

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

REEVES-REED ARBORETUM
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YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reeves-Reed Arboretum

I have audited the accompanying financial statements of Reeves-Reed Arboretum (the Arboretum) which comprise the statements of financial position as of December 31, 2016 and 2015, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reeves-Reed Arboretum as of December 31, 2016 and 2015 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.

James M. Wood

May 19, 2017
Hillsborough, NJ

REEVES-REED ARBORETUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016						2015					
	Unrestricted			Board- Designated			Unrestricted			Board- Designated		
	Operations	Temporarily Restricted	Permanently Restricted	Total	Operations	Temporarily Restricted	Permanently Restricted	Total	Operations	Temporarily Restricted	Permanently Restricted	Total
Assets												
Current assets												
Cash & cash equivalents	\$ 378,585	\$ 22,143	\$ -	\$ 532,717	\$ 419,410	\$ 147,439	\$ 31,869	\$ 598,718	\$ 419,410	\$ 31,869	\$ 646,569	\$ 1,171,166
Investment securities	-	535,964	646,569	1,182,533	-	-	-	1,171,166	-	524,597	-	1,025
Accounts receivable	63,028	-	-	63,028	1,025	-	-	1,025	6,625	-	-	6,625
Prepaid expenses	4,931	-	-	4,931	427,060	147,439	-	621,318	427,060	556,466	646,569	1,777,534
Premises & equipment, net of accumulated depreciation	446,544	558,107	646,569	1,783,209	621,318	-	-	621,318	147,439	-	-	621,318
Other	14,443	-	-	14,443	14,443	-	-	14,443	-	-	-	14,443
	<u>\$ 1,121,372</u>	<u>\$ 558,107</u>	<u>\$ 646,569</u>	<u>\$ 2,458,037</u>	<u>\$ 1,062,821</u>	<u>\$ 147,439</u>	<u>\$ 556,466</u>	<u>\$ 2,413,295</u>	<u>\$ 1,062,821</u>	<u>\$ 556,466</u>	<u>\$ 646,569</u>	<u>\$ 2,413,295</u>
Liabilities & Net Assets												
Current liabilities												
Accounts payable & accrued expenses	\$ 16,494	\$ -	\$ -	\$ 16,494	\$ 13,851	\$ -	\$ -	\$ 13,851	\$ -	\$ -	\$ -	\$ 13,851
Grants received in advance	167,132	-	-	167,132	168,802	-	-	168,802	-	-	-	168,802
Membership received in advance	2,150	-	-	2,150	675	-	-	675	-	-	-	675
Rent security deposits	5,256	-	-	5,256	5,244	-	-	5,244	-	-	-	5,244
	<u>191,032</u>	<u>-</u>	<u>-</u>	<u>191,032</u>	<u>188,572</u>	<u>-</u>	<u>-</u>	<u>188,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,572</u>
Net assets	<u>930,340</u>	<u>558,107</u>	<u>646,569</u>	<u>2,267,005</u>	<u>874,249</u>	<u>147,439</u>	<u>556,466</u>	<u>2,224,723</u>	<u>1,062,821</u>	<u>556,466</u>	<u>646,569</u>	<u>2,413,295</u>
	<u>\$ 1,121,372</u>	<u>\$ 558,107</u>	<u>\$ 646,569</u>	<u>\$ 2,458,037</u>	<u>\$ 1,062,821</u>	<u>\$ 147,439</u>	<u>\$ 556,466</u>	<u>\$ 2,413,295</u>	<u>\$ 1,062,821</u>	<u>\$ 556,466</u>	<u>\$ 646,569</u>	<u>\$ 2,413,295</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		2015		Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operations	Board-Designated	Operations	Board-Designated				Operations	Board-Designated			
Public Support												
Dues	\$ 60,097	\$ -	\$ 60,097	\$ -	\$ 56,534	\$ -	\$ 56,534	-	-	\$ -	\$ -	\$ 56,534
Contributions	189,776	-	189,776	-	137,642	-	137,642	-	9,000	-	-	146,642
Bequests	24,129	-	24,129	-	65,951	-	65,951	-	-	-	-	65,951
Grants	207,980	-	207,980	-	143,850	-	143,850	-	-	-	-	143,850
	<u>481,982</u>	<u>-</u>	<u>481,982</u>	<u>-</u>	<u>403,977</u>	<u>-</u>	<u>403,977</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>412,977</u>
Program Service Revenue												
Education activities	85,856	-	85,856	-	86,725	-	86,725	-	-	-	-	86,725
Facilities rental	97,472	-	97,472	-	90,773	-	90,773	-	-	-	-	90,773
	<u>183,328</u>	<u>-</u>	<u>183,328</u>	<u>-</u>	<u>177,498</u>	<u>-</u>	<u>177,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,498</u>
Interest & dividends	2,657	-	2,657	-	2,755	-	2,755	-	18,337	-	-	21,092
Special events, net of												
