

Friends of the National Arboretum, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2019 and 2018

Friends of the National Arboretum, Inc.

Financial Statements
December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of the National Arboretum, Inc.

We have audited the accompanying financial statements of Friends of the National Arboretum, Inc. (FONA), which comprise the statements of financial position as of December 31, 2019 and 2018; 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FONA 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, FONA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The word "Rogers" is written in a large, stylized cursive font, followed by a plus sign and the words "Company PLLC" in a smaller, more straightforward cursive font.

Vienna, Virginia
September 30, 2020

Friends of the National Arboretum, Inc.

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 453,351	\$ 84,756
Investments	2,274,648	2,406,395
Accounts receivable	555	961
Contributions receivable	35,358	66,926
Grants receivable	26,270	8,200
Prepaid expenses	21,788	9,631
Property and equipment, net	9,067	11,275
Total assets	\$ 2,821,037	\$ 2,588,144
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 77,974	\$ 62,024
Accrued salaries and related benefits	35,785	46,036
Deferred revenue	47,750	24,500
Line of credit	18,292	-
Total liabilities	179,801	132,560
Net Assets (Deficit)		
Without donor restrictions:		
Undesignated	24,921	(252,640)
Board-designated	300,000	300,000
Total without donor restrictions	324,921	47,360
With donor restrictions:		
Endowment corpus – perpetual in nature	1,484,072	1,484,072
Unappropriated endowment earnings	583,904	530,130
Purpose restricted	248,339	394,022
Total with donor restrictions	2,316,315	2,408,224
Total net assets	2,641,236	2,455,584
Total liabilities and net assets	\$ 2,821,037	\$ 2,588,144

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 388,605	\$ 303,771	\$ 692,376
Annual events	564,758	-	564,758
Contributed services and materials	35,306	40,549	75,855
Government grants	-	284,715	284,715
Membership	56,795	-	56,795
Investment return	58,001	367,774	425,775
Other	16,500	-	16,500
Released from restrictions	<u>1,088,718</u>	<u>(1,088,718)</u>	<u>-</u>
Total revenue and support	<u>2,208,683</u>	<u>(91,909)</u>	<u>2,116,774</u>
Expenses			
Program services:			
Washington Youth Garden	671,937	-	671,937
Projects and activities	156,833	-	156,833
Annual events	406,310	-	406,310
Membership and outreach	<u>80,905</u>	<u>-</u>	<u>80,905</u>
Total program services	<u>1,315,985</u>	<u>-</u>	<u>1,315,985</u>
Supporting services:			
Management and general	513,851	-	513,851
Fundraising	<u>101,286</u>	<u>-</u>	<u>101,286</u>
Total supporting services	<u>615,137</u>	<u>-</u>	<u>615,137</u>
Total expenses	<u>1,931,122</u>	<u>-</u>	<u>1,931,122</u>
Change in Net Assets	277,561	(91,909)	185,652
Net Assets, beginning of year	<u>47,360</u>	<u>2,408,224</u>	<u>2,455,584</u>
Net Assets, end of year	<u><u>\$ 324,921</u></u>	<u><u>\$ 2,316,315</u></u>	<u><u>\$ 2,641,236</u></u>

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 423,573	\$ 156,675	\$ 580,248
Annual events	479,045	-	479,045
Contributed services and materials	81,166	57,242	138,408
Government grants	-	217,506	217,506
Membership	59,728	-	59,728
Investment return	(12,537)	(93,734)	(106,271)
Other	17,239	-	17,239
Released from restrictions	541,316	(541,316)	-
Total revenue and support	<u>1,589,530</u>	<u>(203,627)</u>	<u>1,385,903</u>
Expenses			
Program services:			
Washington Youth Garden	821,299	-	821,299
Projects and activities	84,711	-	84,711
Annual events	485,428	-	485,428
Membership and outreach	44,366	-	44,366
Total program services	<u>1,435,804</u>	<u>-</u>	<u>1,435,804</u>
Supporting services:			
Management and general	448,318	-	448,318
Fundraising	132,999	-	132,999
Total supporting services	<u>581,317</u>	<u>-</u>	<u>581,317</u>
Total expenses	<u>2,017,121</u>	<u>-</u>	<u>2,017,121</u>
Change in Net Assets	(427,591)	(203,627)	(631,218)
Net Assets, beginning of year	<u>474,951</u>	<u>2,611,851</u>	<u>3,086,802</u>
Net Assets, end of year	<u>\$ 47,360</u>	<u>\$ 2,408,224</u>	<u>\$ 2,455,584</u>

