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Gwen S. Henry

August 5, 2009

Ms. M. Janet Bornancin, Executive Director
Tree Research and Education Endowment Fund
552 South Washington St., Suite 109
Naperville, IL 60540

TRANSMITTED VIA EMAIL

Dear Janet:

Attached is a copy of the financial statements for Tree Research and Education Endowment Fund as of December 31, 2008 and 2007, together with auditor's report.

Please call should you have any questions.

Sincerely,

DUGAN & LOPATKA



Karen M. Olson

KMO:bdb
Attachment

**TREE RESEARCH AND EDUCATION
ENDOWMENT FUND**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2008 AND 2007**

TOGETHER WITH AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tree Research and Education
Endowment Fund:

We have audited the accompanying statement of financial position of Tree Research and Education Endowment Fund (the Fund) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 as of December 31, 2008 and 2007 and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dugan & Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
July 28, 2009

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u> (Restated)
<u>A S S E T S</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 166,000	\$ 118,624
Pledges receivable	95,834	90,000
Other contributions and grants receivable	28,359	87,191
Due from Chicago Community Trust	1,116,449	-
Interest receivable	-	10,702
Investments	-	1,102,852
Prepaid expenses	5,597	-
	<hr/>	<hr/>
Total current assets	1,412,239	1,409,369
PROPERTY AND EQUIPMENT, at cost:		
Furniture and equipment	17,870	14,583
Less - Accumulated depreciation	(11,893)	(7,832)
	<hr/>	<hr/>
Net property and equipment	5,977	6,751
	<hr/>	<hr/>
	\$ 1,418,216	\$ 1,416,120
	<hr/>	<hr/>
<u>L I A B I L I T I E S A N D N E T A S S E T S</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,168	\$ 50,821
Grants payable	124,860	140,828
Accrued expenses	9,499	600
Deferred income	-	5,000
	<hr/>	<hr/>
Total liabilities	145,527	197,249
NET ASSETS:		
Unrestricted	320,730	414,365
Temporarily restricted	159,351	199,204
Permanently restricted	792,608	605,302
	<hr/>	<hr/>
Total net assets	1,272,689	1,218,871
	<hr/>	<hr/>
	\$ 1,418,216	\$ 1,416,120
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 143,274	\$ 79,959	\$ 187,306	\$ 410,539
Special events	543,212	-	-	543,212
Education program contributions	29,483	-	-	29,483
Arborists' Safety and Techniques program contributions	-	3,505	-	3,505
In-kind	-	-	-	-
Merchandise sales	165	-	-	165
Investment loss	(55,268)	(32,063)	-	(87,331)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	91,254	(91,254)	-	-
Total public support and revenue	<u>752,120</u>	<u>(39,853)</u>	<u>187,306</u>	<u>899,573</u>
EXPENSES:				
Program services -				
Grant and trust programs:				
Direct grants	30,823	-	-	30,823
Hyland R. Johns grants	269,516	-	-	269,516
John Z. Duling grants	77,433	-	-	77,433
Education program	24,581	-	-	24,581
Arborists' Safety and Techniques program contributions	12	-	-	12
Total program services	402,365	-	-	402,365
Special events	182,740	-	-	182,740
Support services -				
Administration and governance	260,650	-	-	260,650
Total expenses	<u>845,755</u>	<u>-</u>	<u>-</u>	<u>845,755</u>
CHANGE IN NET ASSETS	(93,635)	(39,853)	187,306	53,818
NET ASSETS, Beginning of year	<u>414,365</u>	<u>199,204</u>	<u>605,302</u>	<u>1,218,871</u>
