THE AMERICAN CHESTNUT FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The American Chestnut Foundation
Asheville, NC

We have audited the accompanying financial statements of The American Chestnut Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 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 The American Chestnut Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 30, 2013

THE AMERICAN CHESTNUT FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	$ 319,889	$ 500,474
Pledges receivable, current portion, net of allowance of $4,500 and $15,000 in 2013 and 2012, respectively.	52,881	42,500
Grants receivable	198,618	79,207
Inventory	22,119	32,058
Prepaid expenses	21,927	22,713
Total Current Assets	615,434	676,952
Property and Equipment		
Property and equipment at cost	2,154,642	2,144,374
Accumulated depreciation	(581,843)	(516,664)
Property and Equipment, Net	1,572,799	1,627,710
Other Assets		
Cash - Chapter funds escrow	105,196	120,836
Investments	2,175,589	1,896,625
Investments, restricted endowment	23,626	24,213
Intangible assets, net	15,952	16,408
Total Other Assets	2,320,363	2,058,082
Total Assets	$ 4,508,596	$ 4,362,744

LIABILITIES AND NET ASSETS

	2013	2012
Current Liabilities		
Accounts payable	$ 78,860	$ 122,411
Accrued expenses	32,718	33,574
Current portion, notes payable	16,364	15,995
Total Current Liabilities	127,942	171,980
Non Current Liabilities		
Notes payable, net of current portion	164,773	181,137
Deferred compensation payable	331,084	320,463
Chapter funds escrow	105,196	120,836
Total Non Current Liabilities	601,053	622,436
Total Liabilities	728,995	794,416
Net Assets		
Unrestricted	3,755,975	3,544,115
Permanently restricted	23,626	24,213
Total Net Assets	3,779,601	3,568,328
Total Liabilities and Net Assets	$ 4,508,596	$ 4,362,744

	Unrestricted	**Permanently Restricted**	**Total**
Public Support and Revenue			
Contributions and foundation grants	$ 1,500,066	$ -	$ 1,500,066
Federal grants	367,798	-	367,798
Membership dues	366,955	-	366,955
Investment income (loss)	353,957	(587)	353,370
Merchandise sales (net of cost of $16,418)	15,087	-	15,087
Donated services	263,500	-	263,500
Other support and revenue	15,860	-	15,860
Total Public Support and Revenue	2,883,223	(587)	2,882,636
Expenses			
Program services	2,114,350	-	2,114,350
Management and general	353,721	-	353,721
Fundraising	203,292	-	203,292
Total Expenses	2,671,363	-	2,671,363
Change in Net Assets	211,860	(587)	211,273
Net Assets, Beginning of Year	3,544,115	24,213	3,568,328
Net Assets, End of Year	$ 3,755,975	$ 23,626	$ 3,779,601

	Unrestricted	**Permanently Restricted**	**Total**
Public Support and Revenue			
Contributions and foundation grants	$ 1,451,556	$ -	$ 1,451,556
Federal grants	371,885	-	371,885
Membership dues	324,369	-	324,369
Investment income (loss)	(95,957)	4,441	(91,516)
Merchandise sales (net of cost of $16,332)	18,230	-	18,230
Donated services	263,500	-	263,500
Other support and revenue	787	-	787
Total Public Support and Revenue	2,334,370	4,441	2,338,811
Expenses			
Program services	2,026,655	-	2,026,655
Management and general	348,737	-	348,737
Fundraising	205,957	-	205,957
Total Expenses	2,581,349	-	2,581,349
Change in Net Assets	(246,979)	4,441	(242,538)
Net Assets, Beginning of Year	3,791,094	19,772	3,810,866
Net Assets, End of Year	$ 3,544,115	$ 24,213	$ 3,568,328

