u>\$ 103,965</u>

(5) PLEDGES RECEIVABLE: (Continued)

The discount rate used on long-term pledges receivable was 3.25% for 2013 and 2012. The Fund's pledges receivable from the various funds as of December 31, 2013 are due as follows:

	<u>Endowment</u>	<u>Other</u>
2014	\$ 37,406	\$ 56,000
2015	2,000	28,700
2016	2,000	-
2017	<u>3,500</u>	<u>-</u>
Total	44,906	84,700
Less - Discount	<u>(507)</u>	<u>(903)</u>
	<u>\$ 44,399</u>	<u>\$ 83,797</u>

(6) INVESTMENTS:

During the year ended December 31, 2008, the Board of the Fund voted to have the Chicago Community Trust (CCT), an unrelated party, manage their investments as a component of the CCT. The CCT established the *Tree Research and Education Endowment Fund* as a CCT investment account. Per agreement, the Fund named itself as beneficiary. Interest and/or principal of the established CCT account will be disbursed to the Fund and used in conformity with spending policy and donor restrictions. As a result of the transfer, the investment held at the CCT is presented in the statement of financial position as an asset, *Due from Chicago Community Trust*.

Investment income, fees and gains for the years ended December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income, net of administration fees	\$ 18,497	\$ 19,894
Net realized/unrealized gain	<u>381,957</u>	<u>186,688</u>
Total	<u>\$ 400,454</u>	<u>\$ 206,582</u>

(7) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification (ASC) for Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

(7) FAIR VALUE MEASUREMENTS: (Continued)

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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, 2013 and 2012.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Fund's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value at December 31, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by Chicago Community Trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,604,083</u>	\$ <u>2,604,083</u>
<u>Description</u>	<u>Assets at Fair Value at December 31, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by Chicago Community Trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,973,475</u>	\$ <u>1,973,475</u>

(7) FAIR VALUE MEASUREMENTS: (Continued)

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Balance, beginning of the year	\$ 1,973,475	\$ 1,657,576
Realized and unrealized gains	381,957	186,688
Purchases and sales, net	<u>248,651</u>	<u>129,211</u>
Balance, end of year	<u>\$ 2,604,083</u>	<u>\$ 1,973,475</u>

(8) GRANTS PAYABLE:

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities in accordance with ASC, *Accounting for Contributions Received and Contributions Made*. The following is a summary of grants authorized and payable at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Hyland R. Johns grants	\$ 34,516	\$ 34,365
John Z. Duling grants	30,000	43,384
Jack Kimmell grants	19,996	20,284
Utility Arborist Research Fund project	-	40,500
Tree Biomechanic grant	-	15,000
Ohio Chapter ISA Education grant	4,998	-
Scholarships - Robert Felix	1,500	3,000
- John Wright	1,000	1,000
- Tree Fund	<u>1,000</u>	<u>-</u>
Total	<u>\$ 93,010</u>	<u>\$ 157,533</u>

(9) PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS:

General Endowment Fund -

During 2002, the Fund initiated an endowment campaign for the purpose of establishing a self-sustaining fund in which investment revenue would support Fund goals. The minimum balance for an established name endowment fund is \$100,000. Until this level is reached, all earnings are to be reinvested into the named account. Contributions to the endowment fund may be permanently restricted by donor. After reaching the \$100,000 fund amount, the investment income going forward will be temporarily restricted and expensed based on donor specifications.

John Duling Fund -

During 2000, the Fund established the John Duling Fund based on John Duling's will. The principal is to be held in perpetuity and the investment income to be used for general operational purposes.

(9) PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS: (Continued)

Robert Felix Fund -

During 2001, the Fund established the Robert Felix Scholarship Fund. The principal is to be held in perpetuity and the investment income to be used for funding of arboriculture scholarships and related arboriculture curricula in high school and college level programs as well as promotion of the arboriculture profession at all educational levels. There should be no more than four scholarships per year of up to \$3,000 each.