NET ASSETS, End of year	<u>\$ 320,730</u>	<u>\$ 159,351</u>	<u>\$ 792,608</u>	<u>\$ 1,272,689</u>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2007 (Restated)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 107,897	\$ 34,107	\$ 137,306	\$ 279,310
Special events	458,038	-	-	458,038
Education program contributions	5,406	24,778	-	30,184
Arborists' Safety and Techniques program contributions	-	2,340	-	2,340
In-kind	4,800	-	-	4,800
Merchandise sales	4,704	-	-	4,704
Investment income	40,100	25,084	-	65,184
Net assets released from restrictions:				
Satisfaction of purpose restrictions	186,976	(186,976)	-	-
Total public support and revenue	<u>807,921</u>	<u>(100,667)</u>	<u>137,306</u>	<u>844,560</u>
EXPENSES:				
Program services -				
Grant and trust programs:				
Direct grants	38,948	-	-	38,948
Hyland R. Johns grants	92,693	-	-	92,693
John Z. Duling grants	86,685	-	-	86,685
Education program	35,240	-	-	35,240
Arborists' Safety and Techniques program contributions	7,891	-	-	7,891
Total program services	261,457	-	-	261,457
Special events	254,100	-	-	254,100
Support services -				
Administration and governance	229,361	-	-	229,361
Total expenses	<u>744,918</u>	<u>-</u>	<u>-</u>	<u>744,918</u>
CHANGE IN NET ASSETS	63,003	(100,667)	137,306	99,642
NET ASSETS, Beginning of year	351,362	299,871	467,996	1,119,229
NET ASSETS, End of year	<u>\$ 414,365</u>	<u>\$ 199,204</u>	<u>\$ 605,302</u>	<u>\$ 1,218,871</u>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 53,818	\$ 99,642
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,061	4,861
Realized (gain) loss on investments	104,747	(21,119)
Unrealized (gain) on investments	-	(13,211)
Change in assets and liabilities:		
(Increase) decrease in pledges receivable	(5,834)	(90,000)
(Increase) decrease in other contributions and grants receivable	58,832	(22,733)
(Increase) decrease in interest receivable	10,702	(2,563)
(Increase) in prepaid expenses	(5,597)	-
Increase (decrease) in accounts payable	(39,653)	40,290
Increase (decrease) in grants payable	(15,968)	16,526
Increase in accrued expenses	8,899	600
Increase (decrease) in deferred income	(5,000)	5,000
Net adjustments	<u>115,189</u>	<u>(82,349)</u>
Net cash provided by operating activities	<u>169,007</u>	<u>17,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(3,287)	(8,890)
Proceeds from sale of investments	312,534	595,533
Purchase of investments	<u>(430,878)</u>	<u>(586,555)</u>
Net cash provided by (used in) investing activities	<u>(121,631)</u>	<u>88</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	47,376	17,381
CASH AND CASH EQUIVALENTS, Beginning of year	<u>118,624</u>	<u>101,243</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 166,000</u>	<u>\$ 118,624</u>
NON-CASH INVESTING ACTIVITY		
Transfer of investments to Chicago Community Trust	<u>\$ 1,117,671</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The objectives of the Tree Research and Education Endowment Fund (the Fund) are both educational and scientific. The Fund provides a greater appreciation of trees through the promotion of research, improved technology and the practice of professional arboriculture. The Fund's primary revenues consist of special events and contributions from individual donors and various arboriculture-related companies, both public and private.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Accounting -