	Program Services	Management and General	Fundraising	Total
Grants to others	$ 192,114	$ -	$ -	$ 192,114
Direct program expenses	261,371	18,500	-	279,871
Salaries and wages	793,906	203,725	93,394	1,091,025
Retirement	8,927	5,509	961	15,397
Other employee benefits	77,954	30,323	17,345	125,622
Payroll taxes	73,239	15,432	5,825	94,496
Accounting and audit fees	-	20,939	-	20,939
Legal and other professional fees	57,504	2,891	2,545	62,940
Supplies	59,548	19,290	1,124	79,962
Telephone	25,960	4,701	2,386	33,047
Postage and shipping	21,361	3,538	17,689	42,588
Insurance	52,621	7,472	1,164	61,257
Vehicle expense	17,687	-	-	17,687
Occupancy	33,438	6,695	1,310	41,443
Equipment rental and maintenance	51,847	-	-	51,847
Printing and publications	58,889	-	47,030	105,919
Travel	51,560	341	8,362	60,263
Conferences, conventions and meetings	100,377	-	-	100,377
Interest expense	13,821	-	-	13,821
Depreciation	65,790	1,374	-	67,164
Amortization	456	-	-	456
State chapter dues	62,095	-	-	62,095
Contract labor	2,747	273	-	3,020
Deferred compensation	7,411	3,705	1,235	12,351
Other expense	23,727	9,013	2,922	35,662
Total Expenses	$ 2,114,350	$ 353,721	$ 203,292	$ 2,671,363

	Program Services	Management and General	Fundraising	Total
Grants to others	$ 208,052	$ -	$ -	$ 208,052
Direct program expenses	258,476	18,500	-	276,976
Salaries and wages	716,932	195,223	89,994	1,002,149
Retirement	6,938	4,357	578	11,873
Other employee benefits	58,220	28,163	17,475	103,858
Payroll taxes	67,126	14,483	5,795	87,404
Accounting and audit fees	-	19,952	-	19,952
Legal and other professional fees	67,545	2,000	2,500	72,045
Supplies	68,383	15,230	804	84,417
Telephone	24,962	4,405	3,954	33,321
Postage and shipping	20,609	4,915	14,165	39,689
Insurance	41,998	6,671	869	49,538
Vehicle expense	16,178	-	-	16,178
Occupancy	31,252	5,754	3,154	40,160
Equipment rental and maintenance	52,440	100	-	52,540
Printing and publications	57,769	-	47,943	105,712
Travel	54,307	397	10,553	65,257
Conferences, conventions and meetings	80,355	-	-	80,355
Interest expense	12,747	-	-	12,747
Depreciation	72,790	1,624	114	74,528
Amortization	456	-	-	456
State chapter dues	55,475	-	-	55,475
Contract labor	1,116	479	-	1,595
Deferred compensation	27,712	13,856	4,619	46,187
Other expense	24,817	12,628	3,440	40,885
Total Expenses	$ 2,026,655	$ 348,737	$ 205,957	$ 2,581,349

THE AMERICAN CHESTNUT FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	$ 211,273	$ (242,538)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	67,164	74,528
Amortization	456	456
Bad Debt Recoveries	(10,500)	-
Deferred compensation	12,351	46,187
Donated stock	(8,010)	(3,811)
Unrealized and realized (gain) loss on investments	(266,712)	164,473
(Increase) decrease in:		
Pledges receivable	119	(36,250)
Grants receivable	(119,411)	264,584
Inventory	9,939	5,773
Prepaid expenses	786	3,865
Increase (decrease) in:		
Accounts payable	(43,551)	(44,435)
Accrued expenses	(856)	3,357
Chapter funds escrow	(15,640)	120,836
Net Cash Provided by (Used in) Operating Activities	(162,592)	357,025
Cash Flows Provided by (Used in) Investing Activities:		
Proceeds from sale of investments	81,312	79,441
Purchase of investments	(84,967)	(157,681)
Purchase of property and equipment	(12,253)	(36,504)
Net Cash Used in Investing Activities	(15,908)	(114,744)
Cash Flows Provided by (Used in) Financing Activities:		
Advances from Line of Credit	250,000	-
Repayments on Line of Credit	(250,000)	-
Deferred Compensation Payments	(1,730)	-
Repayment of debt instruments	(15,995)	(15,647)
Net Cash Used in Financing Activities	(17,725)	(15,647)
Net Increase (Decrease) in Cash and Cash Equivalents	(196,225)	226,634
Cash and Cash Equivalents, Beginning of Year	621,310	394,676
Cash and Cash Equivalents, End of Year	$ 425,085	$ 621,310
Supplemental Cash Flow Information:		
Interest paid	$ 14,173	$ 12,747
Supplemental Non-Cash Information:		
Donated services	$ 263,500	$ 263,500

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of the Foundation

The American Chestnut Foundation (the Foundation) is a not-for-profit organization. The Foundation conducts research on the American chestnut tree to find a control from the disease chestnut blight. Most research activities are conducted on the Foundation's research farms in Meadowview, Virginia. The Foundation's main office is located in Asheville, North Carolina. The office provides administrative functions and educational information to members and the general public to create interest in the preservation of the American chestnut tree as well as membership development activities and regional science coordination.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities as prescribed by FASB ASC 958.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management estimates all amounts to be fully collectible.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Inventory

Inventory consists of seed kits, coffee cups, clothing, and other Chestnut related merchandise. Inventory is valued at the lower of cost or market on a first-in, first-out basis.

