THE
AMERICAN
CHESTNUT
FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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
October 21, 2014

ASSETS

	2014	2013
Current Assets		
Cash and cash equivalents	$ 1,269,030	$ 319,889
Pledges receivable, current portion, net of allowance of $4,500 in 2014 and 2013	14,500	52,881
Grants receivable	240,044	198,618
Inventory	17,162	22,119
Prepaid expenses	2,019	21,927
Total Current Assets	1,542,755	615,434
Property and Equipment		
Property and equipment at cost	2,236,161	2,154,642
Accumulated depreciation	(645,789)	(581,843)
Property and Equipment, Net	1,590,372	1,572,799
Other Assets		
Cash - Chapter funds escrow	168,674	105,196
Investments	2,569,390	2,175,589
Investments, restricted endowment	25,966	23,626
Intangible assets, net	15,496	15,952
Security deposits	2,500	-
Cash surrender value - life insurance	14,330	-
Total Other Assets	2,796,356	2,320,363
Total Assets	$ 5,929,483	$ 4,508,596

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities		
Current portion, notes payable	$ 16,757	$ 16,364
Current portion, deferred compensation payable	81,475	78,282
Accounts payable	114,113	78,860
Accrued expenses	35,984	32,718
Deferred revenue	154,958	176,913
Total Current Liabilities	403,287	383,137
Non Current Liabilities		
Notes payable, net of current portion	148,016	164,773
Deferred compensation payable, net of current portion	171,327	252,802
Chapter funds escrow	168,674	105,196
Total Non Current Liabilities	488,017	522,771
Total Liabilities	891,304	905,908
Net Assets		
Unrestricted	5,012,213	3,579,062
Permanently restricted	25,966	23,626
Total Net Assets	5,038,179	3,602,688
Total Liabilities and Net Assets	$ 5,929,483	$ 4,508,596

	Unrestricted	Permanently Restricted	Total
Public Support and Revenue			
Contributions and foundation grants	$ 2,470,974	$ -	$ 2,470,974
Federal grants	400,016	-	400,016
Membership dues	350,770	-	350,770
Investment income	455,699	2,340	458,039
Merchandise sales (net of cost of $10,332)	17,130	-	17,130
Donated services	263,500	-	263,500
Other support and revenue	721	-	721
Total Public Support and Revenue	3,958,810	2,340	3,961,150
Expenses			
Program services	2,052,785	-	2,052,785
Management and general	318,553	-	318,553
Fundraising	154,321	-	154,321
Total Expenses	2,525,659	-	2,525,659
Change in Net Assets	1,433,151	2,340	1,435,491
Net Assets, Beginning of Year, as Restated	3,579,062	23,626	3,602,688
Net Assets, End of Year	$ 5,012,213	$ 25,966	$ 5,038,179

	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	337,092	-	337,092
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	2,853,360	(587)	2,852,773
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	181,997	(587)	181,410
Net Assets, Beginning of Year, as Restated	3,397,065	24,213	3,421,278
Net Assets, End of Year, as Restated	$ 3,579,062	$ 23,626	$ 3,602,688

	Program Services	Management and General	Fundraising	Total
Grants to others	$ 143,705	$ -	$ -	$ 143,705
Direct program expenses	40,320	-	-	40,320
Professional scientific services	216,500	18,500	-	235,000
Salaries and wages	765,570	173,665	72,795	1,012,030
Retirement	8,791	4,152	462	13,405
Other employee benefits	82,622	31,043	11,245	124,910
Payroll taxes	78,072	12,306	5,306	95,684
Accounting and audit fees	-	21,575	-	21,575
Legal and other professional fees	46,945	2,000	2,500	51,445
Supplies	85,173	17,363	611	103,147
Telephone	16,567	7,703	918	25,188
Postage and shipping	20,974	4,253	15,937	41,164
Insurance	60,241	5,016	1,567	66,824
Vehicle expense	16,770	-	-	16,770
Occupancy	35,245	6,879	1,071	43,195
Equipment rental and maintenance	50,667	-	-	50,667
Printing and publications	61,618	-	37,252	98,870
Travel	65,021	-	-	65,021
Conferences, conventions and meetings	89,977	-	-	89,977
Interest expense	16,652	-	-	16,652
Depreciation	63,348	598	-	63,946
Amortization	456	-	-	456
State chapter dues	57,485	-	-	57,485
Contract labor	1,920	-	-	1,920
Deferred compensation	8,277	4,138	1,380	13,795
Other expense	19,869	9,362	3,277	32,508
Total Expenses	$ 2,052,785	$ 318,553	$ 154,321	$ 2,525,659