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services					Supporting Services			Total
	Washington Youth Garden	Projects and Activities	Annual Events	Membership and Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 389,074	\$ 10,770	\$ 87,232	\$ 32,953	\$ 520,029	\$ 131,821	\$ 79,051	\$ 210,872	\$ 730,901
Benefits	45,654	503	3,862	1,187	51,206	42,023	2,811	44,834	96,040
Payroll taxes	27,600	858	6,826	2,677	37,961	17,887	5,666	23,553	61,514
Support to USNA	7,871	71,618	-	-	79,489	-	-	-	79,489
Printing	709	290	8,326	11,883	21,208	5,768	3,503	9,271	30,479
Professional fees	115,659	55,885	49,966	21,203	242,713	187,883	2,626	190,509	433,222
Refreshments	2,980	5,397	70,663	1,269	80,309	1,886	3,332	5,218	85,527
Training	2,369	-	-	-	2,369	260	-	260	2,629
Telephone and website	12,564	81	618	806	14,069	16,347	287	16,634	30,703
Depreciation and amortization	1,675	-	97	-	1,772	2,382	-	2,382	4,154
Travel	698	-	283	5	986	290	199	489	1,475
Postage and delivery	36	-	984	4,404	5,424	1,122	1,021	2,143	7,567
Garden and program supplies	46,630	514	53,136	468	100,748	9,254	455	9,709	110,457
Membership, promotion, and processing	863	-	12,269	575	13,707	48	350	398	14,105
Bank fees	-	-	-	-	-	15,032	-	15,032	15,032
Rent and maintenance; equipment and office	9,434	10,917	73,291	3,475	97,117	32,076	1,985	34,061	131,178
Miscellaneous	-	-	-	-	-	3,075	-	3,075	3,075
Insurance	6,329	-	-	-	6,329	11,391	-	11,391	17,720
In-kind	1,792	-	38,757	-	40,549	35,306	-	35,306	75,855
Total Expenses	\$ 671,937	\$ 156,833	\$ 406,310	\$ 80,905	\$ 1,315,985	\$ 513,851	\$ 101,286	\$ 615,137	\$ 1,931,122

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services					Supporting Services			Total
	Washington Youth Garden	Projects and Activities	Annual Events	Membership and Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 414,975	\$ 9,567	\$ 148,762	\$ 14,699	\$ 588,003	\$ 132,780	\$ 93,992	\$ 226,772	\$ 814,775
Benefits	51,021	1,176	18,290	1,807	72,294	16,332	11,560	27,892	100,186
Payroll taxes	32,947	760	11,114	1,034	45,855	8,502	7,106	15,608	61,463
Support to USNA	152,835	46,631	132	-	199,598	-	-	-	199,598
Printing	-	279	4,464	9,364	14,107	8,708	1,466	10,174	24,281
Professional fees	51,396	11,629	45,125	10,200	118,350	146,138	2,096	148,234	266,584
Refreshments	5,626	3,289	84,318	49	93,282	6,120	7,927	14,047	107,329
Training	580	-	25	-	605	555	-	555	1,160
Telephone and website	13,419	-	254	1,388	15,061	19,209	7,063	26,272	41,333
Depreciation and amortization	1,714	-	-	-	1,714	10,468	-	10,468	12,182
Travel	254	-	1,206	-	1,460	4,094	308	4,402	5,862
Postage and delivery	-	343	854	5,021	6,218	1,017	701	1,718	7,936
Garden and program supplies	8,141	6,582	-	419	15,142	-	483	483	15,625
Membership, promotion, and processing	907	-	21,705	385	22,997	874	-	874	23,871
Investment and bank fees	-	-	-	-	-	12,381	-	12,381	12,381
Rent and maintenance; equipment and office	23,136	2,047	68,734	-	93,917	11,002	-	11,002	104,919
Office supplies	-	2,297	8,388	-	10,685	9,375	297	9,672	20,357
Miscellaneous	-	-	-	-	-	5,638	-	5,638	5,638
Other program costs	1,589	111	38,393	-	40,093	21	-	21	40,114
Insurance	5,517	-	-	-	5,517	7,602	-	7,602	13,119
In-kind	57,242	-	33,664	-	90,906	47,502	-	47,502	138,408
Total Expenses	\$ 821,299	\$ 84,711	\$ 485,428	\$ 44,366	\$ 1,435,804	\$ 448,318	\$ 132,999	\$ 581,317	\$ 2,017,121