Property and Equipment

The Foundation follows the practice of capitalizing all major expenditures and donations of property, furniture and fixtures over $500. Depreciation or amortization of all such items is computed on the straight-line method over the estimated useful lives of the assets as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Furniture and equipment	5 or 7 years
Vehicles	5 years
Building and leasehold improvements	39 years

The basis of valuation of fixed assets is cost if purchased or fair market value if donated. Donated assets are recorded as unrestricted unless otherwise stated by the donor. Restricted assets are released from restriction when the asset has been put into service for the intended use.

Net Assets

Net assets of the Foundation, and changes therein, are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets that are restricted by donors for specific purposes. The principal amount cannot be expended, however any investment income earned from these assets can be expended.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets unless made in accordance with donor-imposed restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Any limitations placed on a contribution that are no more specific than the board limits of the Foundation's purpose or mission are reported as unrestricted.

Amortization

The trademark is recorded at cost. Amortization is computed based upon a straight-line basis over forty years.

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Expenses

The Foundation separates expenses between functional classifications which are program services, management and general and fundraising. Shipping and handling costs are expensed when occurred.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been designated a publicly supported organization which is not a private foundation under Section 509 (a) of the Code. Accordingly, no provision for income taxes has been made in this statement.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified in order to conform to the current year presentation.

Fair Value

For assets and liabilities measured at fair value on a recurring basis, the Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierachy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the Organization would receive upon selling an asset or be paid to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). See Footnote 4 for detail of the fair value measurements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The Foundation has not recognized any benefit or liabilities from uncertain tax positions in 2013 and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets. Generally, federal and state authorities may examine the Organization's tax returns for three years from the date of filing; consequently, income returns for years prior to 2010 are no longer subject to examination by tax authorities.

Subsequent Events

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through September 30, 2013, the date the financial statements were available to be issued. No such events or transactions were identified.

2. PLEDGES RECEIVABLE

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. No discounts on pledges receivable have been computed, as all pledges are considered collectible in these financial statements. As of June 30, 2013 and 2012, the foundation held pledges with maturities of less than one year of $52,881 and $42,500 (net of allowances of $4,500 and $15,000, respectively).

3. INVESTMENTS

Investments are stated at fair value utilizing a Level 1 measurement and are summarized as follows as of June 30, 2013 and 2012:

	Unrestricted	Permanently Restricted	Total
June 30, 2013			
Cost	$ 1,944,615	$ 18,753	$ 1,963,368
Fair value	$ 2,175,589	$ 23,626	$ 2,199,215
Carrying value	$ 2,175,589	$ 23,626	$ 2,199,215
June 30, 2012			
Cost	$ 1,972,019	$ 18,753	$ 1,990,772
Fair value	$ 1,896,625	$ 24,213	$ 1,920,838
Carrying value	$ 1,896,625	$ 24,213	$ 1,920,838

3. INVESTMENTS (CONTINUED)

The following is a summary of the nature and carrying amounts of the Foundation's groups of investments as of June 30, 2013 and 2012:

June 30, 2013	Cost	Fair Value	Carrying Value
Merrill Lynch			
Equities	$ 599,792	$ 658,237	$ 658,237
Mutual funds - equity based	1,344,823	1,517,352	1,517,352
Total Merrill Lynch	1,944,615	2,175,589	2,175,589
Duke Energy Investment Account - Equities	18,753	23,626	23,626
Total Investments	$ 1,963,368	$ 2,199,215	$ 2,199,215

June 30, 2012	Cost	Fair Value	Carrying Value
Merrill Lynch			
Equities	$ 664,184	$ 599,464	$ 599,464
Mutual funds - equity based	1,307,835	1,297,161	1,297,161
Total Merrill Lynch	1,972,019	1,896,625	1,896,625
Duke Energy Investment Account - Equities	18,753	24,213	24,213
Total Investments	$ 1,990,772	$ 1,920,838	$ 1,920,838