The financial statements of the Fund have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents -

The Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Credit Risk -

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash. The Fund places its cash and deposits with high credit quality financial institutions; however, during the year deposits may exceed the federally insured limits.

Property and Equipment -

Computer equipment is recorded at cost and is depreciated on the straight-line method over its estimated useful life of three years. Depreciation expense for 2008 and 2007 was \$4,061 and \$4,861, respectively.

Investments -

All investments are carried at fair value in the statement of financial position.

Realized and unrealized gains and losses on investments are reported in the statement of activities as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor-imposed restrictions. Investment income is reported in the statement of activities as unrestricted, and temporarily restricted revenue based upon donor-imposed restrictions.

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

Fair Value Measurements:

Effective January 1, 2008, the Organization adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements*, (SFAS 157) issued by the Financial Accounting Standards Board (FASB). SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS 157 as the assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; through corroboration with observable market data, such as quoted market prices for similar markets or quoted market prices that are not active.

Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

Net Assets -

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted, operating - Unrestricted net assets include all net assets which are neither temporarily or permanently restricted.

Unrestricted, designated - Certain investments have been designated for future use by the Board. The goal is to provide for the development of an endowment sufficient to support significant research efforts, with or without other major ongoing fundraising activities. There are no board-designated net assets at December 31, 2008 and 2007.

Temporarily restricted - Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and ultimate purpose of the contribution is not permanently restricted.

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

Permanently restricted - Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions -

Annual contributions are available for unrestricted use in the related year unless specifically restricted by the donor.

Grants that meet the definition of a contribution and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges receivable -

Pledges receivable are recorded in the fiscal year, in which the notification of an unconditional pledge is received and then is classified as either unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of donor restrictions. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Changes in the valuation allowance have not been material to the 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.

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.

(2) DESCRIPTION OF PROGRAMS: (Continued)

John Z. Duling Grant -

The John Z. Duling Grant Program provides seed money to support research projects that address topics that have benefit to the everyday working arborist. Grant awards vary depending on the assessed value of the project to the needs of the arboricultural industry. No single award will exceed \$10,000.

Tree Research Fellow Grants -

Starting in 2008, the Tree Research Fellow Grant is designed to address a specific topic as defined by the TREE Fund Trustees and to provide support to a young scientist who is being mentored by an established and published scientist. The grant will support multi-year research projects (three to five years in duration), but no more than one grant can be awarded to any project. Grants are for a total of \$100,000 over three years, with approximately one-third released each of the three years, pending completion of interim and final reports.

Education -

The Educational programs support numerous public education endeavors. The Tour des Trees provides educational opportunities through presentations and media interviews on the importance of trees and the role of tree research. Programs include information for pre-school to high school. Programs also describe the career opportunities in arboriculture. Finally, funds are provided to underwrite student attendance at the TCI Expo.

Scholarships -

The Robert Felix Memorial Scholarship program was established to honor Robert Felix and his commitment to the advancement of arboriculture through education. The Fund provides scholarships to students pursuing a career in commercial arboriculture.

(3) SPECIAL EVENTS:

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

(4) INCOME TAXES:

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

In accordance with FSP 48-3, the Fund has elected to defer the implementation of FIN 48, *Accounting for Uncertainty in Income Taxes*. The Fund continues to follow the guidance included in FASB Statement No. 5, *Accounting for Contingencies*.

(5) PLEDGES RECEIVABLE:

Unconditional pledges receivable at December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 30,000	\$ 10,000
Receivable in greater than one year	<u>70,000</u>	<u>80,000</u>
Total unconditional pledges receivable	100,000	90,000
Less - Discounts to net present value	<u>(4,166)</u>	-
Net unconditional pledges receivable	<u>\$ 95,834</u>	<u>\$ 90,000</u>

The discount rate used on long-term pledges receivable is 3.25% for 2008.

The Fund pledges receivable from the various funds as of December 31, 2008 are due as follows:

	<u>Endowment</u>	<u>Other</u>
2009	\$ 20,000	\$ 10,000
2010	20,000	5,000
2011	20,000	5,000
2012	<u>20,000</u>	-
Total	80,000	20,000
Less - Discount	<u>(3,699)</u>	<u>(467)</u>
	<u>\$ 76,301</u>	<u>\$ 19,533</u>

(6) INVESTMENTS:

Investments consisted of the following at December 31, 2007:

	<u>2007</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Government securities	\$ 184,029	\$ 186,891	\$ 2,862
Corporate bonds	228,536	227,157	(1,379)
Common stock	513,198	580,570	67,372
American depository receipts	111,070	105,975	(5,095)
Equity mutual funds	<u>3,526</u>	<u>2,259</u>	<u>(1,267)</u>
Totals	<u>\$ 1,040,359</u>	<u>\$ 1,102,852</u>	<u>\$ 62,493</u>

During the year ended December 31, 2008, the Board of the Fund voted to have The Chicago Community Trust (the Trust) manage their investments as a component of the Trust. As a result, all the securities held on August 1, 2008 were assigned and transferred to the Trust and then immediately sold. All the proceeds were invested in money market accounts. As a result of the assignment these investments are now a receivable from the Trust. The balance held by the Trust at December 31, 2008 is \$1,116,449.