Gross income	287,773	-	287,773	-	357,093	-	357,093	-	-	-	-	357,093
Direct expenses	(123,403)	-	(123,403)	-	(141,363)	-	(141,363)	-	-	-	-	(141,363)
	<u>164,370</u>	<u>-</u>	<u>164,370</u>	<u>-</u>	<u>215,730</u>	<u>-</u>	<u>215,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,730</u>
Donated goods & services	159,380	-	159,380	-	133,924	-	133,924	-	-	-	-	133,924
Miscellaneous	59	-	59	-	165	-	165	-	-	-	-	165
Total income	991,776	-	991,776	-	934,049	-	934,049	-	27,337	-	-	961,386
Releases from restrictions	96,394	(15,450)	(80,944)	-	7,741	(2,250)	(73,203)	(2,250)	(5,491)	-	-	(78,944)
	<u>1,088,170</u>	<u>(15,450)</u>	<u>1,072,720</u>	<u>-</u>	<u>941,790</u>	<u>(2,250)</u>	<u>939,540</u>	<u>(2,250)</u>	<u>21,846</u>	<u>-</u>	<u>-</u>	<u>961,386</u>
Functional Expenses												
Program services												
Horticulture	455,576	-	455,576	-	404,022	-	404,022	-	-	-	-	404,022
Education	257,870	-	257,870	-	220,208	-	220,208	-	-	-	-	220,208
Public relations	88,088	-	88,088	-	83,335	-	83,335	-	-	-	-	83,335
	<u>801,534</u>	<u>-</u>	<u>801,534</u>	<u>-</u>	<u>707,565</u>	<u>-</u>	<u>707,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,565</u>
Supporting services												
Management & general	117,397	-	117,397	-	124,751	-	124,751	-	-	-	-	124,751
Fund raising	117,275	-	117,275	-	111,922	-	111,922	-	-	-	-	111,922
	<u>234,672</u>	<u>-</u>	<u>234,672</u>	<u>-</u>	<u>236,673</u>	<u>-</u>	<u>236,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,673</u>
Total expenses	1,036,206	-	1,036,206	-	944,238	-	944,238	-	-	-	-	944,238
Increase (decrease) in net assets before gains (losses) on investments	51,964	(15,450)	(36,486)	-	(2,448)	(2,250)	(4,698)	(2,250)	21,846	-	-	17,148
Gains (losses) on investments	4,127	-	4,127	-	(561)	-	(561)	-	(19,465)	-	-	(20,026)
	<u>56,091</u>	<u>(15,450)</u>	<u>40,641</u>	<u>-</u>	<u>(3,009)</u>	<u>(2,250)</u>	<u>(5,259)</u>	<u>(2,250)</u>	<u>2,381</u>	<u>-</u>	<u>-</u>	<u>(2,878)</u>
Increase (decrease) in net assets	874,249	147,439	1,021,688	646,569	877,258	149,689	1,026,947	149,689	554,085	646,569	646,569	2,227,601
Net assets												
Beginning of year	930,340	131,989	1,062,329	646,569	874,249	147,439	1,021,688	147,439	556,466	646,569	646,569	2,224,723
End of year	<u>\$ 1,804,640</u>	<u>\$ 263,978</u>	<u>\$ 2,068,618</u>	<u>\$ 1,293,138</u>	<u>\$ 1,748,498</u>	<u>\$ 297,128</u>	<u>\$ 2,045,626</u>	<u>\$ 297,128</u>	<u>\$ 1,110,552</u>	<u>\$ 1,293,138</u>	<u>\$ 1,293,138</u>	<u>\$ 4,448,764</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016			2015			
	Program Services		Supporting Services	Management & General		Fund Raising	Total
	Horticulture	Education	Public Relations	Management & General	Fund Raising	Total	(See Page 5)
Salaries	\$ 114,624	\$ 149,265	\$ 51,918	\$ 54,242	\$ 68,450	\$ 438,499	\$ 380,733
Fringe benefits	21,552	28,066	9,762	10,199	12,870	82,449	76,466
	<u>136,176</u>	<u>177,331</u>	<u>61,680</u>	<u>64,441</u>	<u>81,320</u>	<u>520,948</u>	<u>457,199</u>
Direct program	19,191	2,214	-	2,859	423	24,687	22,297
Grounds enhancement	48,444	-	-	-	-	48,444	57,388
Occupancy	13,819	17,995	6,259	6,539	8,252	52,864	50,625
Donated goods & services	146,020	750	-	8,340	4,270	159,380	133,924
Insurance	3,550	4,623	1,608	1,680	2,120	13,581	13,415
Office	10,089	13,138	4,570	4,774	6,025	38,596	33,742
Postage	750	976	340	355	448	2,869	3,201
Telephone	1,143	1,488	518	541	682	4,372	4,127
Professional fees	13,863	18,052	6,279	17,060	8,278	63,532	57,048
Volunteers	24	-	-	243	-	267	239
Training	179	233	81	85	107	685	5,069
Development cultivation	-	-	1,448	-	-	1,448	1,859
Miscellaneous	6	9	3	3	4	25	14
Dues & subscriptions	297	386	134	140	177	1,134	1,098
	<u>393,551</u>	<u>237,195</u>	<u>82,920</u>	<u>107,060</u>	<u>112,106</u>	<u>932,832</u>	<u>841,245</u>
Depreciation	62,025	20,675	5,168	10,337	5,169	103,374	102,993
Total functional expenses	\$ 455,576	\$ 257,870	\$ 88,088	\$ 117,397	\$ 117,275	\$ 1,036,206	\$ 944,238