Permanently restricted net assets for the years ended December 31, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
James Barborinas Fund	\$ 51,747	\$ 38,242
Gamma Fund	102,690	101,620
John White Fund	52,866	37,721
Mark McClure Research Fund	102,562	100,997
Illinois Arborists Association Fund	32,411	31,136
John Wright Scholarship Fund	18,755	17,705
Utility Arborist Research Fund	345,324	201,485
Bonnie Appleton Fund	<u>31,398</u>	<u>-</u>
Total General Endowment Fund	737,753	528,906
John Duling Fund	197,532	197,532
Robert Felix Fund	<u>273,245</u>	<u>273,245</u>
Total permanently restricted net assets	<u>\$ 1,208,530</u>	<u>\$ 999,683</u>

Temporarily Restricted Funds -

Temporarily restricted net assets for the years ended December 31, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Safe Arborist's Technique Fund	\$ 82,873	\$ 57,708
Ohio Chapter ISA Funds	136,209	132,401
Robert Felix Education and Scholarships	345,954	250,356
Research Summit	14,685	14,685
Bob Skiera Memorial Fund	224,653	146,300
Gamma Investment Income	18,683	-
Jack Kimmell Fund	23,744	7,811
Mark McClure Research Fund	25,429	8,548
Other restricted amounts	<u>14,549</u>	<u>5,645</u>
Total temporarily restricted net assets	<u>\$ 886,779</u>	<u>\$ 623,454</u>

(10) ENDOWMENT:

In August, 2008, the Fund adopted Accounting Standards Codification (ASC) *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The codification provides 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 codification also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

The State of Illinois enacted UPMIFA effective June 30, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Fund has adopted the above mentioned codification for the year ended December 31, 2009. The Board has determined that the majority of the Fund's permanently restricted net assets meet the definition of endowment funds under UPMIFA. Based on the Fund's interpretation of UPMIFA, the Fund has reviewed all of its endowment funds and determined that funds are properly classified as permanent and temporarily restricted net assets.

The Fund's endowment consists of ten individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Fund has interpreted the Illinois Prudent Management of Institutional Funds Act (IPMIFA) 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 Fund classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by IPMIFA. In accordance with IPMIFA, the Fund 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, (6) other resources of the Fund, and (7) the Fund's investment policies.

Investment and Spending Policy. The Fund has adopted investment and spending policies, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the Fund must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that equals or exceeds the assumed spending rate plus the rate of inflation. The Fund expects its endowment funds, over time, to provide an average rate of return of approximately 7%, net of investment fees. Actual returns in any given year may vary from this amount.

(10) ENDOWMENT: (Continued)

To satisfy its long-term rate-of-return objectives, the Fund 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 Fund targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Fund's spending policy will be at the discretion of the Board as determined by the governing documents for the various donor-restricted funds that make up the endowments and applicable federal and state law.

Endowment net assets composition by type of fund as of December 31, 2013 and 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds:				
2013	\$ <u>-</u>	\$ <u>313,934</u>	\$ <u>1,208,530</u>	\$ <u>1,522,464</u>
2012	\$ <u>(22,621)</u>	\$ <u>179,921</u>	\$ <u>999,683</u>	\$ <u>1,156,983</u>

Endowment changes by net asset classes for the years ended December 31, 2013 and 2012 are as follow:

	<u>2013</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (22,621)	\$ 179,921	\$ 999,683	\$ 1,156,983
Contributions	-	-	152,581	152,581
Investment income	-	7,039	2,568	9,607
Net appreciation	22,621	129,974	53,698	206,293
Appropriated amounts	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Endowment net assets, end of year	\$ <u>-</u>	\$ <u>313,934</u>	\$ <u>1,208,530</u>	\$ <u>1,522,464</u>
	<u>2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (39,417)	\$ 127,199	\$ 910,727	\$ 998,509
Contributions	-	-	67,553	67,553
Investment income	-	10,649	2,290	12,939
Net appreciation	16,796	56,109	19,113	92,018
Appropriated amounts	<u>-</u>	<u>(14,036)</u>	<u>-</u>	<u>(14,036)</u>
Endowment net assets, end of year	\$ <u>(22,621)</u>	\$ <u>179,921</u>	\$ <u>999,683</u>	\$ <u>1,156,983</u>

(11) EMPLOYEE BENEFITS:

The Fund maintains a 403(b) plan that covers full-time employees. The Fund matches 100% for the first \$750 contributions and 33% for the next \$750 contributions, up to \$1,500. The Fund contributed \$4,496 for years ended December 31, 2013 and 2012.

