

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

REEVES-REED ARBORETUM
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YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reeves-Reed Arboretum
Summit, New Jersey

Opinion

I have audited the accompanying financial statements of Reeves-Reed Arboretum (the Arboretum) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Reeves-Reed Arboretum as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Reeves-Reed Arboretum and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arboretum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Arboretum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arboretum's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

James M. Wood, CPA

May 24, 2022
Hillsborough, New Jersey

REEVES-REED ARBORETUM
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash & cash equivalents | \$ 694,003 | \$ \$ 642,059 |
| Investment securities | 2,826,952 | 1,482,957 |
| Accounts receivable | 24,671 | 53,370 |
| Prepaid expenses | 3,750 | 15,426 |
| Total current assets | <u>3,549,376</u> | <u>2,193,812</u> |
| Premises & equipment, net of accumulated depreciation | 733,624 | 782,488 |
| Other | <u>14,443</u> | <u>14,443</u> |
| | <u>\$ 4,297,443</u> | <u>\$ \$ 2,990,743</u> |
| Liabilities & Net Assets | | |
| Current liabilities | | |
| Accounts payable & accrued expenses | \$ 32,811 | \$ \$ 16,275 |
| Loans payable | - | 245,931 |
| Rent security deposits | 8,259 | 5,649 |
| | <u>41,070</u> | <u>267,855</u> |
| Net assets | | |
| Without donor restrictions | | |
| Board-designated | 923,743 | 126,663 |
| Undesignated | 1,372,155 | 977,946 |
| | <u>2,295,898</u> | <u>1,104,609</u> |
| With donor restrictions | 1,960,475 | 1,618,279 |
| | <u>4,256,373</u> | <u>2,722,888</u> |
| | <u>\$ 4,297,443</u> | <u>\$ \$ 2,990,743</u> |

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | | | 2020 | | |
|---|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public Support | | | | | | |
| Dues | \$ 78,065 | \$ - | \$ 78,065 | \$ 52,835 | \$ - | \$ 52,835 |
| Contributions | 223,789 | - | 223,789 | 303,564 | - | 303,564 |
| Bequests | 928,395 | 143,000 | 1,071,395 | 14,846 | - | 14,846 |
| Grants | 210,700 | 53,700 | 264,400 | 259,050 | 10,300 | 269,350 |
| | <u>1,440,949</u> | <u>196,700</u> | <u>1,637,649</u> | <u>630,295</u> | <u>10,300</u> | <u>640,595</u> |
| Program Service Revenue | | | | | | |
| Education activities | 103,951 | - | 103,951 | 56,791 | - | 56,791 |
| Facilities rental | 109,075 | - | 109,075 | 64,488 | - | 64,488 |
| | <u>213,026</u> | <u>-</u> | <u>213,026</u> | <u>121,279</u> | <u>-</u> | <u>121,279</u> |
| Interest & dividends | 9,271 | 16,244 | 25,515 | 2,919 | 19,849 | 22,768 |
| Special events, net of | | | | | | |
| Gross income | 368,644 | - | 368,644 | 131,178 | - | 131,178 |
| Direct expenses | (190,197) | - | (190,197) | (36,423) | - | (36,423) |
| | <u>178,447</u> | <u>-</u> | <u>178,447</u> | <u>94,755</u> | <u>-</u> | <u>94,755</u> |
| Donated goods & services | 125,261 | - | 125,261 | 122,883 | - | 122,883 |
| Paycheck Protection Program | 182,976 | - | 182,976 | - | - | - |
| Miscellaneous | 15 | - | 15 | 20 | - | 20 |
| Total income | <u>2,149,945</u> | <u>212,944</u> | <u>2,362,889</u> | <u>972,151</u> | <u>30,149</u> | <u>1,002,300</u> |
| Releases from restrictions | 38,301 | (38,301) | - | 117,119 | (117,119) | - |
| | <u>2,188,246</u> | <u>174,643</u> | <u>2,362,889</u> | <u>1,089,270</u> | <u>(86,970)</u> | <u>1,002,300</u> |
| Functional Expenses | | | | | | |
| Program services | | | | | | |
| Horticulture | 461,500 | - | 461,500 | 416,019 | - | 416,019 |
| Education | 269,494 | - | 269,494 | 232,895 | - | 232,895 |
| Public relations | 118,798 | - | 118,798 | 123,747 | - | 123,747 |
| | <u>849,792</u> | <u>-</u> | <u>849,792</u> | <u>772,661</u> | <u>-</u> | <u>772,661</u> |
| Supporting services | | | | | | |
| Management & general | 70,630 | - | 70,630 | 110,856 | - | 110,856 |
| Fund raising | 108,672 | - | 108,672 | 77,176 | - | 77,176 |
| | <u>179,302</u> | <u>-</u> | <u>179,302</u> | <u>188,032</u> | <u>-</u> | <u>188,032</u> |
| Total expenses | <u>1,029,094</u> | <u>-</u> | <u>1,029,094</u> | <u>960,693</u> | <u>-</u> | <u>960,693</u> |
| Increase (decrease) in net assets before gains on investments | 1,159,152 | 174,643 | 1,333,795 | 128,577 | (86,970) | 41,607 |
| Gains on investments | 32,137 | 167,553 | 199,690 | 9,684 | 149,132 | 158,816 |
| | <u>1,191,289</u> | <u>342,196</u> | <u>1,533,485</u> | <u>138,261</u> | <u>62,162</u> | <u>200,423</u> |
| Net assets | | | | | | |
| Beginning of year | <u>1,104,609</u> | <u>1,618,279</u> | <u>2,722,888</u> | <u>966,348</u> | <u>1,556,117</u> | <u>2,522,465</u> |
| End of year | <u>\$ 2,295,898</u> | <u>\$ 1,960,475</u> | <u>\$ 4,256,373</u> | <u>\$ 1,104,609</u> | <u>\$ 1,618,279</u> | <u>\$ 2,722,888</u> |

