

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

REEVES-REED ARBORETUM
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reeves-Reed Arboretum

Report on the Financial Statements

I have audited the accompanying financial statements of Reeves-Reed Arboretum (the Arboretum) which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016 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

April 26, 2018
Hillsborough, NJ

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REEVES-REED ARBORETUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017					2016						
	Unrestricted		Board- Designated		Total	Unrestricted		Board- Designated		Total		
	Operations	Temporarily Restricted	Permanently Restricted	Total		Operations	Temporarily Restricted	Permanently Restricted	Total			
Assets												
Current assets												
Cash & cash equivalents	\$ 351,321	\$ 68,036	\$ -	\$ 548,147	\$ 378,585	\$ 22,143	\$ -	\$ 131,989	\$ 532,717			
Investment securities	-	632,917	646,569	1,279,486	-	535,964	646,569	-	1,182,533			
Accounts receivable	72,200	-	-	72,200	63,028	-	-	-	63,028			
Prepaid expenses	6,213	-	-	6,213	4,931	-	-	-	4,931			
	429,734	700,953	646,569	1,906,046	446,544	558,107	646,569	131,989	1,783,209			
Premises & equipment, net of accumulated depreciation	677,951	-	-	677,951	660,385	-	-	-	660,385			
Other	14,443	-	-	14,443	14,443	-	-	-	14,443			
	\$ 1,122,128	\$ 700,953	\$ 646,569	\$ 2,598,440	\$ 1,121,372	\$ 558,107	\$ 646,569	\$ 131,989	\$ 2,458,037			
Liabilities & Net Assets												
Current liabilities												
Accounts payable & accrued expenses	\$ 38,696	\$ -	\$ -	\$ 38,696	\$ 16,494	\$ -	\$ -	\$ -	\$ 16,494			
Grants received in advance	188,535	-	-	188,535	167,132	-	-	-	167,132			
Membership received in advance	1,365	-	-	1,365	2,150	-	-	-	2,150			
Rent security deposits	6,266	-	-	6,266	5,256	-	-	-	5,256			
	234,862	-	-	234,862	191,032	-	-	-	191,032			
Net assets	887,266	700,953	646,569	2,363,578	930,340	558,107	646,569	131,989	2,267,005			
	\$ 1,122,128	\$ 700,953	\$ 646,569	\$ 2,598,440	\$ 1,121,372	\$ 558,107	\$ 646,569	\$ 131,989	\$ 2,458,037			

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Unrestricted		Board-Designated		Unrestricted		Board-Designated	
	Operations	Temporarily Restricted	Temporarily Restricted	Permanently Restricted	Operations	Temporarily Restricted	Temporarily Restricted	Permanently Restricted
Public Support								
Dues	\$ 62,634	\$ -	\$ -	\$ -	\$ 60,097	\$ -	\$ -	\$ -
Contributions	156,483	-	-	-	189,776	-	-	-
Bequests	18,623	-	-	-	24,129	-	-	-
Grants	233,458	-	-	-	207,980	-	-	-
	471,198	-	-	-	481,982	-	-	-
Program Service Revenue								
Education activities	92,933	-	-	-	85,856	-	-	-
Facilities rental	92,635	-	-	-	97,472	-	-	-
	185,568	-	-	-	183,328	-	-	-
Interest & dividends	2,821	-	20,009	-	2,657	-	19,087	-
Special events, net of								
Gross income	307,628	-	-	-	287,773	-	-	-
Direct expenses	(137,210)	-	-	-	(123,403)	-	-	-
	170,418	-	-	-	164,370	-	-	-
Donated goods & services	156,460	-	-	-	159,380	-	-	-
Miscellaneous	131	-	-	-	59	-	-	-
Total income	986,596	20,009	1,006,605	-	991,776	19,087	1,010,863	-
Releases from restrictions	27,739	(24,540)	-	-	96,394	(80,944)	-	-
	1,014,335	(4,531)	1,006,605	-	1,088,170	(61,857)	1,010,863	-
Functional Expenses								
Program services								
Horticulture	456,431	-	456,431	-	455,576	-	-	455,576
Education	267,066	-	267,066	-	257,870	-	-	257,870
Public relations	111,926	-	111,926	-	88,088	-	-	88,088
	835,423	-	835,423	-	801,534	-	-	801,534
Supporting services								
Management & general	114,344	-	114,344	-	117,397	-	-	117,397
Fund raising	114,454	-	114,454	-	117,275	-	-	117,275
	228,798	-	228,798	-	234,672	-	-	234,672
Total expenses	1,064,221	-	1,064,221	-	1,036,206	-	-	1,036,206
Increase (decrease) in net assets before gains (losses) on investments	(49,886)	(4,531)	(57,616)	-	51,964	(61,857)	(25,343)	-
Gains on investments	6,812	147,377	154,189	-	4,127	63,498	67,625	-
	(43,074)	142,846	96,573	-	56,091	1,641	42,282	-
Increase (decrease) in net assets								
Net assets								
Beginning of year	930,340	558,107	2,267,005	646,569	874,249	556,466	646,569	2,224,723
End of year	\$ 887,266	\$ 700,953	\$ 2,363,578	\$ 646,569	\$ 930,340	\$ 558,107	\$ 646,569	\$ 2,267,005