See accompanying notes.

Friends of the National Arboretum, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 185,652	\$ (631,218)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,154	12,182
Pavilion donation to USNA	-	123,284
Realized and unrealized (gain) loss on investments	(367,751)	201,528
Donated stock	(52,519)	(84,747)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	406	(961)
Contributions receivable	31,568	(66,134)
Grants receivable	(18,070)	19,700
Prepaid expenses	(12,157)	(5,242)
Increase (decrease) in:		
Accounts payable and accrued expenses	15,950	(21,118)
Accrued salaries and related benefits	(10,251)	9,059
Deferred revenue	23,250	3,500
	(199,768)	(440,167)
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,946)	(3,313)
Purchases of investments	(114,415)	(424,180)
Sales of investments	666,432	566,230
	550,071	138,737
Cash Flows from Financing Activity		
Proceeds from borrowings on line of credit	18,292	-
	18,292	-
Net Increase (Decrease) in Cash and Cash Equivalents	368,595	(301,430)
Cash and Cash Equivalents, beginning of year	84,756	386,186
Cash and Cash Equivalents, end of year	\$ 453,351	\$ 84,756

See accompanying notes.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Operations

Friends of the National Arboretum, Inc. (FONA) is a District of Columbia not-for-profit, tax-exempt organization. The purpose of FONA is to assist and to support the research, educational, recreational, and public service activities of the National Arboretum of the United States Department of Agriculture (USNA). FONA provides financial and volunteer support for Arboretum internship programs, maintenance of the gardens and collections, plant materials, and supplies. FONA's primary sources of support are contributions and fees from special programs and events.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

FONA's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve for future contingencies. Board-designated net assets at both December 31, 2019 and 2018 totaled \$300,000.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

FONA considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts included in investments and held for investment reserves.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses are included as a component of investment return in the accompanying statements of activities.

Accounts Receivable

Accounts receivable are all due within one year and recorded at net realizable value. Receivables are written off when deemed uncollectible. There was no allowance for doubtful accounts at December 31, 2019 and 2018, and management believes that all amounts are fully collectible.

Contributions Receivable

Contributions receivable represent unconditional amounts committed to FONA and are recorded at their net realizable value. All contributions receivable at December 31, 2019 and 2018 are due within one year. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. No allowance for doubtful accounts is recorded at December 31, 2019 and 2018 as management believes that all amounts are fully collectible.

Grants Receivable

FONA's grants receivable consist of amounts to be reimbursed for expenses incurred under the agreements with the Department of Health and Office of the State Superintendent of DC for the school garden program. The entire amount of the receivable is expected to be collected within one year, and is recorded at net realizable value at December 31, 2019 and 2018. No allowance for doubtful accounts is recorded, as management believes that all amounts are fully collectible.