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

| | 2021 | | | | | | 2020 |
|---------------------------|---------------------|-------------------|-------------------------|---------------------------------|---------------------|---------------------|---------------------|
| | Program Services | | | Supporting Services | | | Total |
| | <u>Horticulture</u> | <u>Education</u> | <u>Public Relations</u> | <u>Management & General</u> | <u>Fund Raising</u> | <u>Total</u> | <u>(See Page 6)</u> |
| Salaries | \$ 129,924 | \$ 137,982 | \$ 68,309 | \$ 24,603 | \$ 65,580 | \$ 426,398 | \$ 397,790 |
| Fringe benefits | 19,450 | 20,656 | 10,226 | 3,683 | 9,817 | 63,832 | 63,596 |
| | <u>149,374</u> | <u>158,638</u> | <u>78,535</u> | <u>28,286</u> | <u>75,397</u> | <u>490,230</u> | <u>461,386</u> |
| Direct program | 7,686 | 6,912 | - | 3,604 | 137 | 18,339 | 8,374 |
| Grounds enhancement | 63,366 | - | - | - | - | 63,366 | 67,234 |
| Occupancy | 11,177 | 11,870 | 5,876 | 2,117 | 5,642 | 36,682 | 33,434 |
| Donated goods & services | 100,352 | 20,061 | 4,848 | - | - | 125,261 | 122,883 |
| Insurance | 3,648 | 3,875 | 1,918 | 691 | 1,842 | 11,974 | 11,710 |
| Office | 10,736 | 11,402 | 5,645 | 2,033 | 5,419 | 35,235 | 31,233 |
| Interest expense | - | - | - | 1,109 | - | 1,109 | 2,100 |
| Postage | 738 | 784 | 388 | 140 | 373 | 2,423 | 2,783 |
| Telephone | 1,453 | 1,543 | 764 | 275 | 733 | 4,768 | 4,500 |
| Professional fees | 22,518 | 23,915 | 11,839 | 16,764 | 11,366 | 86,402 | 86,157 |
| Volunteers | 242 | - | - | 563 | - | 805 | 271 |
| Training | 100 | 106 | 52 | 19 | 50 | 327 | 1,024 |
| Development cultivation | - | - | 1,210 | - | - | 1,210 | 1,355 |
| Dues & subscriptions | 483 | 512 | 254 | 91 | 244 | 1,584 | 967 |
| | <u>371,873</u> | <u>239,618</u> | <u>111,329</u> | <u>55,692</u> | <u>101,203</u> | <u>879,715</u> | <u>835,411</u> |
| Depreciation | <u>89,627</u> | <u>29,876</u> | <u>7,469</u> | <u>14,938</u> | <u>7,469</u> | <u>149,379</u> | <u>125,282</u> |
| Total functional expenses | <u>\$ 461,500</u> | <u>\$ 269,494</u> | <u>\$ 118,798</u> | <u>\$ 70,630</u> | <u>\$ 108,672</u> | <u>\$ 1,029,094</u> | <u>\$ 960,693</u> |