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017				2016	
	Program Services		Supporting Services		Total	
	Horticulture	Education	Public Relations	Management & General	Fund Raising	Total
Salaries	\$ 115,376	\$ 149,998	\$ 65,277	\$ 33,113	\$ 67,389	\$ 431,153
Fringe benefits	21,835	28,388	12,354	6,267	12,754	81,598
	<u>137,211</u>	<u>178,386</u>	<u>77,631</u>	<u>39,380</u>	<u>80,143</u>	<u>512,751</u>
Direct program	19,524	2,657	-	4,263	97	24,687
Grounds enhancement	62,281	-	-	-	-	48,444
Occupancy	13,848	18,003	7,835	3,974	8,089	52,864
Donated goods & services	121,460	-	-	35,000	-	156,460
Insurance	3,808	4,950	2,154	1,093	2,224	13,581
Office	10,341	13,444	5,851	2,968	6,040	38,596
Postage	999	1,298	565	287	583	2,869
Telephone	1,173	1,525	664	336	685	4,372
Professional fees	17,671	22,974	9,998	15,571	10,321	76,532
Volunteers	156	-	-	-	-	267
Training	912	1,186	516	261	533	3,408
Development cultivation	-	-	979	-	-	979
Miscellaneous	10	14	6	3	6	25
Dues & subscriptions	293	381	165	84	171	1,134
	<u>389,687</u>	<u>244,818</u>	<u>106,364</u>	<u>103,220</u>	<u>108,892</u>	<u>952,981</u>
Depreciation	66,744	22,248	5,562	11,124	5,562	111,240
Total functional expenses	<u>\$ 456,431</u>	<u>\$ 267,066</u>	<u>\$ 111,926</u>	<u>\$ 114,344</u>	<u>\$ 114,454</u>	<u>\$ 1,064,221</u>
						<u>\$ 1,036,206</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

2016

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

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 96,573	\$ 42,282
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	111,240	103,374
Gain on investment securities	(154,189)	(67,625)
(Increase) decrease in:		
Other receivable	(9,172)	(62,003)
Prepaid expenses	(1,282)	1,694
Increase (decrease) in:		
Accounts payable & accrued expenses	22,202	2,643
Grants received in advance	21,403	(1,670)
Membership received in advance	(785)	1,475
Rent security deposits	1,010	12
	87,000	20,182
Cash flows from investing activities		
Proceeds from sales of investment securities	133,414	72,690
Acquisition of investment securities	(76,178)	(16,432)
Acquisition of premises & equipment	(128,806)	(142,441)
	(71,570)	(86,183)
 Net increase (decrease) in cash & cash equivalents	 15,430	 (66,001)
 Cash & cash equivalents		
Beginning of year	532,717	598,718
End of year	\$ 548,147	\$ 532,717

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

(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, 2017 AND 2016

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, 2017 AND 2016

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, 2014 through 2017 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, 2017 AND 2016

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.

(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>2017</u>	<u>2016</u>
Horticulture & Children's Endowment		
Fidelity Cash Reserve	\$ 215,149	\$ 166,938
Fidelity Treasury Bond	206,439	174,136
Fidelity Bond Fund	119,280	85,736
Fidelity Stock Index Fund	<u>833,416</u>	<u>803,669</u>
	1,374,284	1,230,479
Operating		
Fidelity Cash Reserves	3,654	23,938
Fidelity Treasury Money Market Fund	6,157	6,401
Fidelity Intermediate Treasury Fund	120,351	117,775
Fidelity Stocks	<u>-</u>	<u>1,216</u>
	<u>130,162</u>	<u>149,330</u>
Total investment securities	1,504,446	1,379,809
Less money market funds included in cash & cash equivalents	<u>224,960</u>	<u>197,276</u>
Net investment securities	<u>\$1,279,486</u>	<u>\$1,182,533</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