Property and Equipment

Property and equipment valued at greater than \$1,000 with a useful life of more than one year are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years. Capital improvements are amortized on a straight-line basis over the estimated useful lives of the related assets, which range from five to ten years. Expenditures for repairs and maintenance costs are expensed when incurred.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions and grants are recorded as revenue when received or promised. FONA reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of FONA's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Government grants are cost reimbursable in nature and are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position.

Amounts from registrations, sponsorships, and plant sales from FONA's annual events are recognized at the time the event is held, with any amounts received in advance deferred until that time.

Membership dues are billed and treated as contributions and are recognized when received.

Revenue from all other sources is recognized when earned.

Contributed Services and Materials

FONA has rent-free use of certain office space on the grounds of the National Arboretum. Given the unique nature of the location, the value of the use cannot be readily determined and, accordingly, contributions and rent expense for the space have not been recognized in the accompanying financial statements.

In addition, volunteers have donated significant amounts of their time to FONA. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*. As explained in Note 11, certain donated specialized services and goods have been recorded in the financial statements.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising Costs

FONA expenses advertising costs as incurred. Advertising expenses were \$13,469 and \$16,637 for the years ended December 31, 2019 and 2018, respectively.

Adopted Accounting Pronouncements

FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. FONA has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. FONA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

Subsequent Events

In preparing these financial statements, FONA has evaluated events and transactions for potential recognition or disclosure through September 30, 2020, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that are likely to impact FONA. The extent of the impact of COVID-19 on FONA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its impact on FONA's clients and donors, all of which are uncertain and cannot be predicted. FONA has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. At this point, the extent to which COVID-19 may impact FONA's financial condition or results of operations is uncertain.

3. Liquidity and Availability

FONA strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. Management periodically reviews FONA's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Amounts in excess of operating liquidity assets are invested in various short-term and highly liquid securities.

Additionally, FONA considers net assets with donor restrictions, including unappropriated endowment earnings, for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Excluded from total available for general expenditures is the portion of the endowments that are donor-restricted and held in perpetuity.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

3. Liquidity and Availability (continued)

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 453,351	\$ 84,756
Short-term investments	2,274,648	2,406,395
Accounts receivable	555	961
Contributions receivable	35,358	66,926
Grants receivable	26,270	8,200
Less: endowment corpus	<u>(1,484,072)</u>	<u>(1,484,072)</u>
Total available for general expenditures	<u>\$ 1,306,110</u>	<u>\$ 1,083,166</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject FONA to significant concentrations of credit risk consist of cash and cash equivalents, and investments. FONA maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). FONA has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

FONA follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Investments and Fair Value Measurements (continued)

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels are recognized at the end of the reporting period.

In general, and where applicable, FONA uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents FONA's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 421	\$ -	\$ -	\$ 421
Mutual funds:				
Large cap growth	115,583	-	-	115,583
International growth	343,324	-	-	343,324
Money market	199,627	-	-	199,627
Mid cap value fund	115,567	-	-	115,567
Bond fund	932,044	-	-	932,044
Large blend	343,692	-	-	343,692
Mid cap growth	219,447	-	-	219,447
Common stock:				
Technology	2,542	-	-	2,542
Consumer cyclical	2,401	-	-	2,401
Total investments	<u>\$ 2,274,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,274,648</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Investments and Fair Value Measurements (continued)

The following table presents FONA's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,721	\$ -	\$ -	\$ 3,721
Mutual funds:				
Large cap growth	119,002	-	-	119,002
International growth	320,112	-	-	320,112
Money market	197,426	-	-	197,426
Mid cap value fund	110,010	-	-	110,010
Bond fund	1,102,961	-	-	1,102,961
Large blend	337,146	-	-	337,146
Mid cap growth	213,757	-	-	213,757
Common stock:				
Services	2,260	-	-	2,260
Total investments	\$ 2,406,395	\$ -	\$ -	\$ 2,406,395

Investment return consists of the following for the years ended December 31:

	2019	2018
Interest and dividends	\$ 65,442	\$ 104,386
Realized gain	70,897	56,964
Unrealized gain (loss)	296,854	(258,492)
Investment advisor fees	(7,418)	(9,129)
Total investment return	\$ 425,775	\$ (106,271)

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 71,673	\$ 69,726
Capital improvements	<u>25,524</u>	<u>25,524</u>
Total property and equipment	97,197	95,250
Less: accumulated depreciation and amortization	<u>(88,130)</u>	<u>(83,975)</u>
Property and equipment, net	<u><u>\$ 9,067</u></u>	<u><u>\$ 11,275</u></u>

7. Net Assets With Donor Restrictions

Heritage Collections Fund

Started as an effort to save the historic Azalea and National Boxwood collections at risk, the Heritage Collections Fund supports the long-term sustainability of all of the U.S. National Arboretum's ("the Arboretum") heritage collections. FONA works closely with the Arboretum's leadership in this effort.

Meyer Kidder Fund

The Meyer Kidder Fund ("the Fund") is comprised of funds from Mrs. Dottie Kidder and Dr. Frederick Meyer, whose interests were the Asian collections and germplasm, respectively. The purpose of the Fund is to alternate in support of a full-year internship for the Asia Valley and a post-doctoral fellowship, as the proceeds of the investment allow.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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7. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions are available for the following at December 31:

	2019	2018
Subject to expenditures for specified purposes:		
Garden projects	\$ 8,404	\$ 7,344
Director's fund	11,003	17,414
Cherry tree restoration	24,600	-
Herb garden	25,000	-
USNA projects – Hickey Run	92,143	98,831
Other project – Garden Council	-	148,932
New Initiatives Fund	40,000	40,000
Capital Columns Campaign	919	23,813
Venue rentals	41,300	17,000
Other project – Washington Youth Garden	4,970	40,688
Total subject to expenditures for specified purposes	248,339	394,022
Endowments:		
Subject to endowment spending policy – unappropriated endowment earnings	583,904	530,130
Heritage Collections Fund	1,000,000	1,000,000
Meyer Kidder Fund	484,072	484,072
Total endowments	2,067,976	2,014,202
Total net assets with donor restrictions	\$ 2,316,315	\$ 2,408,224

8. Endowment

FONA's endowment consists of two donor-restricted endowment funds. The principal or corpus amount of \$1,484,072 must be retained permanently, and the income of the funds is available to support the donor-imposed purpose. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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8. Endowment (continued)

Interpretation of Relevant Law

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation FONA classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, FONA considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of FONA and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of FONA; and (7) the investment policies of FONA. FONA also takes into account the impact of accepting donor-restricted funds on the Arboretum's plans and management of its resources.

Return Objectives and Risk Parameters

FONA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. FONA expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

8. Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

FONA has a policy of appropriating for distribution each year a target amount of earnings equivalent to 5% of the corpus of the endowment funds. However, the Board of Directors may direct that more or less of the available investment gain be released, if it determines that release is appropriate in light of the following three objectives: to preserve principal, to grow the fund balance, and to expend the investment gain to accomplish the donor's intended and mandated purposes.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, FONA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FONA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Composition of Endowment Funds

Endowment net asset composition by type of fund was as follows at December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2019:</u>			
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 2,067,976</u>	<u>\$ 2,067,976</u>
<u>2018:</u>			
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 2,014,202</u>	<u>\$ 2,014,202</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

8. Endowment (continued)

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$ -	\$ 2,014,202	\$ 2,014,202
Interest and dividends	-	52,753	52,753
Net appreciation (realized and unrealized)	-	322,136	322,136
Investment fees	-	(7,115)	(7,115)
Appropriation of assets for expenditure	-	(314,000)	(314,000)
	<u>-</u>	<u>(314,000)</u>	<u>(314,000)</u>
Endowment funds, end of year	<u>\$ -</u>	<u>\$ 2,067,976</u>	<u>\$ 2,067,976</u>

