

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

REEVES-REED ARBORETUM
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YEARS ENDED DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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 Reeves-Reed Arboretum as of December 31, 2022 and 2021, 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 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.

July 25, 2023
Hillsborough, New Jersey

James M. Wood, CPA

REEVES-REED ARBORETUM
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash & cash equivalents	\$ 583,552	\$ 694,003
Investment securities	2,703,807	2,826,952
Accounts receivable	2,000	24,671
Prepaid expenses	2,645	3,750
Total current assets	<u>3,292,004</u>	<u>3,549,376</u>
 Premises & equipment, net of accumulated depreciation	 672,149	 733,624
 Other	 <u>14,443</u>	 <u>14,443</u>
	<u>\$ 3,978,596</u>	<u>\$ 4,297,443</u>
Liabilities & Net Assets		
Current liabilities		
Accounts payable & accrued expenses	\$ 34,882	\$ 32,811
Rent security deposits	11,422	8,259
	<u>46,304</u>	<u>41,070</u>
 Net assets		
Without donor restrictions		
Board-designated	862,319	923,743
Undesignated	1,273,118	1,372,155
	<u>2,135,437</u>	<u>2,295,898</u>
With donor restrictions	1,796,855	1,960,475
	<u>3,932,292</u>	<u>4,256,373</u>
	<u>\$ 3,978,596</u>	<u>\$ 4,297,443</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support of cash and other financial assets						
Dues	\$ 71,965	\$ -	\$ 71,965	\$ 78,065	\$ -	\$ 78,065
Contributions	270,909	-	270,909	223,789	-	223,789
Bequests	120,286	-	120,286	928,395	143,000	1,071,395
Grants	308,103	48,700	356,803	210,700	53,700	264,400
	<u>771,263</u>	<u>48,700</u>	<u>819,963</u>	<u>1,440,949</u>	<u>196,700</u>	<u>1,637,649</u>
Program Service Revenue						
Education activities	88,976	-	88,976	103,951	-	103,951
Facilities rental	121,535	-	121,535	109,075	-	109,075
	<u>210,511</u>	<u>-</u>	<u>210,511</u>	<u>213,026</u>	<u>-</u>	<u>213,026</u>
Interest & dividends	26,691	18,578	45,269	9,271	16,244	25,515
Special events, net of						
Gross income	395,129	-	395,129	368,644	-	368,644
Direct expenses	(219,337)	-	(219,337)	(190,197)	-	(190,197)
	<u>175,792</u>	<u>-</u>	<u>175,792</u>	<u>178,447</u>	<u>-</u>	<u>178,447</u>
Paycheck Protection Program	-	-	-	182,976	-	182,976
Miscellaneous	138	-	138	15	-	15
Contributions of nonfinancial assets						
Donated goods & services	183,992	-	183,992	125,261	-	125,261
Total income	<u>1,368,387</u>	<u>67,278</u>	<u>1,435,665</u>	<u>2,149,945</u>	<u>212,944</u>	<u>2,362,889</u>
Releases from restrictions	50,708	(50,708)	-	38,301	(38,301)	-
	<u>1,419,095</u>	<u>16,570</u>	<u>1,435,665</u>	<u>2,188,246</u>	<u>174,643</u>	<u>2,362,889</u>
Functional Expenses						
Program services						
Horticulture	611,896	-	611,896	461,500	-	461,500
Education	357,383	-	357,383	269,494	-	269,494
Public relations	163,157	-	163,157	118,798	-	118,798
	<u>1,132,436</u>	<u>-</u>	<u>1,132,436</u>	<u>849,792</u>	<u>-</u>	<u>849,792</u>
Supporting services						
Management & general	75,591	-	75,591	70,630	-	70,630
Fund raising	130,464	-	130,464	108,672	-	108,672
	<u>206,055</u>	<u>-</u>	<u>206,055</u>	<u>179,302</u>	<u>-</u>	<u>179,302</u>
Total expenses	<u>1,338,491</u>	<u>-</u>	<u>1,338,491</u>	<u>1,029,094</u>	<u>-</u>	<u>1,029,094</u>
Increase in net assets before gains on investments	80,604	16,570	97,174	1,159,152	174,643	1,333,795
Gains (losses) on investments	(241,065)	(180,190)	(421,255)	32,137	167,553	199,690
	<u>(160,461)</u>	<u>(163,620)</u>	<u>(324,081)</u>	<u>1,191,289</u>	<u>342,196</u>	<u>1,533,485</u>
Net assets						
Beginning 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>
End of year	<u>\$ 2,135,437</u>	<u>\$ 1,796,855</u>	<u>\$ 3,932,292</u>	<u>\$ 2,295,898</u>	<u>\$ 1,960,475</u>	<u>\$ 4,256,373</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022						2021 Total (See Page 6)
	Program Services			Supporting Services			
	Horticulture	Education	Public Relations	Management & General	Fund Raising	Total	
Salaries	\$ 176,690	\$ 178,877	\$ 94,851	\$ 28,663	\$ 81,838	\$ 560,919	\$ 426,398
Fringe benefits	25,636	25,953	13,762	4,159	11,874	81,384	63,832
	<u>202,326</u>	<u>204,830</u>	<u>108,613</u>	<u>32,822</u>	<u>93,712</u>	<u>642,303</u>	<u>490,230</u>
Direct program	11,782	4,207	-	4,090	28	20,107	18,339
Grounds enhancement	127,046	-	-	-	-	127,046	63,366
Occupancy	19,729	19,973	10,591	3,200	9,138	62,631	36,682
Donated goods & services	117,898	54,531	11,563	-	-	183,992	125,261
Insurance	3,352	3,394	1,800	544	1,553	10,643	11,974
Office	11,021	11,157	5,916	1,788	5,104	34,986	35,235
Interest expense	-	-	-	3	-	3	1,109
Postage	773	782	415	125	358	2,453	2,423
Telephone	1,431	1,449	768	232	663	4,543	4,768
Professional fees	25,929	26,250	13,919	17,206	12,010	95,314	86,402
Volunteers	82	-	-	498	-	580	805
Training	371	376	199	60	172	1,178	327
Development cultivation	-	-	1,605	-	-	1,605	1,210
Dues & subscriptions	563	570	302	91	260	1,786	1,584
	<u>522,303</u>	<u>327,519</u>	<u>155,691</u>	<u>60,659</u>	<u>122,998</u>	<u>1,189,170</u>	<u>879,715</u>
Depreciation	<u>89,593</u>	<u>29,864</u>	<u>7,466</u>	<u>14,932</u>	<u>7,466</u>	<u>149,321</u>	<u>149,379</u>
Total functional expenses	<u>\$ 611,896</u>	<u>\$ 357,383</u>	<u>\$ 163,157</u>	<u>\$ 75,591</u>	<u>\$ 130,464</u>	<u>\$ 1,338,491</u>	<u>\$ 1,029,094</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