The Fund carried all investments at their fair market values. Current market value was provided by the trust administrator or by reputable published sources for stocks and bonds.

Investment income, fees and gains and losses for the years ended December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 30,584	\$ 42,418
Investment fees	(13,168)	(11,564)
Net realized gain (loss)	(104,747)	21,119
Net unrealized gain	<u>-</u>	<u>13,211</u>
Total	<u>\$ (87,331)</u>	<u>\$ 65,184</u>

(7) GRANTS PAYABLE:

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities in accordance with *SFAS 116, Accounting for Contributions Received and Contributions Made*. The following is a summary of grants authorized and payable at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Hyland R. Johns grants	\$ 121,860	\$ 123,158
Direct grant - Arboriculture Research on the Web	-	13,170
Scholarships	<u>3,000</u>	<u>4,500</u>
Total	<u>\$ 124,860</u>	<u>\$ 140,828</u>

(8) PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS:

General Endowment Fund -

During 2002, the Fund initiated an endowment campaign for the purpose of establishing a self-sustaining fund in which investment revenue would support Fund goals. The minimum balance for an established name endowment fund is \$100,000. Until this level is reached, all earnings are to be reinvested into the named account. Contributions to the endowment fund are permanently restricted by donor. After reaching the \$100,000 fund amount, the investment income going forward will be temporarily restricted and expensed based on donor specifications.

John Duling Fund -

During 2000, the Fund established the fund based on John Duling's will. The principal is to be held in perpetuity and the investment income to be used for general operational purposes.

Robert Felix Fund -

During 2001, the Fund established the Robert Felix Scholarship Fund. The principal is to be held in perpetuity and the investment income to be used for funding of arboriculture or related curricula in high school and college level programs as well as promotion of the arboriculture profession at all educational levels. There should be no more than four scholarships per year of up to \$3,000 each.

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

Permanently restricted net assets for years ended December 31, 2008 and 2007 consist of:

	<u>2008</u>	<u>2007</u>
James Barborinas Fund	\$ 20,000	\$ 10,000
Gamma Fund	100,000	100,000
John White Fund	15,530	12,025
Mark McClure Research Fund	76,301	-
Illinois Arborists Association Fund	25,000	-
John Wright Scholarship Fund	10,000	-
Bartlett Fund	30,000	-
Arizona Public Service	<u>45,000</u>	<u>12,500</u>
Total General Endowment Fund	321,831	134,525
John Duling Fund	197,532	197,532
Robert Felix Fund	<u>273,245</u>	<u>273,245</u>
Total permanently restricted net assets	<u>\$ 792,608</u>	<u>\$ 605,302</u>

Temporarily Restricted Funds -

Temporarily restricted net assets for the years ended December 31, 2008 and 2007 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Arborists' Safety and Technique Programs	\$ 3,505	\$ -
Education program	61,876	48,998
Robert Felix Scholarships	68,458	108,021
Research Summit	17,185	17,185
Tree Hazard Project	<u>8,327</u>	<u>25,000</u>
Total temporarily restricted net assets	<u>\$ 159,351</u>	<u>\$ 199,204</u>

(9) ENDOWMENT:

In August, 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

(9) ENDOWMENT: (Continued)

The Fund follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. Restrictions on investment income are explained in note 7. The Fund's donors have not placed restrictions on the use of the net appreciation resulting from the donor-restricted endowment funds.

The Fund has adopted investment and spending policies, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the Fund must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that equals or exceeds the assumed spending rate plus the rate of inflation. The Fund expects its endowment funds, over time, to provide an average rate of return of approximately 7%, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Fund's spending policy will be at the discretion of the Board as determined by the governing documents for the various donor-restricted funds that make up the endowments and applicable federal and state law.

