

Friends of the National Arboretum, Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

Friends of the National Arboretum, Inc.

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years 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 FONA as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 audits. 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.

Responsibilities of Management for the Financial Statements (continued)

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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
January 5, 2023

Friends of the National Arboretum, Inc.

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,219,805	\$ 641,482
Investments	2,810,734	2,602,028
Accounts receivable	6,260	30,534
Contributions receivable	43,580	40,509
Grants receivable	42,815	42,909
Prepaid expenses	15,095	36,570
Property and equipment, net	34,574	12,469
Total assets	\$ 4,172,863	\$ 3,406,501
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 83,271	\$ 41,628
Accrued salaries and related benefits	92,471	74,901
Deferred revenue	100,250	87,975
Refundable advances	-	37,986
Line of credit	14,092	16,045
Loan payable – Paycheck Protection Program	-	163,400
Total liabilities	290,084	421,935
Net Assets		
Without donor restrictions:		
Undesignated	87,504	21,025
Board-designated	300,000	300,000
Total without donor restrictions	387,504	321,025
With donor restrictions:		
Endowment corpus – perpetual in nature	1,484,072	1,484,072
Unappropriated endowment earnings	1,082,733	887,472
Purpose restricted	928,470	291,997
Total with donor restrictions	3,495,275	2,663,541
Total net assets	3,882,779	2,984,566
Total liabilities and net assets	\$ 4,172,863	\$ 3,406,501

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Activities
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 463,153	\$ 978,285	\$ 1,441,438
Government grants	-	305,279	305,279
Annual events	397,751	-	397,751
Membership	52,119	-	52,119
Contributed services and materials	13,754	12,782	26,536
Investment return	12,777	195,261	208,038
Other income	341,038	-	341,038
Released from restrictions	659,873	(659,873)	-
	<u>1,940,465</u>	<u>831,734</u>	<u>2,772,199</u>
Expenses			
Program services:			
Washington Youth Garden	689,584	-	689,584
Projects and activities	79,539	-	79,539
Annual events	156,898	-	156,898
Membership and outreach	114,847	-	114,847
	<u>1,040,868</u>	<u>-</u>	<u>1,040,868</u>
Supporting services:			
Management and general	644,348	-	644,348
Fundraising	188,770	-	188,770
	<u>833,118</u>	<u>-</u>	<u>833,118</u>
Total expenses	<u>1,873,986</u>	<u>-</u>	<u>1,873,986</u>
Change in Net Assets	66,479	831,734	898,213
Net Assets, beginning of year	<u>321,025</u>	<u>2,663,541</u>	<u>2,984,566</u>
Net Assets, end of year	<u>\$ 387,504</u>	<u>\$ 3,495,275</u>	<u>\$ 3,882,779</u>

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 528,668	\$ 283,876	\$ 812,544
Government grants	-	305,531	305,531
Annual events	270,371	-	270,371
Membership	40,506	-	40,506
Contributed services and materials	65,277	5,629	70,906
Investment return	28,855	303,568	332,423
Other income	2,406	-	2,406
Released from restrictions	551,378	(551,378)	-
	<u>1,487,461</u>	<u>347,226</u>	<u>1,834,687</u>
Expenses			
Program services:			
Washington Youth Garden	587,333	-	587,333
Projects and activities	94,827	-	94,827
Annual events	43,667	-	43,667
Membership and outreach	109,286	-	109,286
	<u>835,113</u>	<u>-</u>	<u>835,113</u>
Supporting services:			
Management and general	512,567	-	512,567
Fundraising	143,677	-	143,677
	<u>656,244</u>	<u>-</u>	<u>656,244</u>
Total expenses	<u>1,491,357</u>	<u>-</u>	<u>1,491,357</u>
Change in Net Assets	(3,896)	347,226	343,330
Net Assets, beginning of year	<u>324,921</u>	<u>2,316,315</u>	<u>2,641,236</u>
Net Assets, end of year	<u>\$ 321,025</u>	<u>\$ 2,663,541</u>	<u>\$ 2,984,566</u>