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | 2020 | | | | | |
|---------------------------|-------------------|-------------------|-------------------|----------------------|------------------|-------------------|
| | Program Services | | | Supporting Services | | |
| | Horticulture | Education | Public Relations | Management & General | Fund Raising | Total |
| Salaries | \$ 95,350 | \$ 130,674 | \$ 73,273 | \$ 53,065 | \$ 45,428 | \$ 397,790 |
| Fringe benefits | 15,244 | 20,891 | 11,714 | 8,484 | 7,263 | 63,596 |
| | <u>110,594</u> | <u>151,565</u> | <u>84,987</u> | <u>61,549</u> | <u>52,691</u> | <u>461,386</u> |
| Direct program | 4,635 | 2,809 | - | 930 | - | 8,374 |
| Grounds enhancement | 67,234 | - | - | - | - | 67,234 |
| Occupancy | 8,014 | 10,983 | 6,159 | 4,460 | 3,818 | 33,434 |
| Donated goods & services | 120,083 | 1,050 | 1,750 | - | - | 122,883 |
| Insurance | 2,807 | 3,847 | 2,157 | 1,562 | 1,337 | 11,710 |
| Office | 7,486 | 10,260 | 5,753 | 4,167 | 3,567 | 31,233 |
| Interest expense | - | - | - | 2,100 | - | 2,100 |
| Postage | 667 | 914 | 513 | 371 | 318 | 2,783 |
| Telephone | 1,079 | 1,478 | 829 | 600 | 514 | 4,500 |
| Professional fees | 17,716 | 24,278 | 13,614 | 22,109 | 8,440 | 86,157 |
| Volunteers | 57 | - | - | 214 | - | 271 |
| Training | 246 | 336 | 188 | 137 | 117 | 1,024 |
| Development cultivation | - | - | 1,355 | - | - | 1,355 |
| Dues & subscriptions | 232 | 318 | 178 | 129 | 110 | 967 |
| | <u>340,850</u> | <u>207,838</u> | <u>117,483</u> | <u>98,328</u> | <u>70,912</u> | <u>835,411</u> |
| Depreciation | 75,169 | 25,057 | 6,264 | 12,528 | 6,264 | 125,282 |
| Total functional expenses | <u>\$ 416,019</u> | <u>\$ 232,895</u> | <u>\$ 123,747</u> | <u>\$ 110,856</u> | <u>\$ 77,176</u> | <u>\$ 960,693</u> |

