

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

REEVES-REED ARBORETUM
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YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reeves-Reed Arboretum

Report on the Financial Statements

I have audited the accompanying financial statements of Reeves-Reed Arboretum (the Arboretum) which comprise the statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017 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.

May 7, 2019
Hillsborough, NJ

James M. Wood, CPA

REEVES-REED ARBORETUM
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Assets		Total		Total
Current assets				
Cash & cash equivalents	\$ 520,533	\$ 47,916	\$ 568,449	\$ 68,036
Investment securities	-	1,211,287	1,211,287	1,279,486
Accounts receivable	57,130	-	57,130	72,200
Total financial assets	577,663	1,259,203	1,836,866	1,899,833
Prepaid expenses	2,741	-	2,741	6,213
Total current assets	580,404	1,259,203	1,839,607	1,906,046
Premises & equipment, net of accumulated depreciation	621,381	-	621,381	677,951
Other	14,443	-	14,443	14,443
	<u>\$ 1,216,228</u>	<u>\$ 1,259,203</u>	<u>\$ 2,475,431</u>	<u>\$ 1,347,522</u>
			<u>\$ 1,250,918</u>	<u>\$ 2,598,440</u>
Liabilities & Net Assets				
Current liabilities				
Accounts payable & accrued expenses	\$ 20,474	-	\$ 20,474	\$ 38,696
Grants received in advance	267,921	-	267,921	188,535
Membership received in advance	1,804	-	1,804	1,365
Rent security deposits	7,827	-	7,827	6,266
	<u>298,026</u>	<u>-</u>	<u>298,026</u>	<u>234,862</u>
Net assets				
Without donor restrictions				
Board-designated	126,663	-	126,663	128,790
Undesignated	791,539	-	791,539	887,266
	<u>918,202</u>	<u>-</u>	<u>918,202</u>	<u>1,016,056</u>
With donor restrictions	-	1,259,203	1,259,203	1,347,522
	<u>918,202</u>	<u>1,259,203</u>	<u>2,177,405</u>	<u>1,347,522</u>
	<u>\$ 1,216,228</u>	<u>\$ 1,259,203</u>	<u>\$ 2,475,431</u>	<u>\$ 1,347,522</u>
			<u>\$ 1,250,918</u>	<u>\$ 2,598,440</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Dues	\$ 58,005	\$ -	\$ 58,005	\$ 62,634	\$ -	\$ 62,634
Contributions	120,463	-	120,463	156,483	-	156,483
Bequests	13,289	-	13,289	18,623	-	18,623
Grants	221,569	-	221,569	233,458	-	233,458
	413,326	-	413,326	471,198	-	471,198
Program Service Revenue						
Education activities	103,105	-	103,105	92,933	-	92,933
Facilities rental	89,871	-	89,871	92,635	-	92,635
	192,976	-	192,976	185,568	-	185,568
Interest & dividends	3,370	25,164	28,534	2,821	20,009	22,830
Special events, net of						
Gross income	269,816	-	269,816	307,628	-	307,628
Direct expenses	(136,421)	-	(136,421)	(137,210)	-	(137,210)
	133,395	-	133,395	170,418	-	170,418
Donated goods & services	196,994	-	196,994	156,460	-	156,460
Miscellaneous	641	-	641	131	-	131
Total income	940,702	25,164	965,866	986,596	20,009	1,006,605
Releases from restrictions	43,695	(43,695)	-	24,540	(24,540)	-
	984,397	(18,531)	965,866	1,011,136	(4,531)	1,006,605
Functional Expenses						
Program services						
Horticulture	465,426	-	465,426	456,431	-	456,431
Education	221,628	-	221,628	267,066	-	267,066
Public relations	167,155	-	167,155	111,926	-	111,926
	854,209	-	854,209	835,423	-	835,423
Supporting services						
Management & general	123,243	-	123,243	114,344	-	114,344
Fund raising	103,587	-	103,587	114,454	-	114,454
	226,830	-	226,830	228,798	-	228,798
Total expenses	1,081,039	-	1,081,039	1,064,221	-	1,064,221
Decrease in net assets before gains (losses) on investments	(96,642)	(18,531)	(115,173)	(53,085)	(4,531)	(57,616)
(Losses) gains on investments	(1,212)	(69,788)	(71,000)	6,812	147,377	154,189
	(97,854)	(88,319)	(186,173)	(46,273)	142,846	96,573
Increase (decrease) in net assets						
Net assets						
Beginning of year	1,016,056	1,347,522	2,363,578	1,062,329	1,204,676	2,267,005
End of year	918,202	1,259,203	2,177,405	1,016,056	1,347,522	2,363,578