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services					Supporting Services			
	Washington Youth Garden	Projects and Activities	Annual Events	Membership and Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 364,305	\$ 802	\$ 49,177	\$ 68,730	\$ 483,014	\$ 272,918	\$ 126,985	\$ 399,903	\$ 882,917
Benefits	53,124	56	6,817	9,872	69,869	38,937	16,569	55,506	125,375
Payroll taxes	30,543	64	4,019	5,677	40,303	21,757	10,263	32,020	72,323
Support to USNA	8,696	2,081	-	-	10,777	-	-	-	10,777
Printing	3,709	-	2,346	8,209	14,264	3,338	3,064	6,402	20,666
Professional fees	146,490	75,104	16,164	12,450	250,208	240,997	6,455	247,452	497,660
Refreshments	449	339	30,872	-	31,660	2,153	10,193	12,346	44,006
Training	3,528	-	-	-	3,528	786	-	786	4,314
Telephone and website	11,590	10	637	1,521	13,758	21,841	1,578	23,419	37,177
Depreciation and amortization	5,676	-	390	-	6,066	990	-	990	7,056
Travel	788	-	-	-	788	-	29	29	817
Postage and delivery	10	-	21	3,042	3,073	798	1,409	2,207	5,280
Garden and program supplies	35,157	1,016	13,385	789	50,347	3,124	1,372	4,496	54,843
Membership, promotion, and processing	58	-	90	465	613	583	-	583	1,196
Bank fees	556	67	585	1,072	2,280	4,093	2,408	6,501	8,781
Rent and maintenance; equipment and office	13,605	-	23,379	3,020	40,004	6,721	8,445	15,166	55,170
Miscellaneous	-	-	-	-	-	1,715	-	1,715	1,715
Insurance	7,534	-	-	-	7,534	9,843	-	9,843	17,377
In-kind	3,766	-	9,016	-	12,782	13,754	-	13,754	26,536
Total Expenses	\$ 689,584	\$ 79,539	\$ 156,898	\$ 114,847	\$ 1,040,868	\$ 644,348	\$ 188,770	\$ 833,118	\$ 1,873,986

See accompanying notes.

Friends of the National Arboretum, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2020

	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	\$ 332,620	\$ 8,561	\$ 22,575	\$ 63,384	\$ 427,140	\$ 215,177	\$ 105,562	\$ 320,739	\$ 747,879	
Benefits	59,582	1,210	4,108	9,058	73,958	13,361	15,542	28,903	102,861	
Payroll taxes	22,185	700	1,969	5,073	29,927	14,374	8,591	22,965	52,892	
Support to USNA	14,243	3,104	-	-	17,347	-	-	-	17,347	
Printing	31	-	186	8,666	8,883	5,503	2,749	8,252	17,135	
Professional fees	103,753	78,541	8,701	15,440	206,435	150,434	4,325	154,759	361,194	
Refreshments	124	1,199	75	-	1,398	272	406	678	2,076	
Training	914	-	-	76	990	915	378	1,293	2,283	
Telephone and website	10,573	40	127	640	11,380	12,110	520	12,630	24,010	
Depreciation and amortization	1,458	-	390	-	1,848	2,264	-	2,264	4,112	
Travel	778	-	-	-	778	-	-	-	778	
Postage and delivery	56	159	-	3,275	3,490	562	890	1,452	4,942	
Garden and program supplies	22,476	1,140	58	71	23,745	1,955	202	2,157	25,902	
Membership, promotion, and processing	185	-	-	400	585	-	3,091	3,091	3,676	
Bank fees	-	-	-	-	-	11,017	-	11,017	11,017	
Rent and maintenance; equipment and office	9,707	173	-	3,203	13,083	6,405	1,421	7,826	20,909	
Miscellaneous	-	-	-	-	-	1,671	-	1,671	1,671	
Insurance	8,498	-	-	-	8,498	11,269	-	11,269	19,767	
In-kind	150	-	5,478	-	5,628	65,278	-	65,278	70,906	
Total Expenses	\$ 587,333	\$ 94,827	\$ 43,667	\$ 109,286	\$ 835,113	\$ 512,567	\$ 143,677	\$ 656,244	\$ 1,491,357	

See accompanying notes.

