

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

MULLINS P.C.
A CPA firm dedicated to serving nonprofits

Independent Auditor's Report

Board of Directors
Friends of the National Arboretum, Inc.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Friends of the National Arboretum, Inc. (FONA), which comprise the statement of financial position as of December 31, 2025, 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, Inc. as of December 31, 2025, 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.

Friends of the National Arboretum, Inc.
Washington, D.C.

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 FONA's 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 FONA's 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

We have previously audited the 2024 financial statements of Friends of the National Arboretum, Inc., and our report dated September 19, 2025, 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, 2024, is consistent, in all material respects, with the 2024 audited financial statements from which it has been derived.

Mullin PC

Bethesda, Maryland
October 30, 2026

Certified Public Accountants

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814

202.770.6371 | www.mullinspc.com | john@mullinspc.com

Friends of the National Arboretum, Inc.

Statement of Financial Position
December 31, 2025
With Comparative Totals as of December 31, 2024

	2025	2024
Assets		
Cash and Cash Equivalents	**$ 983,897**	$ 1,197,019
Investments	**3,222,931**	2,884,373
Accounts Receivable	**42,647**	28,540
Contributions and Grants Receivable	**330,415**	264,971
Prepaid Expenses	**27,176**	17,444
Right of Use (ROU) Asset	**916**	3,694
Property and Equipment - Net	**5,555**	11,362
Total Assets	**$ 4,613,537**	$ 4,407,403
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	**$ 247,366**	$ 119,782
Lease Liability	**941**	3,739
Deferred Revenue	**146,466**	123,750
Total Liabilities	**394,773**	247,271
Net Assets		
Without Donor Restrictions		
Undesignated	**(590,281)**	(321,959)
Board Designated	**300,000**	300,000
Total Net Assets Without Donor Restrictions	**(290,281)**	(21,959)
With Donor Restrictions	**4,509,045**	4,182,091
Total Net Assets	**4,218,764**	4,160,132
Total Liabilities and Net Assets	**$ 4,613,537**	$ 4,407,403

See Accompanying Notes to Financial Statements

Friends of the National Arboretum, Inc.

Statement of Activities
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	**Total**	Total
Support and Revenues				
Contributions and Grants	$ 523,490	$ 701,934	**$ 1,225,424**	$ 1,495,231
Government Grants	-	495,752	**495,752**	679,675
Annual Events	697,607	-	**697,607**	667,222
Membership	111,800	-	**111,800**	77,636
Contributed Services and Materials	28,104	-	**28,104**	35,136
Investment Income (Loss) - Net	46,892	312,721	**359,613**	259,410
Other	2,424	-	**2,424**	1,346
Net Assets Released from Restrictions	1,183,453	(1,183,453)	**-**	-
Total Support and Revenues	2,593,770	326,954	**2,920,724**	3,215,656
Expenses				
Program Services	1,931,348	-	**1,931,348**	1,997,541
Supporting Services				
General and Administrative	566,697	-	**566,697**	667,606
Fundraising	364,047	-	**364,047**	360,485
Total Supporting Services	930,744	-	**930,744**	1,028,091
Total Expense	2,862,092	-	**2,862,092**	3,025,632
Changes in Net Assets	(268,322)	326,954	**58,632**	190,024
Net Assets, Beginning of Year	(21,959)	4,182,091	**4,160,132**	3,970,108
Net Assets, End of Year	$ (290,281)	$ 4,509,045	**$ 4,218,764**	4,160,132

See Accompanying Notes to Financial Statements

Friends of the National Arboretum, Inc.

Statement of Functional Expenses
For The Year Ended December 31, 2025
With Comparative Totals For the Year Ended December 31, 2024