The following schedules summarize investment income (loss) and its classification in the Statement of Activities for the years ended June 30, 2013 and 2012:

June 30, 2013	Unrestricted	Permanently Restricted	Total
Bank Account Interest	$ 69	$ -	$ 69
Dividends	86,589	-	86,589
Net realized loss	(39,068)	-	(39,068)
Net unrealized gain (loss)	306,367	(587)	305,780
Total	$ 353,957	$ (587)	$ 353,370

3. INVESTMENTS (CONTINUED)

June 30, 2012	Unrestricted	Permanently Restricted	Total
Bank Account Interest	$ 61	$ -	$ 61
Dividends	72,896	-	72,896
Net realized gain	3,475	-	3,475
Net unrealized gain (loss)	(172,389)	4,441	(167,948)
Total	$ (95,957)	$ 4,441	$ (91,516)

4. FAIR VALUE MEASUREMENTS

The following tables present the Foundation's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2013 and 2012 consistent with the fair value hierarchy provisions:

Assets at Fair Value as of June 30, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds - equity based	$ 1,517,352	$ -	$ -	$ 1,517,352
Equities	681,863	-	-	681,863
Inventory	-	22,119	-	22,119
Trademarks, net	-	-	15,952	15,952
Total	$ 2,199,215	$ 22,119	$ 15,952	$ 2,237,286

Assets at Fair Value as of June 30, 2012

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds - equity based	$ 1,297,161	$ -	$ -	$ 1,297,161
Equities	623,677	-	-	623,677
Inventory	-	32,058	-	32,058
Trademarks, net	-	-	16,408	16,408
Total	$ 1,920,838	$ 32,058	$ 16,408	$ 1,969,304

4. FAIR VALUE MEASUREMENTS (CONTINUED)

At June 30, 2013 and 2012, the Foundation's inventory was measured at fair value on a recurring basis using significant other observable inputs (Level 2) and its trademark was measured using significant unobservable inputs (Level 3) in the Statement of Financial Position.

The following is a description of the valuation methodologies used for assets measured at fair value:

> *Equities and mutual fund equities:* Valued at the closing price reported on the active market in which the individual securities are traded.

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

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 consist of the following:

	2013	2012
Land	$ 839,854	$ 839,854
Land improvements	122,980	122,980
Leasehold improvements	1,419	1,419
Building	619,678	616,928
Farm equipment	468,103	464,389
Office equipment	102,608	98,804
Total at Cost	2,154,642	2,144,374
Accumulated depreciation	(581,843)	(516,664)
Net Property and Equipment	$ 1,572,799	$ 1,627,710

Depreciation expense was $67,164 and $74,528 for the years ended June 30, 2013 and 2012, respectively.

Land with a cost of $200,000 is pledged as collateral for a note payable. Land with a cost of $168,990 is pledged as collateral for a note payable.

6. LINES OF CREDIT

In January 2012, the Foundation entered into a two-year $300,000 line of credit agreement with a bank at a rate of 4.25% collateralized by a building owned by the Foundation.

In January 2012, the Foundation entered into a $1,000,000 line of credit agreement with a bank at the LIBOR rate plus 3.0% (3.68% at June 30, 2013) and is collateralized by the Foundation's investment securities.

There were no lines of credit balances outstanding at June 30, 2013.

7. DEFERRED COMPENSATION PAYABLE

The Foundation entered into a deferred compensation agreement with its President and CEO in July 2003. The President will receive non-forfeitable compensation of $90,000 per year starting in June 2013 through and including May 2017. The amount reported in the financial statements represents the present value of the $90,000 annual obligation for four years discounted using a 4% interest rate. The Foundation has set aside investments to satisfy this obligation.

Future minimum principal payments are as follows:

2014	$ 78,282
2015	81,475
2016	84,799
2017	86,528
	$ 331,084

8. NOTES PAYABLE

The Foundation has the following notes payable:

	2013	2012
Note payable to a private party in annual installments of $8,660 including interest at 6.0% through January 2019, collateralized by land.	$ 41,137	$ 47,132
Note payable to a bank in annual principal installments of $10,000 plus interest at 6.25%, with a balloon payment due November 2015, collateralized by land.	140,000	150,000
Total	181,137	197,132
Less: current portion	(16,364)	(15,995)
Long-Term Portion	$ 164,773	$ 181,137

8. NOTES PAYABLE (CONTINUED)

Five year principal maturity is as follows by year:

2014	$ 16,364
2015	16,756
2016	127,174
2017	7,616
2018	8,086
Thereafter	5,141
Total	$ 181,137

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for the following purposes:

	2013	**2012**
Endowment	$ 23,626	$ 24,213

Permanently restricted net assets represent amounts received and restricted by donors for perpetuity. The principal amount comprising the original donation and unrealized gain or loss cannot be expended, however any investment income earned from these assets can be expended.

