

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

REEVES-REED ARBORETUM
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YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

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

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, 2019 and 2018, 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, 2019 and 2018 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Arboretum adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. My opinion is not modified with respect to this matter.

James M. Wood, CPA

June 30, 2020
Hillsborough, New Jersey

REEVES-REED ARBORETUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Assets				
Current assets				
Cash & cash equivalents	\$ 423,886	\$ 135,137	\$ 520,533	\$ 47,916
Investment securities	-	1,420,980	-	1,211,287
Accounts receivable	7,775	-	57,130	-
Total financial assets	431,661	1,556,117	577,663	1,259,203
Prepaid expenses	2,832	-	2,741	-
Total current assets	434,493	1,556,117	580,404	1,259,203
Premises & equipment, net of accumulated depreciation	558,705	-	621,381	-
Other	14,443	-	14,443	-
	\$ 1,007,641	\$ 1,556,117	\$ 1,216,228	\$ 1,259,203
				\$ 2,475,431
Liabilities & Net Assets				
Current liabilities				
Accounts payable & accrued expenses	\$ 34,155	\$ -	\$ 22,278	\$ -
Grants received in advance	-	-	267,921	-
Rent security deposits	7,138	-	7,827	-
	41,293	-	298,026	-
				298,026
Net assets				
Without donor restrictions				
Board-designated	126,663	-	126,663	-
Undesignated	839,685	-	791,539	-
	966,348	-	918,202	-
With donor restrictions	-	1,556,117	-	1,259,203
	966,348	1,556,117	918,202	1,259,203
	\$ 1,007,641	\$ 1,556,117	\$ 1,216,228	\$ 1,259,203
				\$ 2,475,431

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Dues	\$ 54,003	\$ -	\$ 54,003	\$ 58,005	\$ -	\$ 58,005
Contributions	246,035	-	246,035	120,463	-	120,463
Bequests	14,465	-	14,465	13,289	-	13,289
Grants	206,623	123,483	330,106	221,569	-	221,569
	521,126	123,483	644,609	413,326	-	413,326
Program Service Revenue						
Education activities	107,823	-	107,823	103,105	-	103,105
Facilities rental	77,477	-	77,477	89,871	-	89,871
	185,300	-	185,300	192,976	-	192,976
Interest & dividends	3,927	29,090	33,017	3,370	25,164	28,534
Special events, net of						
Gross income	333,822	-	333,822	269,816	-	269,816
Direct expenses	(148,990)	-	(148,990)	(136,421)	-	(136,421)
	184,832	-	184,832	133,395	-	133,395
Donated goods & services	175,895	-	175,895	196,994	-	196,994
Miscellaneous	230	-	230	641	-	641
Total income	1,071,310	152,573	1,223,883	940,702	25,164	965,866
Releases from restrictions	56,517	(56,517)	-	43,695	(43,695)	-
	1,127,827	96,056	1,223,883	984,397	(18,531)	965,866
Functional Expenses						
Program services						
Horticulture	457,068	-	457,068	465,426	-	465,426
Education	255,083	-	255,083	221,628	-	221,628
Public relations	140,942	-	140,942	167,155	-	167,155
	853,093	-	853,093	854,209	-	854,209
Supporting services						
Management & general	151,153	-	151,153	123,243	-	123,243
Fund raising	81,482	-	81,482	103,587	-	103,587
	232,635	-	232,635	226,830	-	226,830
Total expenses	1,085,728	-	1,085,728	1,081,039	-	1,081,039
Increase (decrease) in net assets before gains (losses) on investments	42,099	96,056	138,155	(96,642)	(18,531)	(115,173)
Gains (losses) on investments	6,047	200,858	206,905	(1,212)	(69,788)	(71,000)
	48,146	296,914	345,060	(97,854)	(88,319)	(186,173)
Net assets						
Beginning of year	918,202	1,259,203	2,177,405	1,016,056	1,347,522	2,363,578
End of year	\$ 966,348	\$ 1,556,117	\$ 2,522,465	\$ 918,202	\$ 1,259,203	\$ 2,177,405

