

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
FINANCIAL STATEMENTS
YEARS ENDED
DECEMBER 31, 2017 AND 2016

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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Board of Directors
Tree Research and Education Endowment Fund
Naperville, Illinois

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of **TREE RESEARCH AND EDUCATION ENDOWMENT FUND**, which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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** at December 31, 2017 and 2016, and the results of its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sassetti LLC

Oak Park, Illinois
March 15, 2018

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 121,732	\$ 233,946
Pledges receivable	137,646	10,550
Beneficial interest in investments held by Chicago Community Trust	4,543,784	3,771,410
Prepaid expenses	7,067	4,947
Property and equipment, net	2,942	-
Total Assets	\$ 4,813,171	4,020,853
 LIABILITIES		
Accounts payable	\$ 11,046	\$ 21,142
Accrued expenses	15,956	18,707
Grants payable	351,100	332,992
Total Liabilities	378,102	372,841
 NET ASSETS		
Unrestricted	(359,473)	(288,450)
Temporarily restricted	287,405	386,853
Permanently restricted	4,507,137	3,549,609
Total Net Assets	4,435,069	3,648,012
Total Liabilities and Net Assets	\$ 4,813,171	\$ 4,020,853

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 201,995	\$ 47,187	\$ 539,613	\$ 788,795
Special events	513,142	-	-	513,142
In-kind	124,070	-	-	124,070
Merchandise sales	2,726	-	-	2,726
Increase in beneficial interest value	-	-	557,766	557,766
Net assets released from restrictions	286,486	(286,486)	-	-
CCT funds approved for spending	-	139,851	(139,851)	-
	1,128,419	(99,448)	957,528	\$ 1,986,499
FUNCTIONAL EXPENSES				
Program services	505,552	-	-	505,552
Administrative and general	187,172	-	-	187,172
Fundraising	506,718	-	-	506,718
	1,199,442	-	-	1,199,442
CHANGE IN NET ASSETS	(71,023)	(99,448)	957,528	787,057
NET ASSETS				
Beginning of year	(288,450)	386,853	3,549,609	3,648,012
End of year	\$ (359,473)	\$ 287,405	\$ 4,507,137	\$ 4,435,069

