

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

REEVES-REED ARBORETUM
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YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

James M. Wood, CPA

May 19, 2021
Hillsborough, New Jersey

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REEVES-REED ARBORETUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash & cash equivalents	\$ 506,737	\$ 135,322	\$ 642,059	\$ 423,886	\$ 135,137	\$ 559,023
Investment securities	-	1,482,957	1,482,957	-	1,420,980	1,420,980
Accounts receivable	53,370	-	53,370	7,775	-	7,775
Total financial assets	560,107	1,618,279	2,178,386	431,661	1,556,117	1,987,778
Prepaid expenses	15,426	-	15,426	2,832	-	2,832
Total current assets	575,533	1,618,279	2,193,812	434,493	1,556,117	1,990,610
Premises & equipment, net of accumulated depreciation	782,488	-	782,488	558,705	-	558,705
Other	14,443	-	14,443	14,443	-	14,443
	<u>\$ 1,372,464</u>	<u>\$ 1,618,279</u>	<u>\$ 2,990,743</u>	<u>\$ 1,007,641</u>	<u>\$ 1,556,117</u>	<u>\$ 2,563,758</u>
Liabilities & Net Assets						
Current liabilities						
Accounts payable & accrued expenses	\$ 16,275	\$ -	\$ 16,275	\$ 34,155	\$ -	\$ 34,155
Loans payable	245,931	-	245,931	-	-	-
Rent security deposits	5,649	-	5,649	7,138	-	7,138
	267,855	-	267,855	41,293	-	41,293
Net assets						
Without donor restrictions						
Board-designated	126,663	-	126,663	126,663	-	126,663
Undesignated	977,946	-	977,946	839,685	-	839,685
	1,104,609	-	1,104,609	966,348	-	966,348
With donor restrictions						
	-	1,618,279	1,618,279	-	1,556,117	1,556,117
	1,104,609	1,618,279	2,722,888	966,348	1,556,117	2,522,465
	<u>\$ 1,372,464</u>	<u>\$ 1,618,279</u>	<u>\$ 2,990,743</u>	<u>\$ 1,007,641</u>	<u>\$ 1,556,117</u>	<u>\$ 2,563,758</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Dues	\$ 52,835	\$ -	\$ 52,835	\$ 54,003	\$ -	\$ 54,003
Contributions	303,564	-	303,564	246,035	-	246,035
Bequests	14,846	-	14,846	14,465	-	14,465
Grants	259,050	10,300	269,350	206,623	123,483	330,106
	<u>630,295</u>	<u>10,300</u>	<u>640,595</u>	<u>521,126</u>	<u>123,483</u>	<u>644,609</u>
Program Service Revenue						
Education activities	56,791	-	56,791	107,823	-	107,823
Facilities rental	64,488	-	64,488	77,477	-	77,477
	<u>121,279</u>	<u>-</u>	<u>121,279</u>	<u>185,300</u>	<u>-</u>	<u>185,300</u>
Interest & dividends	2,919	19,849	22,768	3,927	29,090	33,017
Special events, net of						
Gross income	131,178	-	131,178	333,822	-	333,822
Direct expenses	(36,423)	-	(36,423)	(148,990)	-	(148,990)
	<u>94,755</u>	<u>-</u>	<u>94,755</u>	<u>184,832</u>	<u>-</u>	<u>184,832</u>
Donated goods & services	132,803	-	132,803	175,895	-	175,895
Miscellaneous	20	-	20	230	-	230
Total income	<u>982,071</u>	<u>30,149</u>	<u>1,012,220</u>	<u>1,071,310</u>	<u>152,573</u>	<u>1,223,883</u>
Releases from restrictions	117,119	(117,119)	-	56,517	(56,517)	-
	<u>1,099,190</u>	<u>(86,970)</u>	<u>1,012,220</u>	<u>1,127,827</u>	<u>96,056</u>	<u>1,223,883</u>
Functional Expenses						
Program services						
Horticulture	397,419	-	397,419	457,068	-	457,068
Education	231,845	-	231,845	255,083	-	255,083
Public relations	121,997	-	121,997	140,942	-	140,942
	<u>751,261</u>	<u>-</u>	<u>751,261</u>	<u>853,093</u>	<u>-</u>	<u>853,093</u>
Supporting services						
Management & general	142,176	-	142,176	151,153	-	151,153
Fund raising	77,176	-	77,176	81,482	-	81,482
	<u>219,352</u>	<u>-</u>	<u>219,352</u>	<u>232,635</u>	<u>-</u>	<u>232,635</u>
Total expenses	<u>970,613</u>	<u>-</u>	<u>970,613</u>	<u>1,085,728</u>	<u>-</u>	<u>1,085,728</u>
Increase (decrease) in net assets before gains on investments	128,577	(86,970)	41,607	42,099	96,056	138,155
Gains on investments	9,684	149,132	158,816	6,047	200,858	206,905
	<u>138,261</u>	<u>62,162</u>	<u>200,423</u>	<u>48,146</u>	<u>296,914</u>	<u>345,060</u>
Net assets						
Beginning of year	966,348	1,556,117	2,522,465	918,202	1,259,203	2,177,405
End 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>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020						2019 Total (See Page 5)
	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	\$ 447,482
Fringe benefits	15,244	20,891	11,714	8,484	7,263	63,596	75,698
	<u>110,594</u>	<u>151,565</u>	<u>84,987</u>	<u>61,549</u>	<u>52,691</u>	<u>461,386</u>	<u>523,180</u>
Direct program	4,635	2,809	-	930	-	8,374	27,314
Grounds enhancement	67,234	-	-	-	-	67,234	45,637
Occupancy	8,014	10,983	6,159	4,460	3,818	33,434	38,987
Donated goods & services	101,483	-	-	31,320	-	132,803	175,895
Insurance	2,807	3,847	2,157	1,562	1,337	11,710	16,050
Office	7,486	10,260	5,753	4,167	3,567	31,233	40,969
Interest expense	-	-	-	2,100	-	2,100	-
Postage	667	914	513	371	318	2,783	3,082
Telephone	1,079	1,478	829	600	514	4,500	4,390
Professional fees	17,716	24,278	13,614	22,109	8,440	86,157	86,891
Volunteers	57	-	-	214	-	271	55
Training	246	336	188	137	117	1,024	1,319
Development cultivation	-	-	1,355	-	-	1,355	1,487
Dues & subscriptions	232	318	178	129	110	967	1,094
	<u>322,250</u>	<u>206,788</u>	<u>115,733</u>	<u>129,648</u>	<u>70,912</u>	<u>845,331</u>	<u>966,350</u>
Depreciation	<u>75,169</u>	<u>25,057</u>	<u>6,264</u>	<u>12,528</u>	<u>6,264</u>	<u>125,282</u>	<u>119,378</u>
Total functional expenses	<u>\$ 397,419</u>	<u>\$ 231,845</u>	<u>\$ 121,997</u>	<u>\$ 142,176</u>	<u>\$ 77,176</u>	<u>\$ 970,613</u>	<u>\$ 1,085,728</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	2019					
	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	\$ 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
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	<u>\$ 457,068</u>	<u>\$ 255,083</u>	<u>\$ 140,942</u>	<u>\$ 151,153</u>	<u>\$ 81,482</u>	<u>\$ 1,085,728</u>