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$ -	\$ 2,152,936	\$ 2,152,936
Interest and dividends	-	87,354	87,354
Net depreciation (realized and unrealized)	-	(173,569)	(173,569)
Investment fees	-	(7,519)	(7,519)
Appropriation of assets for expenditure	-	(45,000)	(45,000)
	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>
Endowment funds, end of year	<u>\$ -</u>	<u>\$ 2,014,202</u>	<u>\$ 2,014,202</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

8. Endowment (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as funds of perpetual duration. In accordance with accounting principles generally accepted in the United States of America (GAAP), there were no deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2019 and 2018.

9. Commitments

During 2016, FONA entered into an operating lease for equipment, with the lease commencing in September 2016 and expiring in August 2021. Rental expense for the leases for both years ended December 31, 2019 and 2018 amounted to \$2,902.

Future minimum lease payments are as follows for the years ending December 31:

2020	\$	2,902
2021		<u>1,935</u>
Total future minimum lease payments	\$	<u><u>4,837</u></u>

10. Line of Credit

In September 2016, FONA opened a line of credit with a limit of \$50,000 to finance short-term working capital needs. Borrowings under this facility are payable on demand, and are secured by FONA's bank accounts held at the same institution. Interest is payable monthly at 3.5% above the bank's prime rate. The outstanding borrowings on this line of credit at December 31, 2019 and 2018 amounted to \$18,292 and \$0, respectively.

11. Contributed Services and Materials

During the years ended December 31, 2019 and 2018, FONA was the beneficiary of donated services and materials, which allowed FONA to provide greater resources toward various programs.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

11. Contributed Services and Materials (continued)

The following donations have been included in revenue and expense for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Supplies and equipment	\$ 1,390	\$ 18,499
Materials	18,040	16,246
Food and drink	21,425	8,659
Legal and other specialized services	<u>35,000</u>	<u>95,004</u>
Total contributed services and materials	<u>\$ 75,855</u>	<u>\$ 138,408</u>

The following programs have benefited from these contributed services and materials for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Annual events	\$ 38,757	\$ 33,664
Washington Youth Garden	1,792	57,242
Management and general	<u>35,306</u>	<u>47,502</u>
Total benefit to programs and supporting services	<u>\$ 75,855</u>	<u>\$ 138,408</u>

12. Washington Youth Garden

The Washington Youth Garden (WYG), a major program of FONA, conducts science, nutrition, and environmental awareness programs for children, youth, and families in the Washington area, with a particular focus on reaching underserved and under-resourced children and families residing in the District of Columbia east of the U.S. Capitol, the location of the Arboretum.

The Arboretum's mission includes research and education, and community outreach and education is an important part of its strategic plan. The Arboretum recognizes and embraces WYG as consistent with this goal of its plan, and provides land and periodic technical advice to the WYG demonstration garden.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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12. Washington Youth Garden (continued)

WYG provides educational programs at the Arboretum by operating a demonstration garden visited by thousands of visitors each year. WYG reaches almost 5,000 children, youth, families, educators, and community members through its five education and outreach programs:

SPROUT: a structured field trip program for schools, youth organizations, and other groups, at the demonstration garden, with an emphasis on pre-K through primary grades populations.

Garden Science: a 13-week classroom program for DC public schools, including schoolyard gardens, seeding projects, and field trips to the WYG demonstration garden at the Arboretum, working in seven schools, and in each school over a 4-6 year period, from inception to “graduation” of the school from the program.

Green Ambassadors program: currently a six-week summer training and education program based at the WYG demonstration garden for select groups of rising high school juniors and seniors, emphasizing personal development, as well as growth in botanical knowledge and practical garden and horticultural skills. A new tier was added in 2019 to engage returning participants in directly working on horticultural work on the United States Department of Agriculture’s (USDA) grounds.

