

Tentative and Preliminary

**TREE RESEARCH AND EDUCATION
ENDOWMENT FUND**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014**

TOGETHER WITH AUDITOR'S REPORT

Tentative and Preliminary

EXHIBIT 1

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 383,660	\$ 425,218
Pledges receivable	52,415	43,402
Other contributions and grants receivable	46,931	8,000
Investments held by Chicago Community Trust	2,927,376	2,873,730
Prepaid expenses	9,466	5,600
	<u>3,419,848</u>	<u>3,355,950</u>
Total current assets		
	3,419,848	3,355,950
OTHER ASSETS:		
Pledges receivable, net of current maturities and allowance of \$20,000 in 2015	<u>3,781</u>	<u>69,145</u>
	<u>\$ 3,423,629</u>	<u>\$ 3,425,095</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 17,191	\$ 24,941
Grants payable	146,608	255,504
Accrued expenses	16,989	12,258
	<u>180,788</u>	<u>292,703</u>
Total liabilities		
	180,788	292,703
NET ASSETS:		
Unrestricted	734,587	787,753
Temporarily restricted	1,232,442	1,088,104
Permanently restricted	1,275,812	1,256,535
	<u>3,242,841</u>	<u>3,132,392</u>
Total net assets		
	<u>\$ 3,423,629</u>	<u>\$ 3,425,095</u>

The accompanying notes are an integral part of this statement.

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EXHIBIT 2

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 116,731	\$ 193,053	\$ 24,627	\$ 334,411
Special events	671,537	-	-	671,537
In-kind	172,588	-	-	172,588
Merchandise sales	1,616	-	-	1,616
Investment (loss)	(10,337)	(13,668)	(5,350)	(29,355)
Miscellaneous income	818	-	-	818
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	35,047	(35,047)	-	-
Total public support and revenue	988,000	144,338	19,277	1,151,615
FUNCTIONAL EXPENSES:				
Program services	331,972	-	-	331,972
Administration and governance	178,886	-	-	178,886
Fundraising	530,308	-	-	530,308
Total functional expenses	1,041,166	-	-	1,041,166
CHANGE IN NET ASSETS	(53,166)	144,338	19,277	110,449
NET ASSETS, Beginning of year	787,753	1,088,104	1,256,535	3,132,392
NET ASSETS, End of year	\$ 734,587	\$ 1,232,442	\$ 1,275,812	\$ 3,242,841

The accompanying notes are an integral part of this statement.

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 164,882	\$ 233,956	\$ 23,097	\$ 421,935
Special events	671,766	-	-	671,766
In-kind	167,447	-	-	167,447
Merchandise sales	3,300	-	-	3,300
Investment income	57,956	69,420	24,908	152,284
Miscellaneous income	752	-	-	752
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	102,051	(102,051)	-	-
Total public support and revenue	1,168,154	201,325	48,005	1,417,484
FUNCTIONAL EXPENSES:				
Program services	498,324	-	-	498,324
Administration and governance	145,881	-	-	145,881
Fundraising	510,228	-	-	510,228
Total functional expenses	1,154,433	-	-	1,154,433
CHANGE IN NET ASSETS	13,721	201,325	48,005	263,051
NET ASSETS, Beginning of year	774,032	886,779	1,208,530	2,869,341
NET ASSETS, End of year	\$ 787,753	\$ 1,088,104	\$ 1,256,535	\$ 3,132,392

The accompanying notes are an integral part of this statement.

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EXHIBIT 3

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 110,449</u>	<u>\$ 263,051</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized/unrealized (gain) loss on investments	50,039	(127,997)
Change in assets and liabilities:		
Decrease in pledges receivable	56,351	15,649
(Increase) in other contributions and grants receivable	(38,931)	(2,725)
(Increase) decrease in prepaid expenses	(3,866)	6,835
Increase (decrease) in accounts payable	(7,750)	7,164
Increase (decrease) in grants payable	(108,896)	162,494
(Decrease) in deferred revenue	-	(780)
Increase in accrued expenses	<u>4,731</u>	<u>2,529</u>
Net adjustments	<u>(48,322)</u>	<u>63,169</u>
Net cash provided by operating activities	62,127	326,220
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments at Chicago Community Trust	<u>(103,685)</u>	<u>(141,650)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,558)	184,570
CASH AND CASH EQUIVALENTS, Beginning of year	<u>425,218</u>	<u>240,648</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 383,660</u></u>	<u><u>\$ 425,218</u></u>

The accompanying notes are an integral part of this statement.

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

(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 DATE, 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. There was no depreciation expense in 2015 or 2014. All assets are fully depreciated.

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.

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

Net Assets - (Continued)

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.

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, 2015 and 2014, there was an allowance of \$20,000 and \$-0-, respectively.

(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.

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(2) DESCRIPTION OF PROGRAMS: (Continued)

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.

Tree Research Fellow Grant -

Starting in 2008, the Tree Research Fellow Grant was designed to address a specific topic as defined by the TREE Fund Trustees and to provide support to a young scientist who is being mentored by an established and published scientist. 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.