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017

	2018				2017	
	Program Services		Supporting Services		Total	
	Horticulture	Education	Public Relations	Management & General	Fund Raising	(See Page 5)
Salaries	\$ 110,039	\$ 123,072	\$ 100,743	\$ 38,620	\$ 61,949	\$ 431,153
Fringe benefits	18,243	20,403	16,702	6,403	10,270	81,598
	<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	-	26,541
Grounds enhancement	55,734	-	-	-	-	62,281
Occupancy	9,940	11,117	9,100	3,489	5,596	51,749
Donated goods & services	132,622	-	-	35,000	-	167,622
Insurance	3,690	4,126	3,378	1,295	2,077	14,229
Office	9,430	10,547	8,634	3,310	5,309	38,644
Postage	703	786	643	247	396	3,732
Telephone	1,105	1,236	1,012	388	622	4,383
Professional fees	18,786	21,011	17,199	17,593	10,576	76,535
Volunteers	-	-	-	255	-	156
Training	614	687	562	215	346	3,408
Development cultivation	-	-	2,615	-	-	979
Miscellaneous	64	71	58	22	35	39
Dues & subscriptions	278	311	255	98	157	1,094
	<u>390,378</u>	<u>196,612</u>	<u>160,901</u>	<u>110,735</u>	<u>97,333</u>	<u>952,981</u>
Depreciation	75,048	25,016	6,254	12,508	6,254	111,240
Total functional expenses	\$ <u>465,426</u>	\$ <u>221,628</u>	\$ <u>167,155</u>	\$ <u>123,243</u>	\$ <u>103,587</u>	\$ <u>1,081,039</u>
						\$ <u>1,064,221</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

2017

	Program Services			Supporting Services			Total
	Horticulture	Education	Public Relations	Management & General	Fund Raising		
Salaries	\$ 115,376	\$ 149,998	\$ 65,277	\$ 33,113	\$ 67,389	\$	431,153
Fringe benefits	21,835	28,388	12,354	6,267	12,754		81,598
	<u>137,211</u>	<u>178,386</u>	<u>77,631</u>	<u>39,380</u>	<u>80,143</u>		<u>512,751</u>
Direct program	19,524	2,657	-	4,263	97		26,541
Grounds enhancement	62,281	-	-	-	-		62,281
Occupancy	13,848	18,003	7,835	3,974	8,089		51,749
Donated goods & services	121,460	-	-	35,000	-		156,460
Insurance	3,808	4,950	2,154	1,093	2,224		14,229
Office	10,341	13,444	5,851	2,968	6,040		38,644
Postage	999	1,298	565	287	583		3,732
Telephone	1,173	1,525	664	336	685		4,383
Professional fees	17,671	22,974	9,998	15,571	10,321		76,535
Volunteers	156	-	-	-	-		156
Training	912	1,186	516	261	533		3,408
Development cultivation	-	-	979	-	-		979
Miscellaneous	10	14	6	3	6		39
Dues & subscriptions	293	381	165	84	171		1,094
	<u>389,687</u>	<u>244,818</u>	<u>106,364</u>	<u>103,220</u>	<u>108,892</u>		<u>952,981</u>
Depreciation	66,744	22,248	5,562	11,124	5,562		111,240
Total functional expenses	\$ <u>456,431</u>	\$ <u>267,066</u>	\$ <u>111,926</u>	\$ <u>114,344</u>	\$ <u>114,454</u>	\$	\$ <u>1,064,221</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (186,173)	\$ 96,573
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	125,080	111,240
Loss (gain) on investment securities	71,000	(154,189)
(Increase) decrease in:		
Other receivable	15,070	(9,172)
Prepaid expenses	3,472	(1,282)
Increase (decrease) in:		
Accounts payable & accrued expenses	(18,222)	22,202
Grants received in advance	79,386	21,403
Membership received in advance	439	(785)
Rent security deposits	1,561	1,010
	91,613	87,000
Cash flows from investing activities		
Proceeds from sales of investment securities	47,627	133,414
Acquisition of investment securities	(50,428)	(76,178)
Acquisition of premises & equipment	(68,510)	(128,806)
	(71,311)	(71,570)
Cash used in investing activities	(71,311)	(71,570)
Net increase in cash & cash equivalents	20,302	15,430
Cash & cash equivalents		
Beginning of year	548,147	532,717
End of year	\$ 568,449	\$ 548,147

