

# Tentative and Preliminary

DATE

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

We have audited the financial statements of Tree Research and Education Endowment Fund (the Fund) for the year ended December 31, 2014, and have issued our report thereon dated DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 28, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## **QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allocation of costs among program and supporting services is based on management's knowledge of resources spent in the various activities. We evaluated key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of fixed assets is based on management's knowledge of how these resources are spent. We evaluated the useful lives by asset class to determine they are reasonable as they relate to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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## **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

## **DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated DATE.

## **MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **OTHER AUDIT FINDINGS OR ISSUES**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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## **OTHER MATTERS**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **OTHER CONSIDERATIONS**

During the audit, it was noted that the Fund had received pledges from donors that had been raised by an individual outside of the Fund's management and Board. While it is commendable that this individual took it upon himself to raise the funds, all financial controls need to be within the Fund. Because the pledges were signed documents, the Fund had to follow U.S. generally accepted accounting principles and record contribution income and pledges receivable. The pledges ranged in total values from \$80 payable over four years to \$7,920 over five years. Of the new pledges receivable of \$66,293, there was \$10,486 of the total that had not paid anything at year end. Because you cannot contact any of the people, there is a potential you may not see a large portion of these pledges. We suggest you review your policies and make certain that management control all pledges and be able to contact donors. You might also want to set a dollar limit of at least a certain amount to be accepted as a pledge. Management should be in full control and contact any donor about unpaid pledge balances.

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This information is intended solely for the use of the Board of Directors and management of Tree Research and Education Endowment Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

DUGAN & LOPATKA

Wheaton, Illinois