(12) LEASE COMMITMENTS:

The Fund has an office lease that expires in September, 2016. The Fund also rents storage space on a month-to-month basis. There was rent expense of \$17,490 and \$17,537 for the years ended December 31, 2013 and 2012, respectively. Future minimum lease payments are as follow for the years ending December 31:

2014	\$ 17,043
2015	17,343
2016	13,176

(13) RECLASSIFICATIONS:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

(14) 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.

The Fund has a volunteer committee review the grant applications and their time is not recorded as contributions and expenditures 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.

Donated materials are recorded as contributions at their fair values at the date of donation.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	Administration and Governance	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries	\$ 55,877	\$ 51,540	\$ 145,783	\$ 253,200
Payroll taxes	5,626	4,026	11,014	20,666
Other employee benefits	6,067	6,124	7,938	20,129
Contract labor	12,498	1,402	44,030	57,930
Accounting fees	3,312	5,923	8,352	17,587
Advertising	3,720	-	13,971	17,691
Bad debt expense	3,375	-	-	3,375
Bank charges	4,962	783	13,258	19,003
Board expense	-	6,757	-	6,757
Computer services	12,873	973	6,750	20,596
Computer software	491	-	1,296	1,787
Conferences and meetings	907	-	931	1,838
Dues and subscriptions	-	-	1,070	1,070
Education and program	2,173	-	-	2,173
Insurance	1,614	1,220	4,315	7,149
Legal fees	-	765	3,514	4,279
Liaisons	1,001	-	2,735	3,736
Lodging	11,988	-	47,744	59,732
Meals	8,537	186	34,271	42,994
Monetary grants	126,924	-	-	126,924
Service rental	276	83	1,069	1,428
Office supplies	2,080	1,652	5,546	9,278
Postage	1,724	667	7,650	10,041
Printing	612	43	5,736	6,391
Special event - Tour	3,219	-	14,131	17,350
- Auction	1,450	-	13,152	14,602
In-kind expenses	43,517	852	172,543	216,912
Telephone	2,042	1,642	6,725	10,409
Training	-	148	495	643
Transportation	91	164	89	344
Travel	6,824	2,260	22,881	31,965
Rent	3,694	3,051	9,317	16,062
Miscellaneous	365	96	1,543	2,004
Total functional expenses	\$ 327,839	\$ 90,357	\$ 607,849	\$ 1,026,045

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Administration and Governance	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries	\$ 47,700	\$ 54,945	\$ 135,379	\$ 238,024
Payroll taxes	5,762	4,817	13,541	24,120
Other employee benefits	5,523	6,718	9,496	21,737
Contract labor	10,971	901	42,720	54,592
Accounting fees	2,856	3,400	9,087	15,343
Advertising	2,276	-	8,847	11,123
Bank charges	5,244	686	18,033	23,963
Board expense	745	7,175	-	7,920
Computer services	774	-	2,148	2,922
Computer software	3,500	1,250	2,796	7,546
Conferences and meetings	266	20	545	831
Dues and subscriptions	-	-	337	337
Education and program	2,158	-	-	2,158
Insurance	1,317	1,574	4,250	7,141
Legal fees	911	15	4,666	5,592
Liaisons	17,729	-	2,369	20,098
Lodging	-	-	66,246	66,246
Meals	5,241	282	20,377	25,900
Monetary grants	165,290	-	-	165,290
Service rental	134	95	415	644
Office supplies	799	487	2,303	3,589
Postage	2,432	635	6,841	9,908
Printing	2,078	365	4,886	7,329
Special event - Tour	1,757	-	7,030	8,787
- Auction	339	-	2,587	2,926
In-kind expenses	43,829	63	126,748	170,640
Telephone	1,889	2,099	5,555	9,543
Training	588	-	1,788	2,376
Transportation	65	349	43	457
Travel	3,203	3,894	12,813	19,910
Rent	3,594	3,622	10,321	17,537
Depreciation	369	500	1,305	2,174
Miscellaneous	-	324	-	324
Total functional expenses	\$ 339,339	\$ 94,216	\$ 523,472	\$ 957,027