The Horace M. Thayer Scholarship Program supports college students from Pennsylvania or Delaware enrolled in a program related to the practice of arboriculture and urban forestry.

The Fran Ward Women in Arboriculture Scholarship Program supports female college students from Pennsylvania or Delaware enrolled in a program related to the practice of arboriculture and urban forestry.

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(2) DESCRIPTION OF PROGRAMS: (Continued)

Jack Kimmel International Grant -

The Jack Kimmel International Grant program is championed by the Canadian TREE Fund and honors the late Jack Kimmel, former director of parks for the City of Toronto. The program provides much needed funding to arboriculture and urban forestry researchers all over the world. Projects are expected to be completed within one to three years.

Ohio Chapter ISA Grant -

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 2012. 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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 52,415	\$ 43,402
Receivable in greater than one year	<u>24,798</u>	<u>72,600</u>
Total unconditional pledges receivable	77,213	116,002
Less - Allowance for uncollectible pledges	(20,000)	-
- Discounts to net present value	<u>(1,017)</u>	<u>(3,455)</u>
Net unconditional pledges receivable	<u>\$ 56,196</u>	<u>\$ 112,547</u>

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(5) PLEDGES RECEIVABLE: (Continued)

The discount rate used on long-term pledges receivable was 3.25% for 2015 and 2014. The Fund's pledges receivable from the various funds as of December 31, 2015 are due as follows:

	<u>Endowment</u>	<u>Other</u>
2016	\$ 48,415	\$ 4,000
2017	15,153	2,000
2018	6,845	700
2019	<u>100</u>	<u>-</u>
Total	70,513	6,700
Less - Allowance for uncollectible pledges	(16,650)	(3,350)
- Discount	<u>(911)</u>	<u>(106)</u>
	<u>\$ 52,952</u>	<u>\$ 3,244</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, *Investments held by Chicago Community Trust*.

Investment income (loss), fees and gains for the years ended December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income, net		
of administration fees	\$ 20,684	\$ 24,287
Net realized/unrealized gain (loss)	<u>(50,039)</u>	<u>127,997</u>
Total	<u>\$ (29,355)</u>	<u>\$ 152,284</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:

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(7) FAIR VALUE MEASUREMENTS: (Continued)

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

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, 2015 and 2014.

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, 2015</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>2,927,376</u>	\$ <u>2,927,376</u>

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(7) FAIR VALUE MEASUREMENTS: (Continued)

<u>Description</u>	<u>Assets at Fair Value at December 31, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by Chicago Community Trust	\$ -	\$ -	\$ 2,873,730	\$ 2,873,730

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance, beginning of the year	\$ 2,873,730	\$ 2,604,083
Realized and unrealized gains (losses)	(50,039)	127,997
Purchases and sales, net	103,685	141,650
Balance, end of year	\$ 2,927,376	\$ 2,873,730

(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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Hyland R. Johns grants	\$ 27,433	\$ 34,821
John Z. Duling grants	19,975	17,500
Jack Kimmell grants	30,200	21,998
Utility Arborist Research Fund project	-	58,000
Research Fellowship grant	66,000	100,000
Emerald Ash Borer	-	19,185
Scholarships - Robert Felix	-	3,000
- John Wright	1,000	1,000
- Horace Thayer	1,000	-
- Fran Ward	1,000	-
Total	\$ 146,608	\$ 255,504

(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.

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

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.

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, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
James Barborinas Fund	\$ 70,076	\$ 60,464
Gamma Fund	102,750	102,750
John White Fund	59,332	59,263
Mark McClure Research Fund	102,637	102,637
Illinois Arborists Association Fund	32,411	32,411
John Wright Scholarship Fund	18,780	18,780
Utility Arborist Research Fund	362,965	365,475
Bonnie Appleton Fund	<u>56,084</u>	<u>43,978</u>
Total General Endowment Fund	805,035	785,758
John Duling Fund	197,532	197,532
Robert Felix Fund	<u>273,245</u>	<u>273,245</u>
Total permanently restricted net assets	<u>\$ 1,275,812</u>	<u>\$ 1,256,535</u>

Temporarily Restricted Funds -

Temporarily restricted net assets for the years ended December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Safe Arborist's Technique Fund	\$ 112,907	\$ 99,732
Ohio Chapter ISA Funds	138,944	139,773
Robert Felix Education and Scholarships	355,063	363,833
Bob Skiera Memorial Fund	358,088	337,212
Utility Arborist Research Grant	37,010	23,500
Bio Mechanics Research	50,000	25,000
Collier Arborist Training Trust	96,765	-
Gamma Investment Income	20,987	26,372
Mark McClure Research Fund	28,021	29,301
Other restricted amounts	<u>34,657</u>	<u>43,381</u>
Total temporarily restricted net assets	<u>\$ 1,232,442</u>	<u>\$ 1,088,104</u>

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(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 Trustees 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.