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

2015

	Program Services			Supporting Services			Total
	Horticulture	Education	Public Relations	Management & General	Fund Raising		
Salaries	\$ 98,914	\$ 121,758	\$ 47,249	\$ 50,714	\$ 62,098	\$	\$ 380,733
Fringe benefits	19,866	24,454	9,489	10,185	12,472		76,466
	<u>118,780</u>	<u>146,212</u>	<u>56,738</u>	<u>60,899</u>	<u>74,570</u>		<u>457,199</u>
Direct program	15,501	2,920	-	3,866	10		22,297
Grounds enhancement	57,388	-	-	-	-		57,388
Occupancy	13,152	16,190	6,283	6,743	8,257		50,625
Donated goods & services	109,500	-	-	17,974	6,450		133,924
Insurance	3,485	4,290	1,665	1,787	2,188		13,415
Office	8,766	10,791	4,187	4,495	5,503		33,742
Postage	832	1,024	397	426	522		3,201
Telephone	1,072	1,320	512	550	673		4,127
Professional fees	12,093	14,886	5,777	16,700	7,592		57,048
Volunteers	50	-	-	189	-		239
Training	1,317	1,621	629	675	827		5,069
Development cultivation	-	-	1,859	-	-		1,859
Miscellaneous	4	4	2	2	2		14
Dues & subscriptions	286	351	136	146	179		1,098
	<u>342,226</u>	<u>199,609</u>	<u>78,185</u>	<u>114,452</u>	<u>106,773</u>		<u>841,245</u>
Depreciation	61,796	20,599	5,150	10,299	5,149		102,993
Total functional expenses	\$ 404,022	\$ 220,208	\$ 83,335	\$ 124,751	\$ 111,922	\$	\$ 944,238