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	2019			2018		
	Program Services			Supporting Services		
	Horticulture	Education	Public Relations	Management & General	Fund Raising	Total
Salaries	\$ 114,869	\$ 144,268	\$ 84,798	\$ 55,577	\$ 47,970	\$ 447,482
Fringe benefits	19,431	24,405	14,345	9,402	8,115	75,698
	<u>134,300</u>	<u>168,673</u>	<u>99,143</u>	<u>64,979</u>	<u>56,085</u>	<u>523,180</u>
Direct program	18,691	4,105	-	4,518	-	27,314
Grounds enhancement	45,637	-	-	-	-	45,637
Occupancy	10,008	12,570	7,388	4,842	4,179	38,987
Donated goods & services	140,285	-	-	35,610	-	175,895
Insurance	4,120	5,175	3,041	1,993	1,721	16,050
Office	10,517	13,208	7,764	5,088	4,392	40,969
Postage	791	994	584	383	330	3,082
Telephone	1,127	1,415	832	545	471	4,390
Professional fees	19,340	24,290	14,277	20,907	8,077	86,891
Volunteers	5	-	-	50	-	55
Training	339	425	250	164	141	1,319
Development cultivation	-	-	1,487	-	-	1,487
Miscellaneous	-	-	-	-	-	-
Dues & subscriptions	281	353	207	136	117	1,094
	<u>385,441</u>	<u>231,208</u>	<u>134,973</u>	<u>139,215</u>	<u>75,513</u>	<u>966,350</u>
Depreciation	71,627	23,875	5,969	11,938	5,969	119,378
Total functional expenses	\$ 457,068	\$ 255,083	\$ 140,942	\$ 151,153	\$ 81,482	\$ 1,085,728
						\$ 1,081,039

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

2018

	Program Services			Supporting Services		Total
	Horticulture	Education	Public Relations	Management & General	Fund Raising	
Salaries	\$ 110,039	\$ 123,072	\$ 100,743	\$ 38,620	\$ 61,949	\$ 434,423
Fringe benefits	18,243	20,403	16,702	6,403	10,270	72,021
	<u>128,282</u>	<u>143,475</u>	<u>117,445</u>	<u>45,023</u>	<u>72,219</u>	<u>506,444</u>
Direct program	29,130	3,245	-	3,800	-	36,175
Grounds enhancement	55,734	-	-	-	-	55,734
Occupancy	9,940	11,117	9,100	3,489	5,596	39,242
Donated goods & services	132,622	-	-	35,000	-	167,622
Insurance	3,690	4,126	3,378	1,295	2,077	14,566
Office	9,430	10,547	8,634	3,310	5,309	37,230
Postage	703	786	643	247	396	2,775
Telephone	1,105	1,236	1,012	388	622	4,363
Professional fees	18,786	21,011	17,199	17,593	10,576	85,165
Volunteers	-	-	-	255	-	255
Training	614	687	562	215	346	2,424
Development cultivation	-	-	2,615	-	-	2,615
Miscellaneous	64	71	58	22	35	250
Dues & subscriptions	278	311	255	98	157	1,099
	<u>390,378</u>	<u>196,612</u>	<u>160,901</u>	<u>110,735</u>	<u>97,333</u>	<u>955,959</u>
Depreciation	75,048	25,016	6,254	12,508	6,254	125,080
Total functional expenses	\$ 465,426	\$ 221,628	\$ 167,155	\$ 123,243	\$ 103,587	\$ 1,081,039

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 345,060	\$ (186,173)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	119,378	125,080
(Gain) loss on investment securities	(206,905)	71,000
(Increase) decrease in:		
Accounts receivable	49,355	15,070
Prepaid expenses	(91)	3,472
Increase (decrease) in:		
Accounts payable & accrued expenses	11,877	(17,783)
Grants received in advance	(267,921)	79,386
Rent security deposits	(689)	1,561
	50,064	91,613
Cash flows from investing activities		
Proceeds from sales of investment securities	-	47,627
Acquisition of investment securities	(2,788)	(50,428)
Acquisition of premises & equipment	(56,702)	(68,510)
	(59,490)	(71,311)
Cash used in investing activities		
Net (decrease) increase in cash & cash equivalents	(9,426)	20,302
Cash & cash equivalents		
Beginning of year	568,449	548,147
End of year	\$ 559,023	\$ 568,449

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(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 education 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, 2019 AND 2018

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.