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(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, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds:				
2015	\$ -	\$ 314,998	\$1,275,812	\$ 1,590,810
2014	\$ -	\$ 339,740	\$1,256,535	\$ 1,596,275

Endowment changes by net asset classes for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 339,740	\$ 1,256,535	\$ 1,596,275
Contributions	-	-	24,627	24,627
Investment income	-	6,683	3,626	10,309
Net depreciation	-	(16,541)	(8,976)	(25,517)
Appropriated amounts	-	(14,884)	-	(14,884)
Endowment net assets, end of year	\$ -	\$ 314,998	\$1,275,812	\$ 1,590,810
	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 313,934	\$ 1,208,530	\$ 1,522,464
Contributions	-	-	23,097	23,097
Investment income	-	8,370	3,909	12,279
Net appreciation	-	23,436	20,999	44,435
Appropriated amounts	-	(6,000)	-	(6,000)
Endowment net assets, end of year	\$ -	\$ 339,740	\$1,256,535	\$ 1,596,275

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(11) EMPLOYEE BENEFITS:

The Fund maintains a 403(b) plan that covers full-time employees. The Fund matches 50 cents per dollar on each employee dollar up to a maximum employee contribution of 4.25% of employee salary or \$3,500 whichever is smaller. The Fund contributed \$4,857 and \$4,090 for the years ended December 31, 2015 and 2014, respectively.

(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 \$21,333 and \$18,485 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments are as follow for the year ending December 31:

2016	\$	13,176
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(13) 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.

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Administration and Governance	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries	\$ 51,916	\$ 94,527	\$ 125,293	\$ 271,736
Payroll taxes	2,715	5,847	12,320	20,882
Other employee benefits	5,147	10,793	23,905	39,845
Contract labor	8,748	13,561	37,626	59,935
Accounting fees	2,021	4,471	9,263	15,755
Advertising	3,686	24	9,159	12,869
Bad debt expense	20,000	-	-	20,000
Bank charges	2,082	193	17,730	20,005
Board expense	2,693	10,921	897	14,511
Computer services	10,799	562	4,161	15,522
Computer software	303	45	1,395	1,743
Conferences and meetings	83	165	1,390	1,638
Dues and subscriptions	-	-	815	815
Education and program	2,971	-	-	2,971
Insurance	1,438	905	6,033	8,376
Legal fees	-	-	3,477	3,477
Liaisons	-	-	-	-
Lodging	13,915	-	44,234	58,149
Meals	9,419	21	40,891	50,331
Monetary grants	124,155	-	-	124,155
Service rental	229	525	2,175	2,929
Office supplies	476	1,000	2,303	3,779
Payroll fees	-	1,213	-	1,213
Postage	470	597	2,703	3,770
Printing	327	301	5,857	6,485
Professional fees	-	425	230	655
Recruitment	-	20,966	-	20,966
Special event - Tour	2,063	-	8,649	10,712
- Auction	1,249	-	14,474	15,723
In-kind expenses	56,954	3,452	112,182	172,588
Telephone	1,078	2,354	5,098	8,530
Training	32	106	294	432
Transportation	37	108	232	377
Travel	4,605	395	26,702	31,702
Rent	2,361	5,223	10,820	18,404
Miscellaneous	-	186	-	186
Total functional expenses	<u>\$ 331,972</u>	<u>\$ 178,886</u>	<u>\$ 530,308</u>	<u>\$ 1,041,166</u>

Tentative and Preliminary

Schedule 1

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Administration and Governance	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries	\$ 36,180	\$ 92,715	\$ 150,598	\$ 279,493
Payroll taxes	3,956	6,036	12,806	22,798
Other employee benefits	3,527	12,319	6,913	22,759
Contract labor	11,828	891	41,005	53,724
Accounting fees	2,359	4,333	9,777	16,469
Advertising	2,801	67	11,382	14,250
Bad debt expense	4,500	-	-	4,500
Bank charges	10,725	-	8,675	19,400
Board expense	-	12,159	-	12,159
Computer services	16,845	518	4,861	22,224
Computer software	476	-	1,226	1,702
Conferences and meetings	250	90	535	875
Dues and subscriptions	-	-	1,212	1,212
Education and program	2,161	-	16	2,177
Insurance	1,248	2,100	5,550	8,898
Legal fees	-	15	3,850	3,865
Liaisons	553	-	2,540	3,093
Lodging	10,512	-	35,021	45,533
Meals	17,366	19	35,371	52,756
Monetary grants	303,583	-	-	303,583
Service rental	53	117	242	412
Office supplies	521	1,835	3,256	5,612
Payroll fees	-	-	-	-
Postage	-	1,464	2,290	3,754
Printing	388	102	2,630	3,120
Professional fees	-	-	-	-
Recruitment	-	-	-	-
Special event - Tour	1,476	-	7,419	8,895
- Auction	535	-	11,665	12,200
In-kind expenses	56,792	930	109,725	167,447
Telephone	1,237	2,053	5,719	9,009
Training	-	99	1,271	1,370
Transportation	-	36	86	122
Travel	5,605	3,162	23,192	31,959
Rent	2,773	3,905	11,395	18,073
Miscellaneous	74	916	-	990
Total functional expenses	\$ 498,324	\$ 145,881	\$ 510,228	\$ 1,154,433