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 42,282	\$ (2,878)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	103,374	102,993
Loss (gain) on investment securities	(67,625)	20,026
(Increase) decrease in:		
Other receivable	(62,003)	5,995
Prepaid expenses	1,694	(2,816)
Increase (decrease) in:		
Accounts payable & accrued expenses	2,643	3,335
Grants received in advance	(1,670)	43,174
Membership received in advance	1,475	(325)
Rent security deposits	12	13
	20,182	169,517
Cash flows from investing activities		
Proceeds from sales of investment securities	72,690	113,015
Acquisition of investment securities	(16,432)	(20,972)
Acquisition of premises & equipment	(142,441)	(65,818)
	(86,183)	26,225
Cash (used in) provided by investing activities	(86,183)	26,225
Net (decrease) increase in cash & cash equivalents	(66,001)	195,742
Cash & cash equivalents		
Beginning of year	598,718	402,976
End of year	\$ 532,717	\$ 598,718

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

(1) **Summary of Significant Accounting Policies**

Reeves-Reed Arboretum (the Arboretum) is a not-for-profit organization located in Summit, New Jersey. The Arboretum was founded in 1974 for the purpose of preserving an historic 13.5 acre country estate as an outdoor living museum which contains a collection of native trees, shrubs, and plants that are protected and labeled in their natural settings for study and appreciation. Additionally, the Arboretum provides educational programs for children and adults focusing on environmental, natural, and botanical issues.

Financial statement presentation

In accordance with generally accepted accounting principles, the Arboretum reports its statements of financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenue with temporary restrictions which is expended in the same year is considered unrestricted for financial statement presentation.

Temporarily restricted net assets

Funds which carry donor-imposed restrictions are classified as temporarily restricted net assets until the restrictions are fulfilled. Additionally, investment income and market appreciation on endowment investments are classified as temporarily restricted as such funds are available for expenditure on horticultural and educational-related expenditures.

Permanently restricted net assets

Assets received for the horticultural and children's education endowment fund are recorded as permanently restricted.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donated services

Donated services are recorded as income and related expense if the service provided is specialized and would be purchased if not donated.

Cash and cash equivalents

For purposes of the statement of cash flows, the Arboretum considers all highly liquid investments including demand deposits, money market accounts and certificates of deposit with an initial maturity of three months or less to be cash equivalents. These financial instruments are included in "cash and cash equivalents" in the statement of financial position.

Investment securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Premises & equipment

Premises & equipment are shown at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The cost of maintenance and repairs is charged to income as incurred.

Income tax status

The Arboretum qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

Functional expenses

Expenses are charged to each program or cost center based on direct expenses incurred. Any expenses not directly chargeable are allocated to programs based on applicable usage rates.

Use of estimates

The preparation of financial statements in conformity with 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.

Concentrations of credit

Financial instruments and bank deposits that potentially expose the Arboretum to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investment securities. Cash and cash equivalents are placed with financial institutions or money market funds, and credit exposure is deemed to be limited to any one institution. Investments securities consist of mutual funds and are carried at fair value and are subject to market fluctuations. Future losses may be incurred in the event of a market decline.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

Fair value of financial instruments

Financial instruments are carried at fair value which is defined 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. Fair value is determined using three levels of inputs:

- Level 1 Valuations based on quoted prices in active markets for identical assets.

- Level 2 Valuations based on one or more quoted price for investments that are not exchange-traded but for which all significant inputs are observable.

- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurements.

The following valuation techniques are used for assets measured at fair value:

Money market funds - Investments in money market funds are classified as Level 1 due to their short term nature.

Mutual funds - Investments in exchange-traded and mutual funds are measured at fair value using quoted market prices and are classified as Level 1.

Accounting for uncertainty in income taxes

The Arboretum's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of tax status or exposure to uncertain tax positions that could require accrual or which could affect its liquidity or future cash flows. The Arboretum's exempt organization filings for the years ended December 31, 2013 through 2016 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the Arboretum's financial activities for income and unrelated business income tax for those years.

New accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

The Financial Accounting Standards Board (FASB) issued Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report *net assets with donor restrictions* and *net assets without donor restrictions* instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. Further, the guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The amendments in this Update are effective for years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to continue as a going concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. Management is evaluating the impact of adopting this new standard on its financial statement disclosures.

(2) Investment Securities

Investment securities are maintained in accounts according to intended use. As of December 31, investment securities, carried at fair value, are as follows:

	<u>2016</u>	<u>2015</u>
Horticulture & Children's Endowment		
Fidelity Cash Reserve	\$ 166,938	\$ 209,448
Fidelity Treasury Bond	174,136	173,950
Fidelity Bond Fund	85,736	85,458
Fidelity Stock Index Fund	<u>803,669</u>	<u>795,107</u>
	1,230,479	1,263,963
Operating		
Fidelity Cash Reserves	23,938	39,315
Fidelity Treasury Money Market Fund	6,401	6,400
Fidelity Intermediate Treasury Fund	117,775	116,651
Fidelity Stocks	<u>1,216</u>	<u>-</u>
	<u>149,330</u>	<u>162,366</u>
Total investment securities	1,379,809	1,426,329
Less money market funds included in cash & cash equivalents	<u>197,276</u>	<u>255,163</u>
Net investment securities	<u>\$1,182,533</u>	<u>\$1,171,166</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

(3) **Special Events**

During the years ended December 31, 2016 and 2015, the Arboretum held various events with the following results:

	<u>Gross Income</u>	<u>Direct Expense</u>	<u>Net Income</u>
<u>2016</u>			
Art in the Garden	\$185,415	\$ 76,678	\$108,737
Special Exhibits	18,649	13,223	5,426
House Tour	55,894	21,472	34,422
Sounds of a Summer Night	9,755	4,991	4,764
Teas	2,008	580	1,428
Pub Event	<u>16,052</u>	<u>6,459</u>	<u>9,593</u>
	<u>\$287,773</u>	<u>\$123,403</u>	<u>\$164,370</u>
<u>2015</u>			
Art in the Garden	\$249,475	\$ 90,448	\$159,027
Special Exhibits	34,150	25,448	8,702
House Tour	50,263	17,220	33,043
Sounds of a Summer Night	10,565	3,300	7,265
Teas	1,010	612	398
Pub Event	<u>11,630</u>	<u>4,335</u>	<u>7,295</u>
	<u>\$357,093</u>	<u>\$141,363</u>	<u>\$215,730</u>

(4) **Premises & Equipment**

The Arboretum leases its land and buildings from the City of Summit. Improvements, equipment, and other buildings are as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Improvements to buildings	\$1,369,724	\$1,311,360
Gardens & woodlands	221,781	218,565
Land improvements	764,275	683,414
Greenhouse	118,041	118,041
Fencing	121,986	121,986
Barn	106,916	106,916
Furniture & equipment	<u>202,022</u>	<u>202,022</u>
	2,904,745	2,762,304
Less accumulated depreciation	<u>2,244,360</u>	<u>2,140,986</u>
	<u>\$ 660,385</u>	<u>\$ 621,318</u>

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(5) **Operating Lease Commitments**

For each of the next five years ending December 31, the Arboretum is obligated to the following minimum lease amounts:

2017	\$ 7,137
2018	5,207
2019	2,275
2020	1,585
2021	10
Thereafter	<u>210</u>
	<u>\$16,424</u>

The Arboretum leases the land and buildings it occupies from the City of Summit for \$10 per year. For the years ended December 31, 2016 and 2015, rent expense totaled \$8,182 and \$6,608, respectfully.

(6) **Donated Services**

For the years ended December 31, 2016 and 2015, volunteers reported approximately 6,158 and 5,475 hours, respectively, in time donated for horticultural work and grounds maintenance. The value of these hours is a vital and integral portion of the Arboretum's programming, requires specialized skills, and would be purchased if not donated.