	Program Services	Management and General	Fundraising	Total
Grants to others	$ 192,114	$ -	$ -	$ 192,114
Direct program expenses	44,871	-	-	44,871
Professional scientific services	216,500	18,500	-	235,000
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

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	$ 1,435,491	$ 181,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	63,946	67,164
Amortization	456	456
Bad Debt Recoveries	-	(10,500)
Deferred compensation	13,795	12,351
Donated stock	(17,554)	(8,010)
Unrealized and realized gain on investments	(318,897)	(266,712)
Cash surrender value - life insurance	(14,330)	-
(Increase) decrease in:		
Pledges receivable	38,381	119
Grants receivable	(41,426)	(119,411)
Inventory	4,957	9,939
Prepaid expenses	19,908	786
Security deposits	(2,500)	-
Increase (decrease) in:		
Accounts payable	35,253	(43,551)
Accrued expenses	3,266	(856)
Deferred revenue	(21,955)	29,863
Chapter funds escrow	63,478	(15,640)
Net Cash Provided by (Used in) Operating Activities	1,262,269	(162,592)
Cash Flows Provided by (Used in) Investing Activities:		
Proceeds from sale of investments	35,656	81,312
Purchase of investments	(95,346)	(84,967)
Purchase of property and equipment	(81,519)	(12,253)
Net Cash Used in Investing Activities	(141,209)	(15,908)
Cash Flows Used in Financing Activities:		
Deferred Compensation Payments	(92,077)	(1,730)
Repayment of debt	(16,364)	(15,995)
Net Cash Used in Financing Activities	(108,441)	(17,725)
Net Increase (Decrease) in Cash and Cash Equivalents	1,012,619	(196,225)
Cash and Cash Equivalents, Beginning of Year	425,085	621,310
Cash and Cash Equivalents, End of Year	$ 1,437,704	$ 425,085
Supplemental Cash Flow Information:		
Interest paid	$ 16,652	$ 14,173
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.

Cash Surrender Value

The Foundation owns a life insurance policy as part of a bequest and although the individual whom which the policy relates is not deceased, the Foundation has the authority to cash-out this policy at any time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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 broad limits of the Foundation's purpose or mission are reported as unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership Income

Income is derived from memberships to the Foundation. Revenue is recognized ratably over the membership period beginning with the members' anniversary date. Income not recognized as earned during the year is recorded as deferred revenue.

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.

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.

Amortization

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

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 2013 amounts have been reclassified to conform to 2014 presentation.

1. Summary of Significant Accounting Policies (Continued)

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.

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 2014 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 2011 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 October 21, 2014, 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, 2014 and 2013, the foundation held pledges with maturities of less than one year of $14,500 and $52,881 (net of allowances of $4,500), respectively.

3. INVESTMENTS

Investments are stated at fair value utilizing a Level 1 measurement and are summarized as follows as of June 30, 2014 and 2013:

	Unrestricted	Permanently Restricted	Total
June 30, 2014			
Cost	$ 2,026,999	$ 18,753	$ 2,045,752
Fair value	$ 2,569,390	$ 25,966	$ 2,595,356
Carrying value	$ 2,569,390	$ 25,966	$ 2,595,356
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

The following is a summary of the nature and carrying amounts of the Foundation's groups of investments as of June 30, 2014 and 2013:

June 30, 2014	Cost	Fair Value	Carrying Value
Merrill Lynch			
Equities	$ 593,555	$ 778,321	$ 778,321
Mutual funds - equity based	1,433,444	1,791,069	1,791,069
Total Merrill Lynch	2,026,999	2,569,390	2,569,390
Duke Energy Investment Account - Equities	18,753	25,966	25,966
Total Investments	$ 2,045,752	$ 2,595,356	$ 2,595,356

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

3. INVESTMENTS (CONTINUED)

The following schedule summarizes investment income (loss) and its classification in the Statement of Activities for the years ended June 30, 2014 and 2013:

June 30, 2014	Unrestricted	Permanently Restricted	Total
Bank Account Interest	$ 25	$ -	$ 25
Dividends	139,117	-	139,117
Net realized gain	1,901	-	1,901
Net unrealized gain	314,656	2,340	316,996
Total	$ 455,699	$ 2,340	$ 458,039