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

(1) **Summary of Significant Accounting Policies**

Reeves-Reed Arboretum (the Arboretum) is a not-for-profit organization located in Summit, New Jersey. The Arboretum was founded in 1974 for the purpose of preserving an historic 13.5 acre country estate as an outdoor living museum which contains a collection of native trees, shrubs, and plants that are protected and labeled in their natural settings for study and appreciation. Additionally, the Arboretum provides educational programs for children and adults focusing on environmental, natural, and botanical issues.

Financial statement presentation

In accordance with generally accepted accounting principles, the Arboretum reports its statements of financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Revenue with donor restrictions which is expended in the 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.

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.

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.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

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.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2015 through 2018 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, 2018, the Arboretum implemented Financial Accounting Standards Board (FASB) Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Accordingly, unrestricted net assets have been re-titled as net assets without donor restrictions. Temporarily restricted net assets have been re-titled as net assets with donor restrictions. Additional disclosures are included in the areas of liquidity and net assets, both with and without donor restrictions.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued Update No 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, in November 2016, requiring a statement of cash flows explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for fiscal years beginning after December 31, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, and the Update should be applied using a retrospective transition method to each period presented. Management is evaluating the impact the updated standard will have on the financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

The Financial Accounting Standards Board (FASB) issued Update No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact the updated standard will have on the 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>2018</u>	<u>2017</u>
Horticulture & Children's Endowment		
Fidelity Government Cash Reserves	\$ 169,808	\$ 215,149
Equity exchange-traded funds	724,132	833,416
Fixed income exchange-traded funds	<u>365,263</u>	<u>325,719</u>
	1,259,203	1,374,284
Operating		
Fidelity Government Cash Reserves	25,935	3,654
Fidelity Treasury Money Market Fund	6,247	6,157
Fidelity Intermediate Treasury Index Fund	<u>121,892</u>	<u>120,351</u>
	<u>154,074</u>	<u>130,162</u>
Total investment securities	1,413,277	1,504,446
Less money market funds included in cash & cash equivalents	<u>201,990</u>	<u>224,960</u>
Net investment securities	<u>\$1,211,287</u>	<u>\$1,279,486</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

(3) **Special Events**

During the years ended December 31, 2018 and 2017, 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>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>
 <u>2017</u>			
Art in the Garden	\$223,369	\$ 90,718	\$132,651
Special Exhibits	19,516	12,419	7,097
House Tour	44,644	22,118	22,526
Sounds of a Summer Night	8,929	6,512	2,417
Pub Event	<u>11,170</u>	<u>5,443</u>	<u>5,727</u>
	<u>\$307,628</u>	<u>\$137,210</u>	<u>\$170,418</u>

(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>2018</u>	<u>2017</u>
Improvements to buildings	\$1,393,314	\$1,372,593
Gardens & woodlands	227,050	225,705
Land improvements	895,288	878,216
Greenhouse	118,041	118,041
Fencing	130,058	130,058
Barn	106,916	106,916
Furniture & equipment	202,022	202,022
Vehicle	<u>29,372</u>	<u>-</u>
	3,102,061	3,033,551
Less accumulated depreciation	<u>2,480,680</u>	<u>2,355,600</u>
	<u>\$ 621,381</u>	<u>\$ 677,951</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

(5) **Operating Lease Commitments**

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

2019	\$ 9,650
2020	9,650
2021	9,650
2022	5,021
2023	2,900
Thereafter	<u>190</u>
	<u>\$37,061</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, 2018 and 2017, rent expense totaled \$9,416 and \$9,437, respectfully.

