THE AMERICAN CHESTNUT FOUNDATION

***FINANCIAL STATEMENTS***

***JUNE 30, 2015 AND 2014***

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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, 2015 and 2014, 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 of 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 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 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, 2015 and 2014, 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
November 10, 2015

## *THE AMERICAN CHESTNUT FOUNDATION*

*STATEMENTS OF FINANCIAL POSITION*

*JUNE 30, 2015 AND 2014*

### ASSETS

| | 2015 | 2014 |
|---|---|---|
| Current Assets | | |
| Cash | $ 964,297 | $ 1,269,030 |
| Pledges receivable, current portion, net of allowance of $4,500 in 2015 and 2014 | 2,500 | 14,500 |
| Grants receivable | 238,630 | 240,044 |
| Other receivables | 22,478 | - |
| Inventory | 11,207 | 17,162 |
| Prepaid expenses | 704 | 2,019 |
| Total Current Assets | 1,239,816 | 1,542,755 |
| Property and Equipment | | |
| Property and equipment at cost | 2,301,773 | 2,236,161 |
| Accumulated depreciation | (712,526) | (645,789) |
| Property and Equipment, Net | 1,589,247 | 1,590,372 |
| Other Assets | | |
| Cash - Chapter funds escrow | 187,492 | 168,674 |
| Investments | 2,922,199 | 2,569,390 |
| Investments, restricted endowment | 24,717 | 25,966 |
| Intangible assets, net | 15,040 | 15,496 |
| Security deposits | 2,500 | 2,500 |
| Cash surrender value, life insurance | 13,464 | 14,330 |
| Total Other Assets | 3,165,412 | 2,796,356 |
| Total Assets | $ 5,994,475 | $ 5,929,483 |

### LIABILITIES AND NET ASSETS

| | 2015 | 2014 |
|---|---|---|
| Current Liabilities | | |
| Current portion, notes payable | $ 127,176 | $ 16,757 |
| Current portion, deferred compensation payable | 84,800 | 81,475 |
| Accounts payable | 132,613 | 114,113 |
| Accrued expenses | 41,515 | 35,984 |
| Deferred revenue | 155,341 | 154,958 |
| Total Current Liabilities | 541,445 | 403,287 |
| Non Current Liabilities | | |
| Notes payable, net of current portion | 20,843 | 148,016 |
| Deferred compensation payable, net of current portion | 86,527 | 171,327 |
| Chapter funds escrow | 187,492 | 168,674 |
| Total Non Current Liabilities | 294,862 | 488,017 |
| Total Liabilities | 836,307 | 891,304 |
| Net Assets | | |
| Unrestricted | 5,133,451 | 5,012,213 |
| Permanently restricted | 24,717 | 25,966 |
| Total Net Assets | 5,158,168 | 5,038,179 |
| Total Liabilities and Net Assets | $ 5,994,475 | $ 5,929,483 |

| | **Unrestricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|
| Public Support and Revenue | | | |
| Contributions and foundation grants | $ 1,983,835 | $ - | $ 1,983,835 |
| Federal grants | 260,876 | - | 260,876 |
| Membership dues | 337,997 | - | 337,997 |
| Investment income (loss) | 885 | (1,249) | (364) |
| Gain on sale of fixed asset | 6,369 | - | 6,369 |
| Merchandise sales (net of cost of $10,265) | 13,646 | - | 13,646 |
| Donated services | 263,500 | - | 263,500 |
| Total Public Support and Revenue | 2,867,108 | (1,249) | 2,865,859 |
| Expenses | | | |
| Program services | 2,169,669 | - | 2,169,669 |
| Management and general | 392,782 | - | 392,782 |
| Fundraising | 183,419 | - | 183,419 |
| Total Expenses | 2,745,870 | - | 2,745,870 |
| Change in Net Assets | 121,238 | (1,249) | 119,989 |
| Net Assets, Beginning of Year | 5,012,213 | 25,966 | 5,038,179 |
| Net Assets, End of Year | $ 5,133,451 | $ 24,717 | $ 5,158,168 |

| | **Unrestricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|
| Public Support and Revenue | | | |
| Contributions and foundation grants | $ 2,471,695 | $ - | $ 2,471,695 |
| 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 |
| 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 | 3,579,062 | 23,626 | 3,602,688 |
| Net Assets, End of Year | $ 5,012,213 | $ 25,966 | $ 5,038,179 |