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

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (324,081)	\$ 1,533,485
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	149,321	149,379
(Gain) loss on investment securities	421,255	(199,690)
Paycheck Protection Program loan forgiveness recognized as income	-	(182,976)
(Increase) decrease in:		
Accounts receivable	22,671	28,699
Prepaid expenses	1,105	11,676
Increase (decrease) in:		
Accounts payable & accrued expenses	2,071	16,536
Rent security deposits	3,163	2,610
	275,505	1,359,719
Cash flows from investing activities		
Proceeds from sales of investment securities	877,189	943,223
Acquisition of investment securities	(1,175,299)	(2,087,528)
Acquisition of premises & equipment	(87,846)	(100,515)
	(385,956)	(1,244,820)
Cash flows from financing activities		
Proceeds from loans payable	-	89,145
Repayment of loans	-	(152,100)
	-	(62,955)
Net increase (decrease) in cash & cash equivalents	(110,451)	51,944
Cash & cash equivalents		
Beginning of year	694,003	642,059
End of year	\$ 583,552	\$ 694,003
Supplemental Disclosure:		
Cash paid for interest	\$ 3	\$ 1,109

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(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, 2022 AND 2021

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 2021 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. Investment 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, 2022 AND 2021

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, 2019 through 2022 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.

Adoption of New Accounting Standards

The Arboretum adopted Financial Accounting Standards Update (ASU) No. 2016-20, Leases, on January 1, 2022. Under this guidance, lessees recognize a right of use asset and a lease liability on the statement of financial position for all leases with a term longer than 12 months. The adoption of the Update had no effect on the Arboretum.

The Arboretum adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on January 1, 2022. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(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>2022</u>	<u>2021</u>
Endowment		
Cash reserve funds	\$ 126,977	\$ 274,257
U.S. Treasury bonds	151,156	-
Equity index fund	1,494,456	1,683,130
Fixed income exchange-traded funds	<u>604,954</u>	<u>623,946</u>
	2,377,543	2,581,333
Operating		
Cash reserve fund	191,297	134,797
U.S. Treasury bonds	350,617	-
Fixed income index funds	<u>-</u>	<u>397,719</u>
	541,914	532,516
Keeler Azalea Garden		
Money market fund	22,288	22,001
Equity index fund	59,063	72,139
Fixed income index funds	<u>43,561</u>	<u>50,018</u>
	<u>124,912</u>	<u>144,158</u>
Total investment securities	<u>3,044,369</u>	<u>3,258,007</u>
Less cash and money market funds	<u>340,562</u>	<u>431,055</u>
Net investment securities	<u>\$2,703,807</u>	<u>\$2,826,952</u>

(3) Special Events

During the years ended December 31, 2022 and 2021, 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>2022</u>			
Art in the Garden	\$232,735	\$135,209	\$ 97,526
Special Exhibits	13,891	10,261	3,630
Sounds of a Summer Night	3,435	2,850	585
Teas	59,390	44,507	14,883
Pub Event	18,239	7,880	10,359
Plant Sale	12,440	4,983	7,457
Festival of Trees	19,010	7,454	11,556
Community Festival	<u>35,989</u>	<u>6,193</u>	<u>29,796</u>
	<u>\$395,129</u>	<u>\$219,337</u>	<u>\$175,792</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>