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, 2019 AND 2018

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, 2016 through 2019 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

During the year ended December 31, 2019, Reeves-Reed adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Under the guidance, foundation grants are treated as contributions unless conditional in nature. The Update was adopted on a modified prospective basis; foundation and corporate grants previously recorded as liabilities until expended were recognized as revenue. Due to this ASU, \$123,640 was recognized as additional grant income with donor restrictions during 2019.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2020. 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>2019</u>	<u>2018</u>
Horticulture & Children's Endowment		
Fidelity Government Cash Reserves	\$ 142,381	\$ 169,808
Equity exchange-traded funds	917,501	724,132
Fixed income exchange-traded funds	<u>372,752</u>	<u>365,263</u>
	1,432,634	1,259,203
Operating		
Fidelity Government Cash Reserves	35,487	25,935
Fidelity Treasury Money Market Fund	6,361	6,247
Fidelity Intermediate Treasury Index Fund	<u>130,727</u>	<u>121,892</u>
	<u>172,575</u>	<u>154,074</u>
Total investment securities	1,605,209	1,413,277
Less money market funds included in cash & cash equivalents	<u>184,229</u>	<u>201,990</u>
Net investment securities	<u>\$1,420,980</u>	<u>\$1,211,287</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(3) **Special Events**

During the years ended December 31, 2019 and 2018, 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>2019</u>			
Art in the Garden	\$235,846	\$100,065	\$135,781
Special Exhibits	14,900	8,033	6,867
House Tour	57,531	25,585	31,946
Sounds of a Summer Night	6,140	4,527	1,613
Teas	1,345	670	675
Pub Event	<u>18,060</u>	<u>10,110</u>	<u>7,950</u>
	<u>\$333,822</u>	<u>\$148,990</u>	<u>\$184,832</u>
<u>2018</u>			
Art in the Garden	\$170,349	\$ 96,325	\$ 74,024
Special Exhibits	19,113	8,642	10,471
House Tour	59,081	23,262	35,819
Sounds of a Summer Night	5,594	3,537	2,057
Teas	2,454	1,065	1,389
Pub Event	<u>13,225</u>	<u>3,590</u>	<u>9,635</u>
	<u>\$269,816</u>	<u>\$136,421</u>	<u>\$133,395</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>2019</u>	<u>2018</u>
Improvements to buildings	\$1,398,815	\$1,393,314
Gardens & woodlands	230,019	227,050
Land improvements	932,420	895,288
Greenhouse	118,041	118,041
Fencing	130,058	130,058
Barn	106,916	106,916
Furniture & equipment	202,022	202,022
Vehicle	<u>40,472</u>	<u>29,372</u>
	3,158,763	3,102,061
Less accumulated depreciation	<u>2,600,058</u>	<u>2,480,680</u>
	<u>\$ 558,705</u>	<u>\$ 621,381</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
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(5) **Operating Lease Commitments**

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

2020	\$ 9,650
2021	9,650
2022	5,021
2023	2,900
2024	10
Thereafter	<u>180</u>
	<u>\$27,411</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, 2019 and 2018, rent expense totaled \$11,290 and \$9,416, respectively.

(6) **Donated Services**

For the years ended December 31, 2019 and 2018, volunteers reported approximately 5,517 and 5,372 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.

REEVES-REED ARBORETUM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

(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, 2019 and 2018, designated funds consist of the following:

	<u>2019</u>	<u>2018</u>
Bequests	\$121,301	\$121,301
Herb Garden	<u>5,362</u>	<u>5,362</u>
	<u>\$126,663</u>	<u>\$126,663</u>

Designated net assets expended during the years ended December 31, 2019 and 2018 are as follows:

Herb Garden	\$ <u> </u> -	\$ <u>2,127</u>
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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. Beginning in 2019, grants are accounted for as contributions; prior to 2019, grants were recognized as income when the related expenses were incurred.