(3) **Special Events**

During the years ended December 31, 2017 and 2016, the Arboretum held various events with the following results:

	<u>Gross</u> <u>Income</u>	<u>Direct</u> <u>Expense</u>	<u>Net</u> <u>Income</u>
<u>2017</u>			
Art in the Garden	\$223,369	\$ 90,718	\$132,651
Special Exhibits	19,516	12,419	7,097
House Tour	44,644	22,118	22,526
Sounds of a Summer Night	8,929	6,512	2,417
Pub Event	<u>11,170</u>	<u>5,443</u>	<u>5,727</u>
	<u>\$307,628</u>	<u>\$137,210</u>	<u>\$170,418</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>

(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>2017</u>	<u>2016</u>
Improvements to buildings	\$1,372,593	\$1,369,724
Gardens & woodlands	225,705	221,781
Land improvements	878,216	764,275
Greenhouse	118,041	118,041
Fencing	130,058	121,986
Barn	106,916	106,916
Furniture & equipment	<u>202,022</u>	<u>202,022</u>
	3,033,551	2,904,745
Less accumulated depreciation	<u>2,355,600</u>	<u>2,244,360</u>
	<u>\$ 677,951</u>	<u>\$ 660,385</u>

REEVES-REED ARBORETUM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

(5) **Operating Lease Commitments**

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

2018	\$ 5,207
2019	2,275
2020	1,585
2021	10
2022	10
Thereafter	<u>200</u>
	<u>\$ 9,287</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, 2017 and 2016, rent expense totaled \$9,437 and \$8,182, respectfully.

(6) **Donated Services**

For the years ended December 31, 2017 and 2016, volunteers reported approximately 6,073 and 6,158 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, 2017 and 2016, 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.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	Permanently <u>Restricted</u>	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Endowment				
January 1, 2016	\$646,569	\$522,386	\$ 95,008	\$1,263,963
Investment returns	-	82,585	5,467	88,052
Expenditures	-	(80,944)	(40,592)	(121,536)
December 31, 2016	<u>646,569</u>	<u>524,027</u>	<u>59,883</u>	<u>1,230,479</u>
Investment returns	-	167,386	6,419	173,805
Expenditures	-	-	(30,000)	(30,000)
Balance December 31, 2017	<u>\$646,569</u>	<u>\$691,413</u>	<u>\$ 36,302</u>	<u>\$1,374,284</u>
Operating				
January 1, 2016	\$ -	\$ 34,080	\$128,286	\$ 162,366
Transfers in	-	-	1,098	1,098
Expenditures	-	-	(15,450)	(15,450)
Investment returns	-	-	<u>1,316</u>	<u>1,316</u>
Balance December 31, 2016	\$ -	\$ 34,080	\$115,250	\$ 149,330
Transfers in	-	-	5,346	5,346
Expenditures	-	(24,540)	(3,199)	(27,739)
Investment returns	-	-	<u>3,225</u>	<u>3,225</u>
December 31, 2017	<u>\$ -</u>	<u>\$ 9,540</u>	<u>\$120,622</u>	<u>\$ 130,162</u>

As of December 31, 2017 and 2016, temporarily restricted net assets and designated net assets are as follows:

	<u>2017</u>	<u>2016</u>
Temporarily restricted		
Accumulated earnings, endowment fund	\$691,413	\$524,027
Children's Garden	-	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	<u>4,300</u>	<u>4,300</u>
	<u>\$700,953</u>	<u>\$558,107</u>
Board designated, unrestricted		
Garden shop residual	\$ -	\$ 2,092
Ann Ross Herb Garden	7,489	8,596
Bequests	<u>121,301</u>	<u>121,301</u>
	<u>\$128,790</u>	<u>\$131,989</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

(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, 2017</u>		
Money market funds	\$ 224,960	\$ 224,960
Mutual funds	120,351	120,351
Exchange-traded funds	<u>1,159,135</u>	<u>1,159,135</u>
	<u>\$1,504,446</u>	<u>\$1,504,446</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	<u>1,216</u>	<u>1,216</u>
	<u>\$1,379,809</u>	<u>\$1,379,809</u>

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

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 548,147	\$ 532,717
Investment securities	1,279,486	1,182,533

(9) Retirement Plan

Beginning in 2017, the Arboretum sponsors a Simple IRA retirement plan for its employees wherein it matches employee elective deferrals up to 1% of annual salary. For the years ended December 31, 2017 and 2016, employer contributions totaled \$3,001 and \$0, respectively.

(10) Evaluation of Subsequent Events

The Arboretum has evaluated subsequent events through April 26, 2018, the date which the financial statements were available to be issued.