



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



Independent Auditor's Report

Board of Directors
Friends of the National Arboretum
Washington, DC

Opinion

We have audited the accompanying financial statements of Friends of the National Arboretum (FONA), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the National Arboretum as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FONA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FONA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FONAs internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FONAs ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The 2022 financial statements of Friends of the National Arboretum were audited by other auditors whose report dated December 13, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the 2022 audited financial statements from which it has been derived.

Bethesda, Maryland
December 6, 2024



Certified Public Accountants

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Friends of the National Arboretum
Statement of Financial Position
December 31, 2023
With Comparative Totals as of December 31, 2022

	2023	2022
Assets		
Cash and Cash Equivalents	\$ 1,355,568	\$ 1,208,211
Investments	2,635,274	2,309,016
Accounts Receivable	27,137	27,115
Contributions and Grants Receivable	275,074	50,294
Prepaid Expenses	14,861	10,246
Right of Use (ROU) Asset	6,442	9,222
Property and Equipment - Net	19,063	26,993
Total Assets	\$ 4,333,419	\$ 3,641,097
Liabilities and Net Assets		
Liabilities		
Line of Credit	\$ 11,527	\$ 12,517
Accounts Payable and Accrued Expenses	205,177	121,406
Lease Liability	6,499	9,222
Deferred Revenue	140,108	122,250
Total Liabilities	363,311	265,395
Net Assets		
Without Donor Restrictions		
Undesignated	(4,476)	58,177
Board Designated	300,000	300,000
Total Net Assets Without Donor Restrictions	295,524	358,177
With Donor Restrictions	3,674,584	3,017,525
Total Net Assets	3,970,108	3,375,702
Total Liabilities and Net Assets	\$ 4,333,419	\$ 3,641,097

See accompanying Notes to Financial Statements

Friends of the National Arboretum

**Statement of Activities
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contributions	\$ 610,982	\$ 917,719	\$ 1,528,701	\$ 904,789
Government Grants	16,746	427,737	444,483	514,300
Annual Events	733,570	-	733,570	716,190
Membership	68,167	-	68,167	72,452
Contributed Services and Materials	6,728	15,717	22,445	16,826
Investment Income (Loss) - Net	24,425	301,888	326,313	(501,744)
Other	1,518	-	1,518	6,903
Net Assets Released from Restrictions	1,006,002	(1,006,002)	-	-
Total Support and Revenues	2,468,138	657,059	3,125,197	1,729,716
Expenses				
Program Services				
Washington Youth Garden	699,514	-	699,514	764,401
Projects and Activities	535,871	-	535,871	278,838
Annual Events	243,269	-	243,269	212,806
Membership and Outreach	112,882	-	112,882	99,161
Total Program Services	1,591,536	-	1,591,536	1,355,206
Supporting Services				
General and Administrative	599,988	-	599,988	482,655
Fundraising	339,267	-	339,267	398,932
Total Supporting Services	939,255	-	939,255	881,587
Total Expense	2,530,791	-	2,530,791	2,236,793
Change in Net Assets	(62,653)	657,059	594,406	(507,077)
Net Assets, Beginning of Year	358,177	3,017,525	3,375,702	3,882,779
Net Assets, End of Year	\$ 295,524	\$ 3,674,584	\$ 3,970,108	3,375,702

See accompanying Notes to Financial Statements - 5 -

Friends of the National Arboretum
Statement of Functional Expenses
For The Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022

	2023						Total	2022
	Washington Youth Garden	Projects and Activities	Annual Events	Membership and Outreach	General and Administrative	Fundraising	Total	Total
Personnel Costs	\$ 535,582	\$ 109,273	\$ 65,383	\$ 21,895	\$ 288,588	\$ 300,419	\$ 1,321,140	\$ 1,282,661
Professional Services	72,449	246,348	84,849	9,250	237,820	15,660	666,376	467,870
Meetings and Events	5,439	29,338	54,640	-	3,934	8,310	101,661	101,919
Travel and Transportation	18,976	2,423	-	-	2,537	914	24,850	3,746
Office and Equipment Rental	17,690	16,547	2,484	19,482	44,701	10,572	111,476	110,139
Advertising and Promotion	-	2,767	-	450	568	-	3,785	2,950
Garden and Program Supplies	28,419	86,007	35,005	591	170	-	150,192	161,544
Bank and Merchant Fees	955	3,773	908	1,647	3,603	3,392	14,278	11,207
Support to USNA	5,038	39,005	-	59,567	-	-	103,610	69,232
Insurance	8,060	-	-	-	14,686	-	22,746	17,945
Depreciation and Amortization	6,906	390	-	-	3,381	-	10,677	7,580
Total	<u>\$ 699,514</u>	<u>\$ 535,871</u>	<u>\$ 243,269</u>	<u>\$ 112,882</u>	<u>\$ 599,988</u>	<u>\$ 339,267</u>	<u>\$ 2,530,791</u>	<u>\$ 2,236,793</u>