As of December 31, 2019 and 2018, net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Lecture series	\$ 5,000	\$ -
Gate maintenance	6,789	-
Hands to Nature	4,875	-
Accessibility Project	6,500	-
Accessibility Project II	100,319	-
Endowment (see below)	<u>1,432,634</u>	<u>1,259,203</u>
	<u>\$1,556,117</u>	<u>\$1,259,203</u>

Net assets with donor restrictions expended during the years ended December 31, 2019 and 2018 are as follows:

Children's Garden	\$ -	\$ -
Freeman Medal	-	1,646
Peter Koelliker Memorial	-	1,000
Storm damage clean-up	-	1,593
Trees	-	1,000
Plants	-	4,300
Endowment (see below)	<u>56,517</u>	<u>34,156</u>
	<u>\$56,517</u>	<u>\$43,695</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, 2019 and 2018, the endowment is comprised of the following:

	<u>2019</u>	<u>2018</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	186,630	144,400
Horticulture	<u>599,435</u>	<u>468,234</u>
	<u>786,065</u>	<u>612,634</u>
	<u>\$1,432,634</u>	<u>\$1,259,203</u>

Endowment net assets expended during the years ended December 31, 2019 and 2018 are as follows:

Accumulated investment earnings, available for appropriation		
Children's education	\$ 13,762	\$ 17,078
Horticulture	<u>42,755</u>	<u>17,078</u>
	<u>\$ 56,517</u>	<u>\$ 34,156</u>

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

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

	<u>Level 1</u>	<u>Total</u>
<u>December 31, 2019</u>		
Money market funds	\$ 184,229	\$ 184,229
Mutual funds	130,727	130,727
Exchange-traded funds	<u>1,290,253</u>	<u>1,290,253</u>
	<u>\$1,605,209</u>	<u>\$1,605,209</u>
<u>December 31, 2018</u>		
Money market funds	\$ 201,990	\$ 201,990
Mutual funds	121,892	121,892
Exchange-traded funds	<u>1,089,395</u>	<u>1,089,395</u>
	<u>\$1,413,277</u>	<u>\$1,413,277</u>

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 559,023	\$ 568,449
Investment securities	1,420,980	1,211,287

(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 2% of annual salary for 2019 and 1% of annual salary for 2018. For the years ended December 31, 2019 and 2018, employer contributions totaled \$6,106 and \$2,795, respectively.

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(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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 559,023	\$ 568,449
Investment securities	1,420,980	1,211,287
Accounts receivable	<u>47,775</u>	<u>57,130</u>
Financial assets	2,027,778	1,836,866
Less:		
Board designated amounts	126,663	126,663
Donor restrictions & endowment	<u>1,556,120</u>	<u>1,259,203</u>
Financial assets available for general expenditures	<u>\$ 344,995</u>	<u>\$ 451,000</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.

(11) **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.

(12) **Subsequent Events**

Coronavirus

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has spread throughout the United States. On March 21, 2020, the governor of New Jersey declared a health emergency and issued an order to close all nonessential businesses and activities until further notice. This health emergency could impact donors' ability to make donations to the Arboretum and negatively affect income generated from educational activities, facilities rentals, and special events. The overall impact on the Arboretum's operations, earnings, cash flows and financial position cannot be reasonably estimated as of the date of these financial statements.

Investment securities

As a result of the coronavirus pandemic, the Arboretum's investment securities have experienced significant market fluctuations in 2020.

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CARES Act

In response to the coronavirus 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 loans of \$93,831 and \$160,000 under the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan Emergency Advance (EIDL), respectively. Both funding sources are part of the CARES Act. If certain criteria are met, portions of the loans may be forgiven. Management expects to meet the forgiveness criteria for \$93,831 and to repay \$160,000 over 5 years at a rate of 2.75%.