The Fund's endowment consists of ten individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment composition by net asset classes is as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ -	\$ -
Temporarily restricted	-	-
Permanently restricted	<u>792,608</u>	<u>605,302</u>
Total	<u>\$ 792,608</u>	<u>\$ 605,302</u>

(9) ENDOWMENT: (Continued)

Endowment changes by net asset classes for the year ended December 31, 2008 are as follow:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 108,021	\$ 605,302	\$ 713,323
Contributions	-	-	187,306	187,306
Investment (loss)	-	(32,063)	-	(32,063)
Releases from restrictions	-	(7,500)	-	(7,500)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 68,458</u>	<u>\$ 792,608</u>	<u>\$ 861,066</u>

Endowment changes by net asset classes for the year ended December 31, 2007 are as follow:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 82,937	\$ 467,996	\$ 550,933
Contributions	-	-	137,306	137,306
Investment income	-	25,084	-	25,084
Releases from restrictions	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 108,021</u>	<u>\$ 605,302</u>	<u>\$ 713,323</u>

(10) EMPLOYEE BENEFITS:

The Fund maintains a 403(b) plan that covers full-time employees. The Fund matches 100% for the first \$750 contributions and 33% for the next \$750 contributions, up to \$1,500. The Fund contributed \$1,500 for years ended December 31, 2008 and 2007.

(11) FAIR VALUE MEASUREMENTS:

Assets Measured at Fair value on a Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Receivables - managed by Chicago Community Trust	\$ 1,116,449	\$ -	\$ 1,116,449	\$ -
Unconditional pledges receivable	\$ 65,834	\$ -	\$ -	\$ 65,834

*Assets Measured at Fair value on a Recurring Basis Using Significant observable inputs
(Level 2)*

Fair values for investments are provided by the trust administrator which determines the fair value by reference to quoted market prices and other relevant information generated by market transactions.

*Assets Measured at Fair value on a Recurring Basis Using Significant Unobservable Inputs
(Level 3)*

Unconditional pledges receivable to give are reported at net realizable value if, at the time the pledge is made, the payment is expected to be received in one year or less.

Pledges that are expected to be collected in more than one year are reported at fair value measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor, general economic conditions in the geographic area in which the majority of the Fund's donors live, the Fund's policies concerning enforcement of pledges receivable, and market interest rate assumptions. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

(11) FAIR VALUE MEASUREMENTS: (Continued)

The table below presents information about unconditional pledges receivable cash at December 31, 2008:

<i>Pledges Measured at Fair Value:</i>		
Pledges cash flows	\$	70,000
Carrying amount		\$ 65,834
Fair value estimate	65,834	
Measurement basis	Level 3	
Contribution revenue (discount)	(4,166)	
Total changes included in the statement of activities	(4,166)	
 <i>Pledges Measured at Net Realizable Value:</i>		
Carrying amount		<u>30,000</u>
Total carrying amount for unconditional pledges receivable		<u>\$ 95,834</u>

The table below presents information about the changes in unconditional pledges receivable for the year ended December 31, 2008:

Beginning balance	\$	90,000
New pledges received		20,000
Collections		(10,000)
Contribution revenue (discount)		(4,166)
Management and general (write-offs)		<u>-</u>
Ending balance	\$	<u>95,834</u>

(12) PRIOR PERIOD ADJUSTMENT:

During the year ended December 31, 2008, it was determined that permanently restricted net assets as of December 31, 2007 were understated by \$134,525, temporarily restricted net assets were overstated by \$251,703 and unrestricted net assets were understated by \$117,178. The Fund discovered that some of its funds were classified incorrectly as to unrestricted, temporarily restricted and permanently restricted. The effect of the error has no effect on the change in net assets however, the error effects the composition and changes of net assets between the three classes; unrestricted, temporarily restricted and permanently restricted.

(12) PRIOR PERIOD ADJUSTMENT: (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets December 31, 2007, as previously reported	\$ 297,187	\$ 450,907	\$ 470,777	\$ 1,218,871
Adjustment for funds that were classified as temporarily restricted net assets	-	(127,400)	127,400	-
Adjustment for funds that were classified as unrestricted net assets	(7,125)	-	7,125	-
Adjustment for funds that were classified as temporarily restricted net assets	<u>124,303</u>	<u>(124,303)</u>	<u>-</u>	<u>-</u>
Net assets December 31, 2007, as restated	<u>\$ 414,365</u>	<u>\$ 199,204</u>	<u>\$ 605,302</u>	<u>\$ 1,218,871</u>