See Accompanying Notes to Financial Statements

Friends of the National Arboretum

**Statement of Cash Flows
For the Year Ended December 31, 2023
With Comparative Totals for the Year Ended December 31, 2022**

	2023	2022
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 594,406	\$ (507,077)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	10,677	7,581
Amortization of ROU Asset	2,780	2,685
(Gain) Loss on Investments	(243,359)	559,762
Proceeds from Sale of Donated Securities	42,612	-
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(22)	(20,855)
Contributions and Grants Receivable	(224,780)	36,101
Prepaid Expenses	(4,615)	4,849
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	83,771	(54,336)
Deferred Revenue	17,858	22,000
Lease Liability	(2,723)	(2,685)
Net Cash Provided by (Used in) Operating Activities	276,605	48,025
Cash Flows from Investing Activities		
Purchases of Investments	(131,581)	(78,869)
Proceeds from Sales of Investments	6,070	20,825
Purchases of Property and Equipment	(2,747)	-
Net Cash Provided by (Used in) Investing Activities	(128,258)	(58,044)
Cash Flows from Financing Activities		
Payments on Line of Credit	(990)	(1,575)
Net Cash Provided by (Used in) Financing Activities	(990)	(1,575)
Increase (Decrease) in Cash and Cash Equivalents	147,357	(11,594)
Cash and Cash Equivalents, Beginning of Year	1,208,211	1,219,805
Cash and Cash Equivalents, End of Year	\$ 1,355,568	\$ 1,208,211

See accompanying Notes to Financial Statements

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

1. ORGANIZATION

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 USNA 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 Presentation

The financial statements of FONA have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires FONA to report information regarding its financial position and activities in accordance with the accrual basis of accounting and the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

Net Assets With Donor Restrictions:

Net assets may be subject to donor-imposed stipulations that are more restrictive than FONA's mission and purpose. 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. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments and Fair Value

Investments are recorded at fair value based on quoted market prices. All interest and dividends, realized and unrealized gains and losses, and investment management fees are included as a component of net investment return in the accompanying statement 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, 2023, and management believes that all amounts are fully collectible.

Contributions and Grants Receivable

Contributions receivable represent unconditional amounts committed to FONA and are recorded at their net realizable value. All contributions receivable at December 31, 2023 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 contributions is recorded at December 31, 2023, as management believes that all amounts are fully collectible.

FONA's government 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 receivables are expected to be collected within one year, and is recorded at net realizable value at December 31, 2023. No allowance for doubtful receivables 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 10 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
Notes to Financial Statement**

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right of Use Asset and Lease Liability

FONA determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use (ROU) assets, which represent FONA's right to use an underlying asset for the lease terms, and lease liabilities represent FONA's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As FONA's lease does not provide an implicit rate, FONA used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. FONA's lease terms may include options to extend or terminate the lease when it is reasonably certain that FONA will exercise that option.

Revenue Recognition

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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 funds 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 statement of activities.

FONA receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. FONA discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before FONA is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred, or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Donated goods and services that meet the criteria for recognition are recognized at fair value at the time of donation. These goods and services benefit the general programs and consist primarily of donated materials, legal, advertising, and other consulting and professional services. The value of these donated goods and services is included in the financial statements as both revenue and expense for the year ended December 31, 2023.

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Additionally, FONA has rent-free use of certain office space on the grounds of the USNA. 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.

Revenue is recognized when FONA satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration FONA expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, FONA combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statement of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Revenue from registrations, events, and plant sales from FONA's annual events are recognized at the time the event is held. Any amounts received in advance are deferred until the performance obligation is met. At December 31, 2023, deferred revenue from events totaled \$135,000, and is reflected as deferred revenue in the accompanying statement of financial position.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function have been allocated among the programs and supporting services based on time and effort.

Risks and Uncertainties

FONA invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Income Taxes and Uncertain Tax Positions

FONA is exempt from federal and state income taxes other than unrelated business income under Internal Revenue Code Section 501(c)(3). At December 31, 2023, 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.

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions (Continued)

For the year ended December 31, 2023, FONA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires FONA to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Subsequent Events

Management has evaluated subsequent events through December 6, 2024 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. 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.