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------|-------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 1,533,485 | \$ 200,423 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 149,379 | 125,282 |
| (Gain) loss on investment securities | (199,690) | (158,816) |
| Paycheck Protection Program loan forgiveness recognized as income | (182,976) | - |
| (Increase) decrease in: | | |
| Accounts receivable | 28,699 | (45,595) |
| Prepaid expenses | 11,676 | (12,594) |
| Increase (decrease) in: | | |
| Accounts payable & accrued expenses | 16,536 | (17,880) |
| Rent security deposits | 2,610 | (1,489) |
| | 1,359,719 | 89,331 |
| Cash flows from investing activities | | |
| Proceeds from sales of investment securities | 943,223 | 99,055 |
| Acquisition of investment securities | (2,087,528) | (2,216) |
| Acquisition of premises & equipment | (100,515) | (349,065) |
| | (1,244,820) | (252,226) |
| Cash flows from financing activities | | |
| Proceeds from loans payable | 89,145 | 245,931 |
| Repayment of loans | (152,100) | - |
| | (62,955) | 245,931 |
| Cash provided by (used in) financing activities | (62,955) | 245,931 |
| Net increase in cash & cash equivalents | 51,944 | 83,036 |
| Cash & cash equivalents | | |
| Beginning of year | 642,059 | 559,023 |
| End of year | \$ 694,003 | \$ 642,059 |
| Supplemental Disclosure: | | |
| Cash paid for interest | \$ 1,109 | \$ 2,100 |

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(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

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Arboretum reports its statements of financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Revenue with donor restrictions which is expended in the same year of recognition is presented as without donor restrictions for financial statement presentation.

Contributions

Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed conditions.

Grants

Grants received from foundations and corporations are treated as contributions and are recorded as without or with donor restrictions depending on the nature of any donor imposed conditions. Grants which are conditional in nature are recognized when the underlying conditions are substantially satisfied.

Program service revenue

Revenue from educational activities and facilities rental is recognized when the related service or event has occurred.

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, 2021 AND 2020

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. All applicable returns for the exempt organization are filed in a timely manner. The Arboretum is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations.

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.

Reclassifications

Certain items in the 2020 financial statements have been reclassified to conform with current year presentation.

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, 2021 AND 2020

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, 2018 through 2021 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, 2021. Management is evaluating the impact of this updated guidance on its financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(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>2021</u> | <u>2020</u> |
|------------------------------------|--------------------|--------------------|
| Endowment | | |
| Cash reserve funds | \$ 274,257 | \$ 261,286 |
| Equity exchange-traded funds | - | 129,431 |
| Equity index fund | 1,683,130 | 830,488 |
| Fixed income exchange-traded funds | <u>623,946</u> | <u>380,410</u> |
| | 2,581,333 | 1,601,615 |
| Operating | | |
| Cash reserve fund | 134,797 | 38,987 |
| Money market fund | - | 6,377 |
| Fixed income index funds | <u>397,719</u> | <u>142,628</u> |
| | 532,516 | 187,992 |
| Keeler Azalea Garden | | |
| Money market fund | 22,001 | - |
| Equity index fund | 72,139 | - |
| Fixed income exchange-traded fund | <u>50,018</u> | <u>-</u> |
| | <u>144,158</u> | <u>-</u> |
| Total investment securities | 3,258,007 | 1,789,607 |
| Less cash and money market funds | <u>431,055</u> | <u>306,650</u> |
| Net investment securities | <u>\$2,826,952</u> | <u>\$1,482,957</u> |

(3) **Special Events**

During the years ended December 31, 2021 and 2020, 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>2021</u> | | | |
| Art in the Garden | \$248,780 | \$124,447 | \$124,333 |
| Special Exhibits | 27,455 | 21,386 | 6,069 |
| Sounds of a Summer Night | 4,820 | 1,900 | 2,920 |
| Teas | 25,040 | 19,365 | 5,675 |
| Pub Event | 18,065 | 7,082 | 10,983 |
| Garden for 2021 Grads | 1,750 | 686 | 1,064 |
| Plant Sale | 16,169 | 7,840 | 8,329 |
| Festival of Trees | <u>26,565</u> | <u>7,491</u> | <u>19,074</u> |
| | <u>\$368,644</u> | <u>\$190,197</u> | <u>\$178,447</u> |
| <u>2020</u> | | | |
| Art in the Garden | \$ 98,714 | \$ 26,746 | \$ 71,968 |
| Festival of Trees | 16,449 | 4,107 | 12,342 |
| Sounds of a Summer Night | 640 | 375 | 265 |
| Garden for 2020 Grads | 6,550 | 1,840 | 4,710 |
| Pub Event | <u>8,825</u> | <u>3,355</u> | <u>5,470</u> |
| | <u>\$131,178</u> | <u>\$ 36,423</u> | <u>\$ 94,755</u> |