REEVES-REED ARBORETUM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in net assets	\$ 200,423	\$ 345,060
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	125,282	119,378
(Gain) loss on investment securities	(158,816)	(206,905)
(Increase) decrease in:		
Accounts receivable	(45,595)	49,355
Prepaid expenses	(12,594)	(91)
Increase (decrease) in:		
Accounts payable & accrued expenses	(17,880)	11,877
Grants received in advance	-	(267,921)
Rent security deposits	(1,489)	(689)
	<u>89,331</u>	<u>50,064</u>
Cash flows from investing activities		
Proceeds from sales of investment securities	99,055	-
Acquisition of investment securities	(2,216)	(2,788)
Acquisition of premises & equipment	(349,065)	(56,702)
	<u>(252,226)</u>	<u>(59,490)</u>
Cash flows from financing activities		
Proceeds from loans payable	245,931	-
	<u>245,931</u>	<u>-</u>
Net increase in cash & cash equivalents	83,036	(9,426)
Cash & cash equivalents		
Beginning of year	<u>559,023</u>	<u>568,449</u>
End of year	<u>\$ 642,059</u>	<u>\$ 559,023</u>
Supplemental Disclosure:		
Cash paid for interest	\$ 2,100	\$ -

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(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, 2020 AND 2019

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, 2020 AND 2019

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, 2017 through 2020 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, 2020 AND 2019

(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>2020</u>	<u>2019</u>
Horticulture & Children's Endowment		
Fidelity Government Cash Reserves	\$ 261,286	\$ 142,381
Equity exchange-traded funds	129,431	917,501
Equity Index Fund	830,488	-
Fixed income exchange-traded funds	<u>380,410</u>	<u>372,752</u>
	1,601,615	1,432,634
Operating		
Fidelity Government Cash Reserves	38,987	35,487
Fidelity Treasury Money Market Fund	6,377	6,361
Fidelity Intermediate Treasury Index Fund	<u>142,628</u>	<u>130,727</u>
	<u>187,992</u>	<u>172,575</u>
Total investment securities	1,789,607	1,605,209
Less money market funds included in cash & cash equivalents	<u>306,650</u>	<u>184,229</u>
Net investment securities	<u>\$1,482,957</u>	<u>\$1,420,980</u>

(3) **Special Events**

During the years ended December 31, 2020 and 2019, the Arboretum held various events with the following results:

	<u>Gross Income</u>	<u>Direct Expense</u>	<u>Net Income</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>
 <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>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(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>2020</u>	<u>2019</u>
Improvements to buildings	\$1,406,945	\$1,398,815
Gardens & woodlands	230,019	230,019
Land improvements	1,273,355	932,420
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>40,472</u>
	3,507,828	3,158,763
Less accumulated depreciation	<u>2,725,340</u>	<u>2,600,058</u>
	<u>\$ 782,488</u>	<u>\$ 558,705</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:

2021	\$ 9,650
2022	5,021
2023	2,900
2024	10
2025	10
Thereafter	<u>170</u>
	<u>\$17,761</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, 2020 and 2019, rent expense totaled \$9,715 and \$11,290, respectively.

(6) Donated Services

For the years ended December 31, 2020 and 2019, volunteers reported approximately 3,731 and 5,517 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, 2020 AND 2019

(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. If certain criteria are met, all or a portion of the loan may be forgiven. As of December 31, 2020 the loan remains outstanding, repayable over 5 years at a rate of 1%. In March 2021, the Arboretum met the forgiveness criteria for the full amount of the loan; \$93,831 will be recognized as income during the year ending 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. Monthly payments of \$641 begin June 15, 2021 at an annual interest rate of 2.75%. The loan matures June 15, 2050.

Principal repayments for the loan from the Small Business Administration are as follows for the next five years and thereafter ending December 31:

2021	\$ 2,387
2022	3,563
2023	3,663
2024	3,765
2025	3,870
Thereafter	<u>134,852</u>
Total	<u>\$152,100</u>

REEVES-REED ARBORETUM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2020 AND 2019

(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, 2020 and 2019, designated funds consist of the following:

	<u>2020</u>	<u>2019</u>
Bequests	\$121,301	\$121,301
Herb Garden	<u>5,362</u>	<u>5,362</u>
	<u>\$126,663</u>	<u>\$126,663</u>

No designated assets were expended during the years ended December 31, 2020 and 2019.

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, 2020 and 2019, net assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Lecture series	\$ 5,000	\$ 5,000
Gate maintenance	6,789	6,789
Hands to Nature	4,875	4,875
Accessibility Project	-	6,500
Accessibility Project II	-	100,319
Endowment (see below)	<u>1,601,615</u>	<u>1,432,634</u>
	<u>\$1,618,279</u>	<u>\$1,556,117</u>

Net assets with donor restrictions expended during the years ended December 31, 2020 and 2019 are as follows:

Accessibility Project	\$ 6,500	\$ -
Accessibility Project II	100,319	-
HVAC	9,300	-
Education	1,000	-
Endowment (see below)	<u>-</u>	<u>56,517</u>
	<u>\$117,119</u>	<u>\$ 56,517</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, 2020 and 2019, the endowment is comprised of the following:

	<u>2020</u>	<u>2019</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	227,777	186,630
Horticulture	<u>727,269</u>	<u>599,435</u>
	<u>955,046</u>	<u>786,065</u>
	<u>\$1,601,615</u>	<u>\$1,432,634</u>

Endowment net assets expended during the years ended December 31, 2020 and 2019 are as follows:

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

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

(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, 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>
 <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>

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 642,059	\$ 559,023
Investment securities	1,482,957	1,420,980

(10) **Retirement Plan**

The Arboretum sponsors a Simple IRA retirement plan for its employees wherein it matches employee elective deferrals up to 2% of annual salary for 2020 and 2019. For the years ended December 31, 2020 and 2019, employer contributions totaled \$4,559 and \$6,106, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 642,059	\$ 559,023
Investment securities	1,482,957	1,420,980
Accounts receivable	<u>53,370</u>	<u>7,775</u>
Financial assets	2,178,386	1,987,778
Less:		
Board designated amounts	126,663	126,663
Donor restrictions & endowment	<u>1,618,279</u>	<u>1,556,117</u>
Financial assets available for general expenditures	<u>\$ 433,444</u>	<u>\$ 304,998</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

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. The Arboretum is open as of the date of these financial statements, observing social distancing guidelines issued by the federal Centers for Disease Control and Prevention. 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 in 2021 and beyond 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.

REEVES-REED ARBORETUM
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(14) **Subsequent Events**

The Arboretum repaid its EIDL loan of \$150,000 in March 2021 (see Note 7). The Arboretum met the forgiveness criteria for its initial PPP loan in March 2021. That loan of \$93,831 will be taken into income during 2021 (See Note 7). The Arboretum received a second PPP loan of \$89,145 in February 2021 with similar terms and conditions of the first PPP loan. Management will apply for forgiveness of principal during the year ending December 31, 2021.

The Arboretum has evaluated the need for adjustments resulting from subsequent events through May 19, 2021, 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, 2020.