4. INVESTMENT AND FAIR VALUE MEASUREMENTS

FONA follows FASB Accounting Standards Codification 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
Notes to Financial Statement**

December 31, 2023

4. INVESTMENT 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 table below summarizes, by level within the fair value hierarchy, FONA's investments as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 254,681	\$ -	\$ -	\$ 254,681
Mutual Funds:				
Large Cap	616,929	-	-	616,929
Mid Cap	380,982	-	-	380,982
International	351,805	-	-	351,805
Fixed Income	<u>1,030,877</u>	<u>-</u>	<u>-</u>	<u>1,030,877</u>
Investments	<u>\$ 2,635,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,635,274</u>

Investment income (loss) consisted of the following at December 31, 2023:

Interest and Dividends	\$ 91,383
Net Realized Gains (Losses)	896
Net Unrealized Gains (Losses)	242,463
Less: Investment Advisory Fees	<u>(8,429)</u>
Investment Income (Loss) - Net	<u>\$ 326,313</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023:

Equipment	\$ 108,348
Capital Improvements	<u>25,524</u>
	133,872
Less Accumulated Depreciation and Amortization	<u>(114,809)</u>
Property and Equipment - Net	<u>\$ 19,063</u>

Depreciation and amortization expense for the year ended December 31, 2023 totaled \$10,677.

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

6. LINE OF CREDIT

In September 2016, FONA opened a line of credit with a limit of \$100,000 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, 2023 amounted to \$11,527.

7. NET ASSETS

As of December 31, 2023, net assets with donor restrictions were:

	Beginning of Year	Contributions and Investment Income	Releases	End of Year
Purpose or Time Restrictions:				
Director's Fund	\$ 246,559	\$ 86,015	\$ (56,399)	\$ 276,175
Cherry Tree Restoration	24,600	-	(24,600)	-
Heritage Collection	350	600	-	950
Lahr Symposium	13,783	8,938	(5,346)	17,375
Herb Garden	25,000	-	-	25,000
USNA Projects - Hickey Run	91,742	204	-	91,946
Canopy Trail Campaign	500,936	-	(186,195)	314,741
Asian Collection	2,491	-	-	2,491
Youth Garden	-	1,265,416	(733,462)	531,954
Capital Columns Campaign	3,021	-	-	3,021
	<u>\$ 908,482</u>	<u>\$ 1,361,173</u>	<u>\$ (1,006,002)</u>	<u>\$ 1,263,653</u>
Endowments:				
Subject to Endowment Spending Policy - Unappropriated Endowment Earnings				
	\$ 624,971	\$ 301,888	\$ -	\$ 926,859
Heritage Collections Fund	1,000,000	-	-	1,000,000
Meyer Kidder Fund	484,072	-	-	484,072
	<u>2,109,043</u>	<u>301,888</u>	<u>-</u>	<u>2,410,931</u>
	<u>\$ 3,017,525</u>	<u>\$ 1,663,061</u>	<u>\$ (1,006,002)</u>	<u>\$ 3,674,584</u>

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

7. NET ASSETS (CONTINUED)

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 USNA heritage collections. FONA works closely with the USNA's leadership in this effort.

Meyer Kidder Fund

The Meyer Kidder Fund ("the Fund") is comprised of two endowment 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 financially support one or more post-graduate or graduate Collections Fellows, whose academic training includes horticulture, botany, or a related field, for up to twelve-month terms, to be awarded periodically as funding allows.

Board-Designated Net Assets

As of December 31, 2023, net assets have been designated by the Board of Directors in the amount of \$300,000.

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.

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 FONA 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 USNA's plans and management of its resources.

**Friends of the National Arboretum
Notes to Financial Statement**

December 31, 2023

8. ENDOWMENT (CONTINUED)

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 FONA 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.

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 as of December 31, 2023:

	Heritage Collections Fund	Meyer Kidder Fund	Total
Donor-Restricted			
Original Gift Value	\$ 1,000,000	\$ 484,072	\$ 1,484,072
Accumulated Investment Earnings	487,490	439,369	926,859
Total Funds	<u>\$ 1,487,490</u>	<u>\$ 923,441</u>	<u>\$ 2,410,931</u>

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8. ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2023:

	Without Donor Restrictions - Designated	With Donor Restrictions	Total
Endowment Net			
Assets, Beginning of Year	\$ -	\$ 2,109,043	\$ 2,109,043
Investment Income	-	301,888	301,888
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-
Endowment Net			
Assets, End of Year	\$ -	\$ 2,410,931	\$ 2,410,931

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 FONA 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, 2023.

Return Objectives and Risk Parameters

FONA has adopted an investment policy that attempts to provide for long-term growth of capital without undue exposure to risk. Endowment assets include those assets of donor restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

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.