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 430,935	\$ 58,387	\$ 541,896	\$ 1,031,218
Special events	649,217	-	-	649,217
In-kind	97,663	-	-	97,663
Merchandise sales	831	-	-	831
Investment income	22	-	-	22
Increase in beneficial interest value	-	-	180,925	180,925
Miscellaneous income	1,131	-	-	1,131
CCT funds approved for spending	-	121,095	(121,095)	-
Transfers to Investments held by CCT	-	(121,213)	121,213	-
	<u>1,179,799</u>	<u>58,269</u>	<u>722,939</u>	<u>\$ 1,961,007</u>
FUNCTIONAL EXPENSES				
Program services	879,849	-	-	879,849
Administrative and general	184,518	-	-	184,518
Fundraising	491,469	-	-	491,469
	<u>1,555,836</u>	<u>-</u>	<u>-</u>	<u>1,555,836</u>
CHANGE IN NET ASSETS	(376,037)	58,269	722,939	405,171
NET ASSETS				
Beginning of year	<u>87,587</u>	<u>328,584</u>	<u>2,826,670</u>	<u>3,242,841</u>
End of year	<u>\$ (288,450)</u>	<u>\$ 386,853</u>	<u>\$ 3,549,609</u>	<u>\$ 3,648,012</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Administrative and General	Fundraising	Total
Salaries	\$ 81,171	\$ 88,604	\$ 96,432	\$ 266,207
Payroll taxes	6,312	6,893	7,370	20,575
Other employee benefits	5,819	8,002	6,819	20,640
Accounting fees	1,228	27,063	-	28,291
Bank charges	254	17,600	1,228	19,082
Board expense	5,154	6,771	3,496	15,421
Computer services	696	8,662	14,403	23,761
Depreciation	-	736	-	736
Dues and subscriptions	533	401	485	1,419
Educational programming	21,232	-	-	21,232
Insurance	1,568	1,176	1,176	3,920
Legal fees	-	81	213	294
Monetary grants	203,859	-	-	203,859
Miscellaneous	-	102	-	102
Office supplies	5,803	768	813	7,384
Payroll fees	-	1,154	-	1,154
Postage	1,787	1,293	1,314	4,394
Printing	1,488	1,094	6,482	9,064
Professional fees	2,420	4,100	102,363	108,883
Special event	102,124	22	153,219	255,365
In-kind expenses	37,298	-	87,028	124,326
Telephone	3,382	2,482	2,513	8,377
Travel	11,612	2,526	13,722	27,860
Rent	11,812	7,642	7,642	27,096
Total expenses	<u>\$ 505,552</u>	<u>\$ 187,172</u>	<u>\$ 506,718</u>	<u>\$ 1,199,442</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Administrative and General	Fundraising	Total
FUNCTIONAL EXPENSES				
Salaries	\$ 95,139	\$ 90,298	\$ 106,930	\$ 292,367
Payroll taxes	8,844	5,154	8,670	22,668
Other employee benefits	8,235	9,995	13,445	31,675
Accounting fees	1,409	29,847	16,043	47,299
Bad debt expense	47,589	-	-	47,589
Bank charges	130	3,709	3,541	7,380
Board expense	5,368	10,447	1,757	17,572
Computer services	3,804	4,202	5,925	13,931
Computer software	949	947	1,264	3,160
Dues and subscriptions	514	514	686	1,714
Insurance	2,796	1,668	2,014	6,478
Legal fees	315	4,085	2,433	6,833
Monetary grants	549,938	-	-	549,938
Office supplies	2,559	3,018	3,413	8,990
Payroll fees	-	1,200	-	1,200
Postage	1,194	1,044	1,377	3,615
Printing	596	536	5,687	6,819
Professional fees	550	5,478	58,933	64,961
Special event	102,005	-	165,667	267,672
In-kind expenses	29,299	-	68,364	97,663
Telephone	2,548	2,587	3,527	8,662
Training	980	420	-	1,400
Travel	10,242	2,370	12,462	25,074
Rent	4,846	6,999	9,331	21,176
	<u>4,846</u>	<u>6,999</u>	<u>9,331</u>	<u>21,176</u>
Total expenses	<u>\$ 879,849</u>	<u>\$ 184,518</u>	<u>\$ 491,469</u>	<u>\$ 1,555,836</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 787,057	\$ 405,171
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	736	-
Beneficial interest in investments held by Chicago Community Trust	(546,167)	(180,925)
(Increase)/decrease in:		
Pledges receivable	(127,096)	92,577
Prepaid expenses	(2,120)	4,519
Increase (decrease) in:		
Accounts payable	(10,096)	3,951
Grants payable	18,108	186,384
Accrued expenses	(2,751)	1,718
	<u>117,671</u>	<u>513,395</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds transferred to beneficial interest	(439,593)	(663,109)
Funds received from beneficial interest	213,386	-
Purchases of property and equipment, net	(3,678)	-
	<u>(229,885)</u>	<u>(663,109)</u>
Net Cash Used in Investing Activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(112,214)</u>	<u>(149,714)</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>233,946</u>	<u>383,660</u>
End of year	<u>\$ 121,732</u>	<u>\$ 233,946</u>

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - 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 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.

Basis of Presentation - These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Accounting 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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Acquisitions of property and equipment in excess of \$3,000 are capitalized. During the year ended December 31, 2017, there was depreciation expense of \$736. There was no depreciation expense during the year ended December 31, 2016.

Classification of Net Assets - Net assets of the Fund are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Fund's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

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 stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

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

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Grants and Other Receivables - 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 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 pledge receivable. There was no allowance for the years ended December 31, 2017 and 2016. There was no bad debt expense for the year ended December 31, 2017. Bad debt expense for the year ended December 31, 2016 was \$47,589, and related to unfulfilled pledges committed to in prior years.

Income Tax Status - The Fund is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3). However, organizations which are exempt may be subject to unrelated business income taxes when an organization generates revenues from activities which are unrelated to the exempt purpose of the organization. Management does not believe that it has taxable unrelated income for 2016 or prior fiscal years. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

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

The Fund has a volunteer committee review grant applications and their time is not recorded as a contribution and expenditure 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.

During the years ended December 31, 2017 and 2016, the Fund recorded in-kind advertising and donated goods of \$124,070 and \$97,663.

Joint Costs - the Fund incurs joint costs for special events. These events provide both programming activities and activities that include fundraising appeals. For the year ended December 31, 2017, the Fund incurred \$255,365 in joint costs, allocating \$102,124 and \$153,219 to program and fundraising functional categories, respectively. For the year ended December 31, 2016, the Fund incurred \$267,672 in joint costs, allocating \$102,005 and \$165,667 to program and fundraising functional categories, respectively.