	2025							2024
	Washington Youth Garden	Projects and Acrtivities	Annual Events	Membership and Outreach	General and Administrative	Fundraising	**Total**	Total
Personnel Costs	$ 644,566	$ 116,144	$ 41,213	$ 61,913	$ 350,409	$ 296,925	**$ 1,511,170**	$ 1,578,599
Professional Services	114,423	394,783	68,970	350	147,520	35,343	**761,389**	818,170
Meetings and Events	4,239	15,120	48,980	2,699	2,794	16,263	**90,095**	73,027
Travel and Transportation	18,327	5,040	-	6	420	87	**23,880**	36,769
Office and Equipmental Rental	38,708	60,990	25,514	7,838	33,843	11,750	**178,643**	226,547
Advertising and Promotion	-	631	-	-	-	-	**631**	4,242
Garden and Program Supplies	50,503	63,902	1,775	-	4,200	1,827	**122,207**	110,486
Bank and Merchant Fees	201	4,360	954	2,867	2,388	1,852	**12,622**	11,924
Support to USNA	5,168	107,200	-	-	800	-	**113,168**	123,949
Insurance	14,695	2,363	-	-	21,090	-	**38,148**	31,469
Depreciation and Amortization	6,906	-	-	-	3,233	-	**10,139**	10,450
Total	$ 897,736	$ 770,533	$ 187,406	$ 75,673	$ 566,697	$ 364,047	**$ 2,862,092**	$ 3,025,632

See Accompanying Notes to Financial Statements

Friends of the National Arboretum, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	2025	2024
Cash Flows from Operating Activities		
Changes in Net Assets	**$ 58,632**	$ 190,024
Adjustments to Reconcile Changes in Net Assets		
to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	**10,139**	10,450
Amortization of ROU Asset	**2,778**	2,748
(Gain) Loss on Investments	**(202,167)**	(51,630)
Proceeds from Sale of Donated Securities	**58,679**	73,162
(Increase) Decrease in Assets		
Accounts Receivable	**(14,107)**	(1,403)
Contributions and Grants Receivable	**(65,444)**	10,103
Prepaid Expenses	**(9,732)**	(2,583)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**127,584**	(85,395)
Deferred Revenue	**22,716**	(16,358)
Lease Liability	**(2,798)**	(2,760)
Net Cash Provided by (Used in) Operating Activities	**(13,720)**	126,358
Cash Flows from Investing Activities		
Purchases of Investments	**(205,934)**	(280,694)
Proceeds from Sales of Investments	**10,864**	10,063
Purchases of Property and Equipment	**(4,332)**	(2,749)
Net Cash Provided by (Used in) Investing Activities	**(199,402)**	(273,380)
Cash Flows from Financing Activities		
Payments on Line of Credit	**-**	(11,527)
Net Cash Provided by (Used in) Financing Activities	**-**	(11,527)
Increase (Decrease) in Cash and Cash Equivalents	**(213,122)**	(158,549)
Cash and Cash Equivalents, Beginning of Year	**1,197,019**	1,355,568
Cash and Cash Equivalents, End of Year	**$ 983,897**	$ 1,197,019

See Accompanying Notes to Financial Statements

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.

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 stated at unpaid balances less an allowance for credit losses. FONA estimates credit losses using historical experience, current conditions, and reasonable and supportable forecasts. It is FONA's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, 2025, there was no allowance for credit losses.

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, 2025 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, 2025, 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, 2025. 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.

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, 2025.

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, 2025, deferred revenue from events totaled $140,250, and is included in 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, 2025, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions (Continued)

For the year ended December 31, 2025, 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.

Subsequent Events

Management has evaluated subsequent events through October 30, 2026, the date which the financial statements were available to be issued.

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.

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.

4. INVESTMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

The table below summarizes, by level within the fair value hierarchy, FONA's investments as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 102	$ -	$ -	$ 102
Mutual Funds:				
Large Cap	222,739	-	-	222,739
Mid Cap	404,107	-	-	404,107
Blend	481,693	-	-	481,693
International	485,895	-	-	485,895
Money Market	1,080	-	-	1,080
Fixed Income	1,627,315	-	-	1,627,315
Investments	$ 3,222,931	$ -	$ -	$ 3,222,931

Investment income (loss) consisted of the following for the year ended December 31, 2025:

Interest and Dividends	$ 167,830
Net Realized Gains (Losses)	87,198
Net Unrealized Gains (Losses)	114,969
Less: Investment Advisory Fees	(10,384)
Investment Income (Loss) - Net	$ 359,613

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2025:

Equipment	$ 109,903
Capital Improvements	25,524
	135,427
Less Accumulated Depreciation and Amortization	(129,872)
Property and Equipment - Net	$ 5,555

Depreciation and amortization expense for the year ended December 31, 2025 totaled $10,139.