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(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>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|-------------------|
| Improvements to buildings | \$1,431,039 | \$1,406,945 |
| Gardens & woodlands | 230,019 | 230,019 |
| Land improvements | 1,279,432 | 1,273,355 |
| Greenhouse | 118,041 | 118,041 |
| Fencing | 184,508 | 130,058 |
| Barn | 106,916 | 106,916 |
| Furniture & equipment | 217,916 | 202,022 |
| Vehicle | <u>40,472</u> | <u>40,472</u> |
| | 3,608,343 | 3,507,828 |
| Less accumulated depreciation | <u>2,874,719</u> | <u>2,725,340</u> |
| | <u>\$ 733,624</u> | <u>\$ 782,488</u> |

(5) **Operating Lease Commitments**

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

| | |
|------------|-----------------|
| 2022 | \$ 7,534 |
| 2023 | 6,728 |
| 2024 | 3,838 |
| 2025 | 3,838 |
| 2026 | 10 |
| Thereafter | <u>160</u> |
| | <u>\$22,108</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, 2021 and 2020, rent expense totaled \$8,224 and \$9,715, respectively.

(6) **Donated Services**

For the years ended December 31, 2021 and 2020, volunteers reported approximately 4,013 and 3,731 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.

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(7) **Loans Payable**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which spread throughout the United States. In response to the pandemic, the United States Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES) which provides direct economic assistance and loans to business entities. In May 2020 the Arboretum received a loan of \$93,831 under the Paycheck Protection Program (PPP) which is a component of the CARES Act. The Arboretum met the criteria for loan forgiveness, recognizing \$93,831 as income during the year ended December 31, 2021.

The Arboretum received a second loan in the amount of \$89,145 under the extended Paycheck Protection Program, a component of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act in February 2021. The Arboretum met the criteria for loan forgiveness, recognizing \$89,145 as income during the year ended December 31, 2021.

During the year ended December 31, 2020, the Arboretum obtained a loan payable in the amount of \$150,000 from the Small Business Administration to assist with cash flow needs during the pandemic. The loan was repaid in March 2021.

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(8) Net Assets

Designated

The Arboretum designates certain non-routine income for use outside of ordinary operating activities. Those designations may be released with board approval.

As of December 31, 2021 and 2020, designated funds consist of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|------------------|------------------|
| Bequests | \$121,301 | \$121,301 |
| Herb Garden | 5,362 | 5,362 |
| Board Designated Endowment | <u>797,080</u> | <u>-</u> |
| | <u>\$923,743</u> | <u>\$126,663</u> |

No designated assets were expended during the years ended December 31, 2021 and 2020.

With Donor Restrictions

The Arboretum receives contributions with donor restrictions for specific uses or time periods. Net asset releases are recorded by incurring expenses satisfying the restricted purpose.

As of December 31, 2021 and 2020, net assets with donor restrictions consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-----------------------|--------------------|--------------------|
| Lecture series | \$ 4,750 | \$ 5,000 |
| Gate maintenance | 6,274 | 6,789 |
| Hands to Nature | 4,875 | 4,875 |
| Technology upgrades | 8,060 | - |
| Signage | 5,000 | - |
| Capital improvements | 3,105 | - |
| Keeler Azalea Garden | 144,158 | - |
| Endowment (see below) | <u>1,784,253</u> | <u>1,601,615</u> |
| | <u>\$1,960,475</u> | <u>\$1,618,279</u> |

Net assets with donor restrictions expended during the years ended December 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|-----------------|------------------|
| Accessibility Project | \$ - | \$ 6,500 |
| Accessibility Project II | - | 100,319 |
| HVAC | - | 9,300 |
| Education | - | 1,000 |
| Lecture Series | 250 | - |
| Gate maintenance | 516 | - |
| Technology upgrades | 6,940 | - |
| Deer fencing | 20,000 | - |
| Capital improvements | <u>10,595</u> | <u>-</u> |
| | <u>\$38,301</u> | <u>\$117,119</u> |

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
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Endowment

The Arboretum's endowment fund was established to support children's education programs and horticultural activities. Contributions to the endowment are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Arboretum indefinitely, and income from the fund is to be expended for the intended purpose. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 Arboretum is subject to The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in New Jersey, and therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Trustees has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Arboretum would consider the fund to be underwater if the fair value of the funds is less than (1) the sum of the original value of the initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instruments. The Arboretum has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The endowment fund is not currently under water.