Subsequent Events - The Fund has evaluated subsequent events through March 15, 2018, the date these financial statements were available to be issued. There were no subsequent events required to be recognized or disclosed in these financial statements.

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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. DESCRIPTION OF PROGRAMS - CONTINUED

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.

Tree Fund Research Fellowship 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.

Jack Kimmel International Grant

The Jack Kimmell 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.

Arboriculture Education Grant

The Arboriculture Education Grant Program supports the development of unique, creative or innovative educational programs and materials to foster interest in and enthusiasm for urban and community forests.

Ohio Chapter ISA Grant

The Ohio Chapter Arboriculture Education Grant Program funds arboricultural education programs or projects within the state of Ohio which serve a target population of 16 years of age or older.

Education

The Educational programs support numerous public education endeavors. The Tour des Trees provides educational opportunities through presentation and media interviews on the importance of trees and the role of tree research. Programs include information for pre-school to high school age students. Programs also describe the career opportunities in arboriculture.

Scholarships

The Robert Felix Memorial Scholarship Program was established to honor Robert Felix and his commitment to the advancement of the 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.

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.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

3. PLEDGES RECEIVABLE

The Organization records pledges to the endowment fund as promises to give in the period in which the promise is received.

Unconditional promises to give at December 31, 2017, are as follows:

	2017	2016
Receivable in less than one year	\$ 22,500	\$ 10,550
Receivable in one to five years	80,000	-
Thereafter	75,000	-
Total unconditional promises to give	177,500	10,550
Less discounts to net present value at 5.5%	(39,854)	-
Net unconditional promises to give	\$ 137,646	\$ 10,550

4. INVESTMENT INCOME

During the year ended December 31, 2008, the Fund transferred its endowment assets to Chicago Community Trust (CCT), an unrelated party. The CCT established the Tree Research and Education Endowment Fund, with the Fund named as its sole beneficiary. As a result of the transfer, the investment held at the CCT is presented in the statement of financial position as a beneficial interest in investments held by Chicago Community Trust. The beneficial interest in investments held by Chicago Community Trust as well as any investment income, net of fees, is considered permanently restricted by the Fund until a disbursement to the Fund is approved by CCT, in accordance with CCT's spending policy.

Investment income for the years ended December 31, 2017 and 2016 consists of the following:

	2017	2016
Interest and dividend income, net of fees	\$ 40,629	\$ 19,456
Realized and unrealized gains, net	517,137	161,491
Total	\$ 557,766	\$ 180,947

5. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

Generally accepted accounting principles also establish a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial Instrument's categorization within the fair value hierarchy is based upon the lowest of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities ; or
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

5. FAIR VALUE MEASUREMENTS - CONTINUED

The 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, 2017 and 2016.

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

The preceding method 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 different fair value measurements at the reporting date.

Asset Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Investments				
Held by Chicago Community Trust	\$ -	\$ -	\$ 4,543,784	\$ 4,543,784

Asset Fair Value at December 31, 2016				
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Investments				
Held by Chicago Community Trust	\$ -	\$ -	\$ 3,771,410	\$ 3,771,410

The following table sets forth a summary of changes in fair value of the Level 3 assets for the years ended December 31, 2017 and 2016:

	2017	2016
Balance, beginning of the year	\$ 3,771,410	\$ 2,927,376
Realized and unrealized gains, net	517,137	161,491
Reinvested earnings, net of fees	40,629	19,434
Disbursements	(213,386)	-
Contributions	439,591	663,109
Balance, end of the year	\$ 4,555,381	\$ 3,771,410

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following, at December 31:

	2017	2016
Furniture and equipment	\$ 3,678	\$ 8,980
Computer software	-	21,140
	3,678	30,120
Less: Accumulated depreciation	(736)	(30,120)
	\$ 2,942	\$ -

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

7. GRANTS PAYABLE

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities. The following is a summary of grants authorized but not yet paid at December 31, 2017 and 2016:

	2017	2016
Hyland R. Johns grants	\$ 89,575	\$ 72,886
John Z. Duling grants	28,070	6,000
Jack Kimmel grants	2,400	6,400
Utility Arborist Research Fund project	85,950	113,750
Fran Ward grant	1,000	-
Education Directed grant	400	-
John Wright grant	1,000	-
Horace Thayer grant	1,000	-
Safety Around the World grant	6,000	-
Research Directed grant	1,600	-
Research Fellowship grant	134,105	133,956
	\$ 351,100	\$ 332,992

Grant balances are payable in future years as follows:

Years ending December 31,	
2018	\$ 266,075
2019	26,500
2020	21,493
2021	37,000
	\$ 351,068

8. PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS

The Fund was established in 2002 specifically to build and manage an endowment fund, the proceeds of which will be used to fund research, education, and community engagement. In 2008, the Fund established and transferred its endowment assets to an agency fund at CCT, with the Fund named as the sole beneficiary. Any subsequent contributions to the endowment are collected by the Fund and transferred to CCT on a monthly basis. The Fund's beneficial interest in the investments held by CCT, including investment income, is considered permanently restricted.