REEVES-REED ARBORETUM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2022 AND 2021

(4) **Premises & Equipment**

Improvements, equipment, and horticultural buildings are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Improvements to buildings	\$1,486,425	\$1,431,039
Gardens & woodlands	230,019	230,019
Land improvements	1,285,417	1,279,432
Greenhouse	118,041	118,041
Fencing	184,508	184,508
Barn	106,916	106,916
Furniture & equipment	244,391	217,916
Vehicle	<u>40,472</u>	<u>40,472</u>
	3,696,189	3,608,343
Less accumulated depreciation	<u>3,024,040</u>	<u>2,874,719</u>
	<u>\$ 672,149</u>	<u>\$ 733,624</u>

The Arboretum leases its land and office/program buildings from the City of Summit under an agreement which expires in 2042. The annual lease amount is de minimis.

(5) **Donated Services**

For the years ended December 31, 2022 and 2021, volunteers reported approximately 5,472 and 4,013 hours, respectively, in time donated for horticultural work and grounds maintenance, Children's Ed and Public Relations. 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.

(6) **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.

REEVES-REED ARBORETUM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2022 AND 2021

(7) 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, 2022 and 2021, designated funds consist of the following:

	<u>2022</u>	<u>2021</u>
Bequests	\$121,301	\$121,301
Herb Garden	5,362	5,362
Board Designated Endowment	<u>735,656</u>	<u>797,080</u>
	<u>\$862,319</u>	<u>\$923,743</u>

No designated assets were expended during the years ended December 31, 2022 and 2021.

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, 2022 and 2021, net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Lecture series	\$ 3,950	\$ 4,750
Gate maintenance	5,758	6,274
Hands to Nature	1,648	4,875
Technology upgrades	-	8,060
Signage	5,000	5,000
Capital improvements	-	3,105
Education Center air conditioning	13,700	-
Keeler Azalea Garden	124,912	144,158
Endowment (see below)	<u>1,641,887</u>	<u>1,784,253</u>
	<u>\$1,796,855</u>	<u>\$1,960,475</u>

Net assets with donor restrictions expended during the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Accessibility Project	\$10,000	-
Hands to Nature	3,227	-
Lecture Series	800	250
Gate maintenance	516	516
Technology upgrades	8,060	6,940
Deer fencing	-	20,000
Capital improvements	<u>28,105</u>	<u>10,595</u>
	<u>\$50,708</u>	<u>\$38,301</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, the endowment is comprised of the following:

	<u>2022</u>	<u>2021</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	237,899	273,683
Horticulture	<u>757,419</u>	<u>864,001</u>
	<u>995,318</u>	<u>1,137,684</u>
Total with donor restrictions	1,641,887	1,784,253
<u>Without Donor Restrictions</u>		
Board designated	<u>735,656</u>	<u>797,080</u>
Total Endowment	<u>\$2,377,543</u>	<u>\$2,581,333</u>

There were no releases from the Endowment during the years ended December 31, 2022 and 2021.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(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, 2022</u>		
Money market funds	\$ 340,562	\$ 340,562
U.S. Treasury bonds	501,773	501,773
Exchange-traded funds	604,954	604,954
Index funds	<u>1,597,080</u>	<u>1,597,080</u>
	<u>\$3,044,369</u>	<u>\$3,044,369</u>
<u>December 31, 2021</u>		
Money market funds	\$ 431,055	\$ 431,055
Exchange-traded funds	623,946	623,946
Index funds	<u>2,203,006</u>	<u>2,203,006</u>
	<u>\$3,258,007</u>	<u>\$3,258,007</u>

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 583,552	\$ 694,003
Investment securities	2,703,807	2,826,952

(9) **Retirement Plan**

The Arboretum sponsors a Simple IRA retirement plan for its employees wherein it matches employee elective deferrals up to 3% for 2022 and 2021, respectively, of annual salary. For the years ended December 31, 2022 and 2021, employer contributions totaled \$10,518 and \$6,781, respectively.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(10) 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 583,552	\$ 694,003
Investment securities	2,703,807	2,826,952
Accounts receivable	<u>2,000</u>	<u>24,671</u>
Financial assets	3,289,359	3,545,626
Less:		
Board designated amounts	862,319	923,743
Donor restrictions & endowment	<u>1,796,855</u>	<u>1,960,475</u>
Financial assets available for general expenditures	<u>\$ 630,185</u>	<u>\$ 661,408</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.

(11) Line of Credit

The Arboretum has a line of credit in the amount of \$150,000 to assist with cash flow requirements. Interest is due monthly on outstanding advances at prime rate plus 2%. The Arboretum has no outstanding balance on the line of credit as of the date of the audit report. The line matured on February 1, 2023, and management expects to renew the line during 2023.

(12) Subsequent Events

The Arboretum has evaluated the need for adjustments resulting from subsequent events through July 25, 2023, 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, 2022.