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8. ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

FONA has a guideline of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, FONA considered the long-term expected return on its endowment. Accordingly, over the long-term, FONA's goal is that the current spending policy will allow its endowment to grow at an average of 7% annually. This is consistent with FONA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

9. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2023, FONA was the beneficiary of donated services and materials, which allowed FONA to provide greater resources toward various programs.

The following donations have been included in revenue and expense for the year ended December 31, 2023:

Materials	\$ 22,445
	<u>\$ 22,445</u>

The following programs have benefited from these contributed services and materials for the year ended December 31, 2023:

Annual Events	\$ 15,717
Fundraising	<u>6,728</u>
	<u>\$ 22,445</u>

10. RETIREMENT PLAN

During 2018, FONA established a Section 401(k) plan for its employees, which became effective on January 1, 2019. 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 year ended December 31, 2023 totaled \$35,059

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11. LEASE OBLIGATIONS

FONA leases office equipment under an operating lease that expires in 2026. The lease requires fixed monthly payments over the terms of the lease.

The lease liability is recorded based on the present value of the future payments of the lease, discounted at an estimated incremental borrowing rate of 1.37%, based on comparable interest rates available to FONA under borrowing arrangements for a similar amount and duration of the lease (remaining term method). FONA has established a right of use asset equal to the remaining lease liability under the lease agreement and deferred lease incentive recorded on January 1, 2022.

As of December 31, 2023, the lease liability was as follows:

2024	\$	2,832
2025		2,832
2026		944
Less Amount Representing Interest (1.37%)		<u>(109)</u>
	\$	<u>6,499</u>

12. WASHINGTON YOUTH GARDEN

FONA operates the Washington Youth Garden, a one-acre urban farm on the USNA grounds. The Washington Youth Garden is open to the public daily as a living, interactive program space that welcomes thousands of visitors each year. As a working urban demonstration farm, FONA grows over 7,000 pounds of food a year, which is donated to the community. USNA supports the Washington Youth Garden by providing mulch, access to water, and use of the greenhouses.

The Washington Youth Garden (WYG) serves as the home base for the following programs:

School Garden support: Friends of the National Arboretum supports local teachers and schools in growing and maintaining sustainable gardens integrated in the school community that serve as an outdoor science classroom, a living nutrition lab, and a creative space to get in touch with nature. We offer a week-long Summer Institute for teachers, followed by in-depth assistance to a cohort of eight schools during the school year. We will also co-teach standards-aligned, garden-based lessons so that educators develop confidence in delivering interactive, outdoor lessons.

High School Internships: Our Green Ambassadors paid high school internship program brings 12 Title 1 high school students to the Washington Youth Garden for a 6-weeks of skills, leadership and community development. Utilizing food as a gateway to understand our human connection with the land, interns master basic farming, carpentry and cooking, and develop their soft skills through teamwork, communication exercises, and other professional coaching.

Funding for WYG comes primarily from grant awards and contracts received from foundations, and government agencies. 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.

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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 USNA 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 USNA and for endowment; and for direct and indirect annual support of the USNA. FONA's gifts to USNA totaled the following for the year ended December 31, 2023:

Internship Support	\$ 63,600
Dues	1,000
Other	<u>39,010</u>
	<u>\$ 103,610</u>

In addition, the USNA acknowledges that FONA directly funds and manages a number of projects and public programs, such as WYG, that are central to the USNA's mission of education and community services, and so represent a contribution of \$975,305 for the year December 31, 2023. 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 year ended December 31, 2023:

Washington Youth Garden	\$ 699,514
Canopy Trail	186,195
Cultural Programming	143
Hikes and Tours	8,454
USNA Director's Fund	56,399
Cherry Tree Restoration	<u>24,600</u>
	<u>\$ 975,305</u>

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 expired on April 2, 2023, but will be recognized until the agreement is supplanted. 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.

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14. COMMITMENTS AND CONTINGENCIES

Funds received from governments are subject to audit under the provisions of the agreements. The ultimate determination of amounts received under the agreements is based upon the allowance of costs reported to and accepted by the oversight agency. Until the grant is closed out, there exists a contingency to refund any amount received in excess of allowable costs.

15. AVAILABILITY AND LIQUIDITY

The following represents FONA's financial assets at December 31, 2023:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 1,355,568
Investments	2,635,274
Accounts Receivable	27,137
Contributions and Grants Receivable	<u>275,074</u>
Total Financial Assets	<u>4,568,127</u>
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	3,674,584
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	(310,000)
Board-Designated Funds	<u>300,000</u>
	<u>3,664,584</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 903,543</u>

FONA strives to maintain liquid financial assets on hand to meet its 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.