CCT's defined spending plan allocates an annual spendable balance to be paid to the Fund based on a five-year rolling average of the Fund's aggregate value at the end of CCT's fiscal year on September 30. CCT releases the restriction on the spendable balance annually following the close of their fiscal year and pays the Fund the balance in two payments of 50% each, annually, unless the Fund directs CCT to hold the funds. If the Fund elects to not receive the spendable balance in any given year, it remains available for the Fund to draw down at any time. Funds made available by CCT but not drawn by the Fund are considered temporarily restricted.

While CCT administers the Fund's endowment as a single fund, the Fund maintains 16 subsidiary accounts to preserve and pursue donor intentions for the funds.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS - CONTINUED

Permanently restricted net assets consisted of the following for the year ended December 31:

	<u>2017</u>	<u>2016</u>
James Barborina Fund	\$ 107,649	\$ 83,897
Gamma Fund	157,982	151,974
John White Fund	80,829	68,017
Tree and Soil Research Fund	11,950	-
Mark McClure Research Fund	133,445	129,658
Illinois Arborists Association Fund	66,504	47,821
Safe Arborist's Technique Fund	303,334	281,834
John Wright Scholarship Fund	35,205	29,834
Utility Arborist Research Fund	1,246,209	778,968
Ohio Chapter ISA Funds	158,781	145,680
Bob Skiera Memorial Fund	452,905	345,948
Collier Arborist Training Trust	196,403	151,263
Bonnie Appleton Fund	109,146	82,307
Bartlett Fund	53,977	46,922
John Duling Fund	567,138	560,909
Robert Felix Fund	749,489	665,991
Other restricted amounts	<u>116,042</u>	<u>200,387</u>
Total Funds Held by CCT	<u>4,546,988</u>	<u>3,771,410</u>
Less: Funds approved for spending by CCT	(139,851)	(221,801)
Plus: Pledges receivable	<u>100,000</u>	<u>-</u>
Total permanently restricted net assets	<u>\$ 4,507,137</u>	<u>\$ 3,549,609</u>

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Utility Arborists Research Grants	\$ 137,091	\$ 90,010
Other grants	13,665	75,042
Funds approved for spending by CCT	<u>136,648</u>	<u>221,801</u>
Total temporarily restricted net assets	<u>\$ 287,404</u>	<u>\$ 386,853</u>

9. EMPLOYEE BENEFITS

The Fund maintains a 403(B) plan that covers full-time employees. The Fund matches fifty cents per dollar of each employee dollar up to a maximum employee contribution of 4.25% of employee salary up to \$3,500. The Fund contributed \$8,092 and \$9,493 for the years ended December 31, 2017 and 2016, respectively.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

10. LEASE COMMITMENTS

The Fund has an office lease that expires in August of 2021. The Fund also rents storage space on a month-to-month basis. Rent expense was \$21,176 for the year ended December 31, 2016. Future minimum lease payments are as follows for the years ending December 31:

2018	\$	26,836
2019		27,637
2020		28,474
2021		<u>19,359</u>
Total	\$	<u>102,306</u>

11. LINE OF CREDIT

On December 26, 2017, the Fund secured a \$50,000 line of credit. The line charges 1% over the Prime Rate (4.5% at December 31, 2017), expires December 26, 2018, and is secured by the business assets of the Fund. As of December 31, 2017, there were no amounts drawn or outstanding. The line is renewable on an annual basis.

12. CONCENTRATIONS

At December 31, 2017 and 2016, 84% and 95% of the total pledge receivable balance, respectively, was due from a single donor.

At December 31, 2017 and 2016, 26% and 33% of revenues, respectively, were derived from two special events.

13. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. Key elements of the ASU include a reduction in the number of asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Organization's December 31, 2018 financial statements. Early adoption is permitted.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Organization's December 31, 2020 financial statements. Early adoption is permitted.

The Organization is currently evaluating the impact of the adoption of the above standards on its financial statements.