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 1.8% above the bank's prime rate. There were no outstanding borrowings on this line of credit at December 31, 2025.

7. NET ASSETS

As of December 31, 2025, net assets with donor restrictions were:

	Beginning of Year	Contributions and Investment Income	Releases	End of Year
Purpose or Time Restrictions:				
Director's Fund	$ 431,619	$ 138,353	$ (66,959)	$ 503,013
Heritage Collection	2,750	36,260	(24,009)	15,001
Lahr Symposium	23,969	45,089	(7,846)	61,212
Bonsai Museum and Education	-	352,123	-	352,123
Herb Garden	25,000	-	-	25,000
USNA Projects - Hickey Run	91,946	-	-	91,946
Canopy Trail Campaign	721,067	-	(151,728)	569,339
Asian Collection	2,491	-	-	2,491
Youth Garden	200,870	600,861	(801,731)	-
Capital Columns Campaign	3,021	-	-	3,021
Time Restricted	35,500	25,000	(35,500)	25,000
	$ 1,538,233	$ 1,197,686	$ (1,087,773)	$ 1,648,146
Endowments:				
Subject to Endowment Spending Policy - Unappropriated Endowment	$ 1,159,786	$ 312,721	$ (95,680)	$ 1,376,827
Heritage Collections Fund	1,000,000	-	-	1,000,000
Meyer Kidder Fund	484,072	-	-	484,072
	2,643,858	312,721	(95,680)	2,860,899
	$ 4,182,091	$ 1,510,407	$ (1,183,453)	$ 4,509,045

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.

7. NET ASSETS (CONTINUED)

Board-Designated Net Assets

As of December 31, 2025, net assets have been designated by the Board of Directors in the amount of $300,000.

As of December 31, 2025, the total of board-designated net assets exceeds the amount of net assets without donor restrictions. The board-designated funds are not externally restricted and can be undesignated at the board's discretion. If FONA requires additional liquidity to meet the designated purpose, it may utilize future operating revenues, un-designate a portion of the board-designated net assets, or secure other financing. In addition, FONA is currently exploring initiatives to generate unrestricted revenue and is working to reduce operating costs.

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.

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, 2025:

	Heritage Collections Fund	Meyer Kidder Fund	Total
Donor-Restricted			
Original Gift Value	$ 1,000,000	$ 484,072	$ 1,484,072
Accumulated Investment Earnings	728,533	648,294	1,376,827
Total Funds	$ 1,728,533	$ 1,132,366	$ 2,860,899

8. ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2025:

	Without Donor Restrictions - Designated	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ -	$ 2,643,858	$ 2,643,858
Investment Income	-	312,721	312,721
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(95,680)	(95,680)
Endowment Net Assets, End of Year	$ -	$ 2,860,899	$ 2,860,899

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, 2025.

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.

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, 2025, 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, 2025:

Materials	$	27,504
Legal and Other Specialized Services		600
	$	28,104

The following programs have benefited from these contributed services and materials for the year ended December 31, 2025:

Program Services	$	24,957
General and Administrative		1,321
Fundraising		1,826
	$	28,104

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, 2025 totaled $41,669

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, 2025, the lease liability was as follows:

2026	$	944
Less Amount Representing Interest (1.37%)		(3)
	$	941

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.

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; educating local and federal levels of government about USNA interests; 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 expenditures for projects and programs directly benefiting USNA were for the following for the year ended December 31, 2025:

Washington Youth Garden	$	897,736
Canopy Trail		151,728
Cultural Programming		102,454
Hikes and Tours		9,796
USNA Director's Fund		66,959
Internship Support		108,000
Other		156,702
	$	1,493,375

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, 2025:

Financial Assets at Year End:		
Cash and Cash Equivalents	$	983,897
Investments		3,222,931
Accounts Receivable		42,647
Contributions and Grants Receivable		330,415
Total Financial Assets		4,579,890
Less Amounts Not Available To Be Used Within One Year:		
Net Assets With Donor Restrictions		4,509,045
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		(498,005)
Board-Designated Funds		300,000
		4,311,040
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$	268,850

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.

FONA has a line of credit with $100,000 borrowing capacity as of December 31, 2025.