As of December 31, 2021 and 2020, the endowment is comprised of the following:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| <u>With Donor Restrictions</u> | | |
| Amounts required to be invested in perpetuity | | |
| Children's education | \$ 162,515 | \$ 162,515 |
| Horticulture | <u>484,054</u> | <u>484,054</u> |
| | 646,569 | 646,569 |
| Accumulated investment earnings, available for appropriation | | |
| Children's education | 273,683 | 227,777 |
| Horticulture | <u>864,001</u> | <u>727,269</u> |
| | <u>1,137,684</u> | <u>955,046</u> |
| Total with donor restrictions | 1,784,253 | 1,601,615 |
| <u>Without Donor Restrictions</u> | | |
| Board designated | <u>797,080</u> | <u>-</u> |
| Total Endowment | <u>\$2,581,333</u> | <u>\$1,601,615</u> |

There were no releases from the Endowment during the years ended December 31, 2021 and 2020.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
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(9) **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, 2021</u> | | |
| Money market funds | \$ 431,055 | \$ 431,055 |
| Exchange-traded funds | 673,964 | 673,964 |
| Index funds | <u>2,152,988</u> | <u>2,152,988</u> |
| | <u>\$3,258,007</u> | <u>\$3,258,007</u> |
| <u>December 31, 2020</u> | | |
| Money market funds | \$ 306,650 | \$ 306,650 |
| Mutual funds | 142,628 | 142,628 |
| Exchange-traded funds | 509,841 | 509,841 |
| Index funds | <u>830,488</u> | <u>830,488</u> |
| | <u>\$1,789,607</u> | <u>\$1,789,607</u> |

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

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------|-------------|
| Cash and cash equivalents | \$ 694,003 | \$ 642,059 |
| Investment securities | 2,826,952 | 1,482,957 |

(10) **Retirement Plan**

The Arboretum sponsors a Simple IRA retirement plan for its employees wherein it matches employee elective deferrals up to 3% for 2021 and 2% for 2020, respectively, of annual salary. For the years ended December 31, 2021 and 2020, employer contributions totaled \$6,781 and \$4,559, respectively.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
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(11) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, are comprised of the following as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 694,003 | \$ 642,059 |
| Investment securities | 2,826,952 | 1,482,957 |
| Accounts receivable | <u>24,671</u> | <u>53,370</u> |
| Financial assets | 3,545,626 | 2,178,386 |
| Less: | | |
| Board designated amounts | 923,743 | 126,663 |
| Donor restrictions & endowment | <u>1,960,475</u> | <u>1,618,279</u> |
| Financial assets available for general expenditures | <u>\$ 661,408</u> | <u>\$ 433,444</u> |

As part of the Arboretum's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing demand deposits, money market funds and mutual funds. The Arboretum has an available line of credit of \$150,000 to assist with cash flow needs.

(12) Line of Credit

On February 12, 2020 the Arboretum opened a line of credit with Investors Bank in the amount of \$150,000. Interest is due monthly on outstanding advances at prime rate plus 2%. The line matures on February 1, 2023. The Arboretum has no outstanding balance on the line of credit as of the date of the audit report.

(13) Risks and Uncertainties

Coronavirus

The COVID-19 pandemic has created and may continue to create significant uncertainty in the United States and global economies which, in addition to other unforeseen effects of this pandemic, may adversely impact the Arboretum's operations.

(14) Subsequent Events

The Arboretum has evaluated the need for adjustments resulting from subsequent events through May 24, 2022, the date the financial statements were available to be issued. Based upon this evaluation, no adjustments or additional disclosures were required to the financial statements as of as of December 31, 2021.