Friends of the National Arboretum, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
	<u> </u>	<u> </u>
Cash Flows from Operating Activities		
Change in net assets	\$ 898,213	\$ 343,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,056	4,112
Realized and unrealized gain on investments	(113,069)	(271,286)
Donated stock	-	(26,167)
Forgiveness of loans payable – Paycheck Protection Program	(322,740)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	24,274	(29,979)
Contributions receivable	(3,071)	(5,151)
Grants receivable	94	(16,639)
Prepaid expenses	21,475	(14,782)
Increase (decrease) in:		
Accounts payable and accrued expenses	41,643	(36,346)
Accrued salaries and related benefits	17,570	39,116
Deferred revenue	12,275	40,225
Refundable advances	(37,986)	37,986
	<u>545,734</u>	<u>64,419</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(29,161)	(7,514)
Purchases of investments	(229,137)	(355,002)
Proceeds from sales of investments	133,500	325,075
	<u>(124,798)</u>	<u>(37,441)</u>
Cash Flows from Financing Activities		
Payments on line of credit	(1,953)	(2,247)
Proceeds from issuance of loan – Paycheck Protection Program	159,340	163,400
	<u>157,387</u>	<u>161,153</u>
Net Increase in Cash and Cash Equivalents	578,323	188,131
Cash and Cash Equivalents, beginning of year	<u>641,482</u>	<u>453,351</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,219,805</u>	<u>\$ 641,482</u>

See accompanying notes.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020

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, and investment management fees, 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, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

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 statements of activities as net assets released from restrictions.

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 years ended December 31, 2021 and 2020.

Additionally, 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.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers

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 statements 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.

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 \$1,197 and \$3,130 for the years ended December 31, 2021 and 2020, respectively.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 for the year ended December 31, 2022.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the new ASU, not-for-profit entities will be required to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The guidance is effective beginning for the year ended December 31, 2022.

Subsequent Events

In preparing these financial statements, FONA has evaluated events and transactions for potential recognition or disclosure through January 5, 2023, the date the financial statements were available to be issued.

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, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,219,805	\$ 641,482
Investments	2,810,734	2,602,028
Accounts receivable	6,260	30,534
Contributions receivable	43,580	40,509
Grants receivable	42,815	42,909
Less: endowment corpus	<u>(1,484,072)</u>	<u>(1,484,072)</u>
Total available for general expenditures	<u>\$ 2,639,122</u>	<u>\$ 1,873,390</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

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 104,241	\$ 67,052
Realized gain	51,704	70,345
Unrealized gain	61,365	200,941
Investment management fees	<u>(9,272)</u>	<u>(5,915)</u>
Total investment return	<u>\$ 208,038</u>	<u>\$ 332,423</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

5. Investments and Fair Value Measurements (continued)

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.

The following table presents FONA's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 476	\$ -	\$ -	\$ 476
Mutual funds:				
Large cap growth	204,013	-	-	204,013
International growth	392,303	-	-	392,303
Money market	241,205	-	-	241,205
Mid cap value fund	146,195	-	-	146,195
Bond fund	1,136,738	-	-	1,136,738
Large blend	446,916	-	-	446,916
Mid cap growth	242,888	-	-	242,888
Total investments	<u>\$ 2,810,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,810,734</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,250	\$ -	\$ -	\$ 3,250
Mutual funds:				
Large cap growth	180,425	-	-	180,425
International growth	415,409	-	-	415,409
Money market	221,601	-	-	221,601
Mid cap value fund	138,074	-	-	138,074
Bond fund	1,039,847	-	-	1,039,847
Large blend	394,865	-	-	394,865
Mid cap growth	208,557	-	-	208,557
Total investments	\$ 2,602,028	\$ -	\$ -	\$ 2,602,028

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Equipment	\$ 108,348	\$ 79,188
Capital improvements	25,524	25,524
Total property and equipment	133,872	104,712
Less: accumulated depreciation and amortization	(99,298)	(92,243)
Property and equipment, net	\$ 34,574	\$ 12,469

Friends of the National Arboretum, Inc.

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7. Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditures for specified purposes:		
Garden projects	\$ 7,974	\$ 8,000
Director's fund	137,181	41,300
Cherry tree restoration	24,600	24,600
Herb garden	25,000	25,000
USNA projects – Hickey Run	91,955	91,955
Canopy Trail Campaign	596,248	52,000
Asian Collection	2,491	2,491
New Initiatives Fund	40,000	40,000
Capital Columns Campaign	3,021	3,021
Other project – Washington Youth Garden	-	3,630
	928,470	291,997
Total subject to expenditures for specified purposes	928,470	291,997
Endowments:		
Subject to endowment spending policy – unappropriated endowment earnings	1,082,733	887,472
Heritage Collections Fund	1,000,000	1,000,000
Meyer Kidder Fund	484,072	484,072
	2,566,805	2,371,544
Total endowments	2,566,805	2,371,544
Total net assets with donor restrictions	\$ 3,495,275	\$ 2,663,541

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.