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

4. FAIR VALUE MEASUREMENTS

The following table presents the Foundation's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2014 and 2013 consistent with the fair value hierarchy provisions:

Assets at Fair Value as of June 30, 2014

	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	$ 1,791,069	$ -	$ -	$ 1,791,069
Equities	804,287	-	-	804,287
Inventory	-	17,162	-	17,162
Trademarks, net	-	-	15,496	15,496
Total	$ 2,595,356	$ 17,162	$ 15,496	$ 2,628,014

4. FAIR VALUE MEASUREMENTS (CONTINUED)

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

At June 30, 2014 and 2013, 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, 2014 and 2013 consist of the following:

	2014	2013
Land	$ 839,854	$ 839,854
Land improvements	122,980	122,980
Leasehold improvements	1,419	1,419
Building	619,678	619,678
Farm equipment	545,127	468,103
Office equipment	107,103	102,608
Total at Cost	2,236,161	2,154,642
Accumulated depreciation	(645,789)	(581,843)
Net Property and Equipment	$ 1,590,372	$ 1,572,799

Depreciation expense was $63,946 and $67,164 for the years ended June 30, 2014 and 2013, 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% (3.54% at June 30, 2014) and is collateralized by the Foundation's investment securities.

There were no line of credit balances outstanding at June 30, 2014.

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 believes it has adequate investments to satisfy this obligation.

7. DEFERRED COMPENSATION PAYABLE (CONTINUED)

Future minimum payments at their discounted values are as follows:

2015	$ 81,475
2016	84,799
2017	86,528
Total	$ 252,802

8. NOTES PAYABLE

The Foundation has the following notes payable:

	2014	2013
Note payable to a private party in annual installments of $8,660 including interest at 6.0% through January 2019, collateralized by land.	$ 34,773	$ 41,137
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.	130,000	140,000
Total	164,773	181,137
Less: current portion	(16,757)	(16,364)
Long-Term Portion	$ 148,016	$ 164,773

Five year principal maturity is as follows by year:

2015	$ 16,757
2016	127,174
2017	7,616
2018	8,086
2019	5,140
Total	$ 164,773

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for the following purposes:

	2014	2013
Endowment	$ 25,966	$ 23,626

9. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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 $1,148,998 and $102,589 as of June 30, 2014 and 2013, respectively.

The Foundation received 72% of its contributions and grants from two sources in the year ended June 30, 2014. For the year ended June 30, 2013, the Foundation received 54% of its contributions and grants from three 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.

Gain Contingency

In 2014 the Foundation became a 50% beneficiary of one trust and two charitable remainder unitrusts. The Foundation will share in 50% of all three accounts upon the death of the owner of these accounts. The Foundation's 50% share is material to the financial statements, however given the circumstances for the Foundation to obtain this money, it is not recorded in these 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.

11. Lease Agreements (Continued)

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. This lease was terminated as of May 31, 2014 as the Foundation acquired new office space.

In June 2014, the Foundation entered into a ten-year lease agreement for the Asheville, North Carolinia office through May 31, 2024. The lease provides for a monthly rent payment of $2,375 with lease payments increased at an annual fixed rate not exceeding $7,600 per year.

Future minimum lease payments are as follows:

2015	$ 34,459
2016	37,933
2017	44,900
2018	45,533
2019	52,500
Thereafter	299,025
Total	$ 514,350

Rent expense for the years ended June 30, 2014 and 2013 was $30,553 and $28,422, 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 $13,405 and $15,397 for the years ended June 30, 2014 and 2013, respectively.

13. Donated Services

The Foundation received donated services in the amount of $263,500 for each of the years ended June 30, 2014 and 2013 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, 2014 and 2013.

14. 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:

	2014	2013
Salaries and wages	$ 7,286	$ 16,356
Payroll taxes	557	1,251
Printing and publication	7,150	6,817
Postage	1,749	1,328
Total	$ 16,742	$ 25,752

15. INTANGIBLE ASSETS

Intangible assets are comprised of:

	2014	2013
Trademark	$ 18,232	$ 18,232
Less: Accumulated amortization	(2,736)	(2,280)
	$ 15,496	$ 15,952

16. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2014, management performed a review of membership dues and deferred revenues that caused a reduction in unrestricted net assets and a corresponding increase in deferred revenues at July 1, 2012 by $147,050. The correction caused a decrease in unrestricted net assets by $29,863 for the year ended June 30, 2013.