(7) **Restrictions on Net Assets**

As of December 31, 2016 and 2015, the Arboretum maintains an endowment fund consisting of permanently restricted, temporarily, and unrestricted assets. The permanently restricted assets are contributions received in prior years for the purpose of endowing children's education and horticultural activities. Temporarily restricted net assets consist of investment income earned and accumulated on the permanently restricted corpus. Unrestricted assets are those added to the endowment fund at the discretion of the Board of Trustees.

The endowment fund assets are invested in a variety of mutual funds as noted in Note 2. The Board's investment policy is to maximize return while managing risk.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in New Jersey does not establish a level below which an endowment or permanently restricted fund may fall. Instead, UPMIFA requires that permanently restricted fund investment and spending policies be designed with the aim of preserving that amount of each fund which is prudent for the uses, benefits, purposes and duration for which the permanently restricted gift was received.

Contributions received which are temporarily restricted are included in the Arboretum's operating investment account until expended on the intended use.

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The composition and activity of the endowment fund investment portfolio and operating investment portfolio are as follows:

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment				
January 1, 2015	\$646,569	\$523,514	\$108,301	\$1,278,384
Investment returns	-	(1,128)	(92)	(1,220)
Release from restrictions	-	-	(13,201)	(13,201)
December 31, 2015	646,569	522,386	95,008	1,263,963
Investment returns	-	82,585	5,467	88,052
Expenditures	-	(80,944)	(40,592)	(121,536)
Balance December 31, 2016	<u>\$646,569</u>	<u>\$524,027</u>	<u>\$ 59,883</u>	<u>\$1,230,479</u>
Operating				
January 1, 2015	\$ -	\$ 30,571	\$128,129	\$ 158,700
Transfers in	-	9,000	122	9,122
Expenditures	-	(5,491)	(2,250)	(7,741)
Investment returns	-	-	2,285	2,285
Balance December 31, 2015	\$ -	34,080	128,286	162,366
Transfers in	-	-	1,098	1,098
Expenditures	-	-	(15,450)	(15,450)
Investment returns	-	-	1,316	1,316
December 31, 2016	<u>\$ -</u>	<u>\$ 34,080</u>	<u>\$115,250</u>	<u>\$ 149,330</u>

As of December 31, 2016 and 2015, temporarily restricted net assets and designated net assets are as follows:

	2016	2015
Temporarily restricted		
Accumulated earnings, endowment fund	\$524,027	\$522,386
Children's Garden	24,540	24,540
Freeman Medal	1,646	1,646
Peter Koelliker Memorial	1,000	1,000
Disaster clean-up	1,594	1,594
Adopt a tree	1,000	1,000
Plants Head family	4,300	4,300
	<u>\$558,107</u>	<u>\$556,466</u>
Board designated, unrestricted		
Garden shop residual	\$ 2,092	\$ 2,092
Ann Ross Herb Garden	8,596	24,046
Bequests	121,301	121,301
	<u>\$131,989</u>	<u>\$147,439</u>

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(8) **Fair Value of Financial Instruments**

The Arboretum's assets recorded at fair value have been categorized based upon a fair value hierarchy as described in Note 1. The table below presents the balances of assets measured on a recurring basis as of:

	<u>Level 1</u>	<u>Total</u>
<u>December 31, 2016</u>		
Money market funds	\$ 197,276	\$ 197,276
Mutual funds	117,775	117,775
Exchange-traded funds	1,063,542	1,063,542
Equity common stock	1,216	1,216
	<u>\$1,379,809</u>	<u>\$1,379,809</u>
 <u>December 31, 2015</u>		
Money market funds	\$ 255,163	\$ 255,163
Mutual funds	116,651	116,651
Exchange-traded funds	1,054,515	1,054,515
	<u>\$1,426,329</u>	<u>\$1,426,329</u>

Financial instruments are included in the captions on the statements of financial position:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 532,717	\$ 598,718
Investment securities	1,182,533	1,171,166

(9) **Evaluation of Subsequent Events**

The Arboretum has evaluated subsequent events through May 19, 2017, the date which the financial statements were available to be issued.