10. CONCENTRATIONS AND CONTINGENCIES

At times, the Foundation maintains deposits in excess of the FDIC and SIPC insured limits. Deposits exceeded FDIC or SIPC limits of $250,000 by $102,589 and $289,136 as of June 30, 2013 and 2012, respectively.

The Foundation received 54% of its contributions and grants from three sources in the year ended June 30, 2013. For the year ended June 30, 2012, the Foundation received 60% of its contributions and grants from four sources.

The Foundation received funding from various unrelated not-for-profit organizations. Funds are given with the assumption that all of the funding will be spent within the contracted period, otherwise the Foundation will be required to return the money to these organizations. The Foundation has reviewed the current status of this funding and believes the potential amounts to be repaid to the organizations, if any, are not material to the financial statements.

11. LEASE AGREEMENTS

In January 2010, the Foundation entered into a one-year lease agreement for one of its research farms in Meadowview, Virginia. The lease provides for an annual rent payment of $1,200 and renews annually.

In January 2010, the Foundation entered into a five-year lease agreement for land in West Salem, Wisconsin. The lease requires an annual rent payment of $5,000.

In January 2010, the Foundation entered into a five-year lease agreement for additional land in West Salem, Wisconsin. The lease requires an annual rent payment of $3,520.

In July 2009, the Foundation exercised its option to renew its lease agreement for the Asheville, North Carolina office through June 30, 2015. The lease provides for a monthly rent payment of $1,540 with lease payments increased at an annual rate of 15¢ per square foot.

In February 2012, the Foundation entered into a six-month lease for office space in State College, Pennsylvania. The lease provides for a monthly rent payment of $190 and expired August 31, 2012.

Future minimum lease payments are as follows:

2014	$ 28,267
2015	24,352
2016	10,764
2017	1,200
Total	$ 64,583

Rent expense for the years ended June 30, 2013 and 2012 was $28,422 and $30,066, respectively, and is included in occupancy expense in the Statement of Functional Expenses.

12. RETIREMENT PLAN

In 2003, the Foundation entered into a defined contribution plan that operates under Section 403(b) of the Internal Revenue Code. The Foundation contributes 100% of employee contributions up to a maximum of 5% of eligible salaries after two years of service. After eight years of service the Foundation contributes the maximum amount allowable under current law. The Foundation incurred retirement plan costs of $15,397 and $11,873 for the years ended June 30, 2013 and 2012, respectively.

13. DONATED SERVICES

The Foundation received donated services in the amount of $263,500 for each of the years ended June 30, 2013 and 2012 to further the professional and scientific research of the Foundation. These donated services consisted of the specialized skills of scientists and are recorded at fair market value based on standardized hourly rates as approved by management. Expenses for these donated services are included in direct program expenses ($235,000), legal expenses ($22,500) and printing and publication expenses ($6,000) for the years ended June 30, 2013 and 2012.

14. CONDITIONAL PROMISES TO GIVE

The Foundation has received conditional promises to give which are not recorded in the financial statements as the conditions have not been fulfilled. The conditional promises to give are in the following categories:

	2013	2012
Grants for research	$ 198,626	$ 79,186

15. JOINT COST ALLOCATION

The Foundation publishes a journal six times a year to educate the members and the general public about the Foundation's mission and activities in fulfillment of the mission. The publication also serves to raise contributions for the Foundation. The Foundation has allocated the following costs to fundraising expenses in connection with the activity:

	2013	2012
Salaries and wages	$ 16,356	$ 16,200
Payroll taxes	1,251	1,239
Printing and publication	6,817	7,288
Postage	1,328	1,452
Total	$ 25,752	$ 26,179

16. INTANGIBLE ASSETS

Intangible assets are comprised of:

	2013	2012
Trademark	$ 18,232	$ 18,232
Less: Accumulated amortization	(2,280)	(1,824)
	$ 15,952	$ 16,408