Summer Institute: weeklong workshops for teachers to develop capabilities and practice skills to incorporate into garden science curriculum used in teaching and related class-work.

Professional Development for Teachers: workshops for teachers to develop capabilities to incorporate garden science curriculum units into their teaching.

Funding for WYG comes primarily from grant awards and contracts received from foundations, corporations, government agencies, and individual schools and/or parent associations. Individual contributions are also solicited and received. All funding and contributions awarded to or received by WYG are classified by FONA as restricted funds and used only to support the WYG programs.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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13. Support to USNA

As a charitable supporting organization for USNA, the essence of FONA's mission is to raise funds for and otherwise support USNA in the fulfillment of its mission. These efforts take several forms, including: community outreach and education programs for schools, youth, and families; advocacy for Arboretum interests at the local and federal levels of government; organizing public events for fundraising and community engagement purposes; raising funds for capital improvements to the Arboretum and for endowment; and for direct and indirect annual support of the Arboretum. FONA's gifts to USNA totaled the following for the years ended December 31:

	2019	2018
Internship support	\$ 67,373	\$ 67,266
Pavilion donation	-	123,284
Other	12,116	9,048
 Total support to USNA	 \$ 79,489	 \$ 199,598

In addition, the Arboretum acknowledges that FONA directly funds and manages a number of projects and public programs, such as WYG, that are central to the Arboretum's mission of education and community services, and so represent a contribution of \$834,281 and \$718,080 for the years ended December 31, 2019 and 2018, respectively. In addition, FONA also provided other services to USNA including marketing, advocacy, volunteer legal assistance on proposed environmental projects, and administrative assistance on various USNA programs.

FONA's expenditures for projects and programs directly benefiting USNA were for the following for the years ended December 31:

	2019	2018
Washington Youth Garden	\$ 679,112	\$ 655,000
Capital Columns Restoration	48,120	-
Cultural Programming	42,732	25,222
Hikes and Tours	31,535	4,189
USNA Director's Fund	25,929	7,370
Replanting Springhouse Run	6,853	26,299
 Total managed support activities	 \$ 834,281	 \$ 718,080

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

13. Support to USNA (continued)

During 2018, the USDA, FONA, and USNA entered into an events management agreement to establish responsibilities for the management of corporate and other events at USNA for the purpose of supporting USNA programs. The agreement commenced on April 2, 2018 and is scheduled to expire on April 2, 2023. Under this agreement FONA may collect revenues on behalf of USNA, of which 40% will be deposited into a USNA Director's fund maintained by FONA to be used for USNA expenditures. The remaining 60% of revenue will be used by FONA for payment to a commissioned Events Manager, FONA's operating expenses, and services and programs provided by FONA to USNA. The agreement may be terminated with 90 days' advance written notice by any party.

14. Retirement Plan

In 2008, FONA established a SIMPLE IRA retirement plan that covers all employees who meet the eligibility requirements. Employer matching contributions equal employees' salary reduction contributions up to a limit of 4% of their compensation. Contributions to the plan during the years ended December 31, 2019 and 2018 totaled \$0 and \$23,588, respectively.

During 2018, FONA established a Section 401(k) plan for its employees, which became effective on January 1, 2019. This plan replaced the previous SIMPLE IRA plan. The plan is available to all eligible employees and permits employee contributions up to limits established by law. FONA may make discretionary contributions to the plan. Contributions to the plan during the years ended December 31, 2019 and 2018 totaled \$24,291 and \$0, respectively.

15. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, FONA allocates its expenses directly to specific programs and functions. The expenses that are allocated include salaries, benefits, and payroll taxes, among other expenses, which are allocated on the basis of estimates of time and effort.

Friends of the National Arboretum, Inc.

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16. Income Taxes

FONA is exempt from federal and state income taxes other than unrelated business income under Internal Revenue Code Section 501(c)(3). At both December 31, 2019 and 2018, no tax provision was made as FONA had no significant net unrelated business income. Management has evaluated FONA's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.