Friends of the National Arboretum, Inc.

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

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.

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 Arboretum’s plans and management of its resources.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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 was as follows at December 31:

	<u>2021</u>	<u>2020</u>
Donor-restricted endowment funds	<u>\$ 2,566,805</u>	<u>\$ 2,371,544</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

8. Endowment (continued)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Endowment funds, beginning of year	\$ 2,371,544	\$ 2,067,976
Interest and dividends	96,167	59,462
Net appreciation (realized and unrealized)	107,551	249,486
Investment management fees	<u>(8,457)</u>	<u>(5,380)</u>
Endowment funds, end of year	<u>\$ 2,566,805</u>	<u>\$ 2,371,544</u>

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 FONIA 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, 2021 and 2020.

9. Commitments and Contingencies

Government Grants

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.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

9. Commitments and Contingencies (continued)

Operating Lease

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

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

2022	\$	2,832
2023		2,832
2024		2,832
2025		2,832
2026		944
		<hr/>
Total future minimum lease payments	\$	<u>12,272</u>

10. 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, 2021 and 2020 amounted to \$14,092 and \$16,045, respectively.

11. Loan Payable – Paycheck Protection Program

FONA applied for two loans under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which FONA qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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11. Loan Payable – Paycheck Protection Program (continued)

The initial loan was granted to FONA on May 7, 2020 in the amount of \$163,400 with terms including a 1.00% fixed interest rate. The loan was scheduled to mature on May 7, 2022. At December 31, 2020, the amount is recorded as a loan payable, which is reflected in the accompanying statements of financial position. On March 29, 2021, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. For the year ended December 31, 2021, FONA recorded \$163,400 as other income, which is reflected in the accompanying statement of activities.

In 2021, FONA applied for a second round of the PPP loan. The loan was granted to FONA on March 8, 2021 in the amount of \$159,340, and included a 1.00% fixed interest rate. The loan was scheduled to mature on March 8, 2026. On December 27, 2021, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. For the year ended December 31, 2021, FONA recorded \$159,340 as other income, which is reflected in the accompanying statement of activities.

12. Contributed Services and Materials

During the years ended December 31, 2021 and 2020, 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 years ended December 31:

	<u>2021</u>	<u>2020</u>
Materials	\$ 12,782	\$ 6,244
Legal and other specialized services	<u>13,754</u>	<u>64,662</u>
Total contributed services and materials	<u>\$ 26,536</u>	<u>\$ 70,906</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

12. Contributed Services and Materials (continued)

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

	<u>2021</u>	<u>2020</u>
Washington Youth Garden	\$ 3,766	\$ 150
Annual events	9,016	5,479
Management and general	<u>13,754</u>	<u>65,277</u>
Total benefit to programs and supporting services	<u>\$ 26,536</u>	<u>\$ 70,906</u>

13. 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.

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.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

13. Washington Youth Garden (continued)

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.

14. 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:

	2021	2020
Internship support	\$ 8,696	\$ 17,347
Other	2,081	-
Total support to USNA	<u>\$ 10,777</u>	<u>\$ 17,347</u>

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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14. Support to USNA (continued)

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 \$776,456 and \$677,533 for the years ended December 31, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Washington Youth Garden	\$ 689,799	\$ 588,369
Canopy Trail	68,167	-
Capital Columns Restoration	-	42,944
Cultural Programming	1,653	213
Hikes and Tours	10,168	14,602
USNA Director's Fund	6,669	31,217
Replanting Springhouse Run	-	188
	<u> </u>	<u> </u>
Total managed support activities	<u>\$ 776,456</u>	<u>\$ 677,533</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 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.

Friends of the National Arboretum, Inc.

Notes to Financial Statements
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15. 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 years ended December 31, 2021 and 2020 totaled \$24,147 and \$20,098, respectively.

16. 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.

17. 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, 2021 and 2020, 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.