**_THE AMERICAN CHESTNUT FOUNDATION_**

*STATEMENT OF FUNCTIONAL EXPENSES*

*FOR THE YEAR ENDED JUNE 30, 2015*

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Grants to others | $ 166,078 | $ - | $ - | $ 166,078 |
| Direct program expenses | 232,303 | - | - | 232,303 |
| Professional scientific services | 216,500 | 18,500 | - | 235,000 |
| Salaries and wages | 831,631 | 178,661 | 74,079 | 1,084,371 |
| Retirement | 9,940 | 3,436 | 356 | 13,732 |
| Other employee benefits | 82,456 | 23,643 | 6,253 | 112,352 |
| Payroll taxes | 86,308 | 11,328 | 4,793 | 102,429 |
| Legal and other professional fees | 34,278 | 75,246 | 2,500 | 112,024 |
| Office expense | 15,595 | 17,733 | 340 | 33,668 |
| Telephone | 9,787 | 7,437 | 399 | 17,623 |
| Postage and shipping | 17,783 | 3,348 | 28,630 | 49,761 |
| Insurance | 36,669 | 5,080 | 1,221 | 42,970 |
| Vehicle expense | 10,731 | - | - | 10,731 |
| Occupancy | 44,383 | 11,921 | 1,558 | 57,862 |
| Equipment rental and maintenance | 43,333 | - | - | 43,333 |
| Printing and publications | 40,940 | - | 57,174 | 98,114 |
| Travel | 75,364 | 8,627 | - | 83,991 |
| Conferences, conventions and meetings | 42,781 | 1,902 | - | 44,683 |
| Interest expense | 9,683 | - | - | 9,683 |
| Depreciation | 74,266 | 3,380 | - | 77,646 |
| Amortization | 456 | - | - | 456 |
| State chapter dues | 55,865 | - | - | 55,865 |
| Contract labor | - | 9,798 | - | 9,798 |
| Deferred compensation | 3,869 | 1,934 | 645 | 6,448 |
| Investment fees | 17,501 | - | - | 17,501 |
| Other expense | 11,169 | 10,808 | 5,471 | 27,448 |
| Total Expenses | $ 2,169,669 | $ 392,782 | $ 183,419 | $ 2,745,870 |

See accompanying notes and independent auditor's report.

## *THE AMERICAN CHESTNUT FOUNDATION*
*STATEMENT OF FUNCTIONAL EXPENSES*
*FOR THE YEAR ENDED JUNE 30, 2014*

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Grants to others | $ 143,705 | $ - | $ - | $ 143,705 |
| Direct program expenses | 136,317 | - | - | 136,317 |
| 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 |
| Legal and other professional fees | 21,050 | 23,575 | 2,500 | 47,125 |
| Office expense | 15,071 | 17,363 | 611 | 33,045 |
| 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 |
| Investment fees | 10,771 | - | - | 10,771 |
| Other expense | 9,098 | 9,362 | 3,277 | 21,737 |
| Total Expenses | $ 2,052,785 | $ 318,553 | $ 154,321 | $ 2,525,659 |

| | 2015 | 2014 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Change in net assets | $ 119,989 | $ 1,435,491 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 77,646 | 63,946 |
| Amortization | 456 | 456 |
| Bad debt expense | 7,882 | - |
| Deferred compensation | 6,448 | 13,795 |
| Donated stock | (6,766) | (17,554) |
| Unrealized and realized (gain) loss on investments | 171,924 | (318,897) |
| Gain on sale of fixed asset | (6,369) | - |
| Cash surrender value - life insurance | (13,464) | (14,330) |
| (Increase) decrease in: | | |
| Pledges receivable | 12,000 | 38,381 |
| Grants receivable | 1,414 | (41,426) |
| Other receivables | (22,478) | - |
| Inventory | 5,955 | 4,957 |
| Prepaid expenses | 1,315 | 19,908 |
| Security deposits | - | (2,500) |
| Increase (decrease) in: | | |
| Accounts payable | 18,500 | 35,253 |
| Accrued expenses | 5,531 | 3,266 |
| Deferred revenue | 383 | (21,955) |
| Chapter funds escrow | 18,818 | 63,478 |
| Net Cash Provided by Operating Activities | 399,184 | 1,262,269 |
| | | |
| Cash Flows from Investing Activities: | | |
| Proceeds from sale of investments | 167,328 | 35,656 |
| Purchase of investments | (684,046) | (95,346) |
| Proceeds from sale of fixed asset | 6,369 | - |
| Purchase of property and equipment | (76,521) | (81,519) |
| Net Cash Used in Investing Activities | (586,870) | (141,209) |
| | | |
| Cash Flows from Financing Activities: | | |
| Deferred compensation payments | (81,475) | (92,077) |
| Repayment of debt | (16,754) | (16,364) |
| Net Cash Used in Financing Activities | (98,229) | (108,441) |
| | | |
| Net Increase (Decrease) in Cash | (285,915) | 1,012,619 |
| | | |
| Cash, Beginning of Year | 1,437,704 | 425,085 |
| | | |
| Cash, End of Year | $ 1,151,789 | $ 1,437,704 |
| | | |
| Supplemental Cash Flow Information: | | |
| Interest paid | $ 9,683 | $ 16,652 |
| 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.

*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 value 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 $1,000. 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. The Foundation had no temporarily restricted net assets at June 30, 2015 and 2014.

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 the 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.

*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 accordance 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 2014 amounts have been reclassified to conform to 2015 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 pay 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).