(6) **Donated Services**

For the years ended December 31, 2018 and 2017, volunteers reported approximately 5,372 and 6,073 hours, respectively, in time donated for horticultural work and grounds maintenance. The value of these hours is a vital and integral portion of the Arboretum's programming, requires specialized skills, and would be purchased if not donated.

(7) **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, 2018 and 2017, designated funds consist of the following:

	<u>2018</u>	<u>2017</u>
Bequests	\$121,301	\$121,301
Herb Garden	<u>5,362</u>	<u>7,489</u>
	<u>\$126,663</u>	<u>\$128,790</u>

Designated net assets expended during the years ended December 31, 2018 and 2017 are as follows:

Garden Shop	\$ -	\$ 2,092
Herb Garden	<u>2,127</u>	<u>1,107</u>
	<u>\$ 2,127</u>	<u>\$ 3,199</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
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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.

As of December 31, 2018 and 2017, net assets with donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Freeman Medal	\$ -	\$ 1,646
Peter Koelliker Memorial	-	1,000
Storm damage clean-up	-	1,593
Trees	-	1,000
Plants	-	4,300
	<u>\$ -</u>	<u>\$ 9,539</u>

Net assets with donor restrictions expended during the years ended December 31, 2018 and 2017 are as follows:

Children's Garden	\$ -	\$24,540
Freeman Medal	1,646	-
Peter Koelliker Memorial	1,000	-
Storm damage clean-up	1,593	-
Trees	1,000	-
Plants	4,300	-
	<u>\$ 9,539</u>	<u>\$24,540</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Endowment

The Arboretum's endowment funds 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, 2018 and 2017, the endowment is comprised of the following:

	<u>2018</u>	<u>2017</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	144,400	172,508
Horticulture	<u>468,234</u>	<u>518,906</u>
	<u>612,634</u>	<u>691,414</u>
	<u>\$1,259,203</u>	<u>\$1,337,983</u>

Endowment net assets expended during the years ended December 31, 2018 and 2017 are as follows:

Accumulated investment earnings, available for appropriation		
Children's education	\$ 17,078	\$ -
Horticulture	<u>17,078</u>	<u>-</u>
	<u>\$ 34,156</u>	<u>\$ -</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, 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>
<u>December 31, 2017</u>		
Money market funds	\$ 224,960	\$ 224,960
Mutual funds	120,351	120,351
Exchange-traded funds	<u>1,159,135</u>	<u>1,159,135</u>
	<u>\$1,504,446</u>	<u>\$1,504,446</u>

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 568,449	\$ 548,147
Investment securities	1,211,287	1,279,486

(9) **Retirement Plan**

Beginning in 2017, the Arboretum sponsors a Simple IRA retirement plan for its employees wherein it matches employee elective deferrals up to 1% of annual salary. For the years ended December 31, 2018 and 2017, employer contributions totaled \$2,795 and \$3,001, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 568,449	\$ 548,147
Investment securities	1,211,287	1,279,486
Accounts receivable	<u>57,130</u>	<u>72,200</u>
Financial assets	1,836,866	1,899,833
Less:		
Board designated amounts	126,663	128,790
Donor Restrictions	-	9,539
Endowment	<u>1,259,203</u>	<u>1,337,983</u>
Financial assets available for general expenditures	<u>\$ 451,000</u>	<u>\$ 423,521</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) **Evaluation of Subsequent Events**

The Arboretum has evaluated subsequent events through May 7, 2019, the date which the financial statements were available to be issued.