*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 2015 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 2012 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 November 10, 2015, 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 currently collectible in these financial statements. As of June 30, 2015 and 2014, the foundation held pledges with maturities of less than one year of $2,500 and $14,500 (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, 2015 and 2014:

| | Unrestricted | Permanently Restricted | Total |
|---|---|---|---|
| **June 30, 2015** | | | |
| Cost | $ 2,657,050 | $ 18,753 | $ 2,675,803 |
| Fair value | $ 2,922,199 | $ 24,717 | $ 2,946,916 |
| **June 30, 2014** | | | |
| Cost | $ 2,026,999 | $ 18,753 | $ 2,045,752 |
| Fair value | $ 2,569,390 | $ 25,966 | $ 2,595,356 |

The following is a summary of the nature of the Foundation's groups of investments as of June 30, 2015 and 2014:

| June 30, 2015 | Cost | Fair Value |
|---|---|---|
| Merrill Lynch | | |
| Equities | $ 1,108,630 | $ 1,061,967 |
| Mutual funds - equity based | 1,548,420 | 1,860,232 |
| Total Merrill Lynch | 2,657,050 | 2,922,199 |
| Duke Energy Investment Account - Equities | 18,753 | 24,717 |
| Total Investments | $ 2,675,803 | $ 2,946,916 |

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

## 3. INVESTMENTS (CONTINUED)

The following schedule summarizes investment income (loss) and its classification in the Statement of Activities for the years ended June 30, 2015 and 2014:

| June 30, 2015 | Unrestricted | Permanently Restricted | Total |
|---|---|---|---|
| Bank account interest | $ 11 | $ - | $ 11 |
| Dividends | 171,549 | - | 171,549 |
| Net realized loss | (5,100) | - | (5,100) |
| Net unrealized loss | (165,575) | (1,249) | (166,824) |
| Total | $ 885 | $ (1,249) | $ (364) |

| 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 |

## 4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Land | $ 839,854 | $ 839,854 |
| Land improvements | 122,980 | 122,980 |
| Leasehold improvements | 24,879 | 1,419 |
| Building | 619,678 | 619,678 |
| Farm equipment | 598,188 | 545,127 |
| Office equipment | 96,194 | 107,103 |
| Total at Cost | 2,301,773 | 2,236,161 |
| Accumulated depreciation | (712,526) | (645,789) |
| Net Property and Equipment | $ 1,589,247 | $ 1,590,372 |

Depreciation expense was $77,646 and $63,946 for the years ended June 30, 2015 and 2014, 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.

## 5. INTANGIBLE ASSETS

Intangible assets are comprised of:

| | 2015 | 2014 |
|---|---|---|
| Trademark | $ 18,232 | $ 18,232 |
| Less: Accumulated amortization | (3,192) | (2,736) |
| | $ 15,040 | $ 15,496 |

## 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% (3.19% at June 30, 2015) and is collateralized by the Foundation's investment securities.

There were no line of credit balances outstanding at June 30, 2015 or 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.

Future minimum payments at their discounted values are as follows:

| | |
|---|---|
| 2016 | $ 84,800 |
| 2017 | 86,527 |
| Total | $ 171,327 |

## 8. NOTES PAYABLE

The Foundation has the following notes payable:

| | 2015 | 2014 |
|---|---|---|
| Note payable to a private party in annual installments of $8,660 including interest at 6.0% through January 2019, collateralized by land. | $ 28,019 | $ 34,773 |
| 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. | 120,000 | 130,000 |
| Total | 148,019 | 164,773 |
| Less: current portion | (127,176) | (16,757) |
| Long-term Portion | $ 20,843 | $ 148,016 |

The principal maturity of the notes is as follows by year:

| | |
|---|---|
| 2016 | $ 127,176 |
| 2017 | 7,616 |
| 2018 | 8,086 |
| 2019 | 5,141 |
| Total | $ 148,019 |

## 9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted for the following purposes:

| | 2015 | 2014 |
|---|---|---|
| Endowment | $ 24,717 | $ 25,966 |

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 $851,801 and $1,148,998 as of June 30, 2015 and 2014, respectively.

The Foundation received 61% of its contributions and grants from three sources for the year ended June 30, 2015. For the year ended June 30, 2014, the Foundation received 72% 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 and timing for the Foundation to obtain these amounts, 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 of $1,200 and renews annually.

In January 2015, the Foundation entered into a five-year lease agreement for land in West Salem, Wisconsin through December 31, 2019. The lease requires an annual rent of $5,000.

In January 2015, the Foundation entered into a five-year lease agreement for additional land in West Salem, Wisconsin through December 31, 2019. The lease requires an annual rent of $3,250.

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

## 11. Lease Agreements (Continued)

Future minimum lease payments are as follows:

| | |
|---|---|
| 2016 | $ 45,550 |
| 2017 | 51,950 |
| 2018 | 51,950 |
| 2019 | 59,550 |
| 2020 | 51,300 |
| Thereafter | 248,425 |
| Total | $ 508,725 |

Rent expense for the years ended June 30, 2015 and 2014 was $30,553 and $28,422, respectively, and is included in occupancy expense in the Statements 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 $13,732 and $13,405 for the years ended June 30, 2015 and 2014, respectively.

## 13. Donated Services

The Foundation received donated services in the amount of $263,500 for each of the years ended June 30, 2015 and 2014 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 professional scientific services ($235,000), legal expenses ($22,500) and printing and publication expenses ($6,000) for each of the years ended June 30, 2015 and 2014.