
The Morton Arboretum

**Financial Report
December 31, 2020**

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Independent Auditor's Report

To the Board of Trustees
The Morton Arboretum

Report on the Financial Statements

We have audited the accompanying financial statements of The Morton Arboretum (the "Arboretum"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Morton Arboretum as of December 31, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4 to the financial statements, the financial statements include investments valued at \$69,140,555 (26.4 percent of net assets) and \$61,806,415 (24.5 percent of net assets) as of December 31, 2020 and 2019, respectively, whose fair values have been estimated by management using the most recent available statement adjusted by subsequent contributions and distributions. Because of the inherent uncertainty of valuation, management's estimate of values may differ significantly from values that would have been used had a ready market existed for these securities, and the differences could be material. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The Morton Arboretum

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of The Morton Arboretum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Morton Arboretum's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 23, 2021

Statement of Financial Position

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|------------------------------|------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 10,000,226 | \$ 3,723,616 |
| Accounts receivable: | | |
| Accrued interest and dividends | 82,860 | 49,144 |
| Grants | 330,451 | 310,490 |
| Pledges - Net | 1,685,716 | 2,617,167 |
| Other | 27,589 | 55,600 |
| Investments | 260,788,552 | 250,887,690 |
| Other assets | 797,702 | 549,800 |
| Property and equipment - Net | <u>47,416,813</u> | <u>49,810,951</u> |
| Total assets | <u>\$ 321,129,909</u> | <u>\$ 308,004,458</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and other accrued liabilities | \$ 4,719,318 | \$ 3,507,233 |
| Interest rate swap | - | 303,139 |
| Loans payable | 4,880,600 | 2,750,000 |
| Bonds payable - Net | <u>50,039,216</u> | <u>48,694,063</u> |
| Total liabilities | 59,639,134 | 55,254,435 |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 224,961,245 | 219,880,575 |
| Board designated | <u>29,411,300</u> | <u>24,845,127</u> |
| Total without donor restrictions | 254,372,545 | 244,725,702 |
| Net assets with donor restrictions | <u>7,118,230</u> | <u>8,024,321</u> |
| Total net assets | <u>261,490,775</u> | <u>252,750,023</u> |
| Total liabilities and net assets | <u>\$ 321,129,909</u> | <u>\$ 308,004,458</u> |

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|--|-------------------------------|-------------------------|-----------------------|-------------------------------|-------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| | | \$ | \$ | \$ | \$ | \$ |
| Revenue, Gains, and Other Support | | | | | | |
| Retail services | 2,312,780 | - | 2,312,780 | 9,476,098 | - | 9,476,098 |
| Admissions | 1,812,163 | - | 1,812,163 | 2,081,972 | - | 2,081,972 |
| Education | 499,440 | - | 499,440 | 1,159,785 | - | 1,159,785 |
| Visitor events | 2,951,739 | - | 2,951,739 | 4,545,659 | - | 4,545,659 |
| Development | 4,741,853 | 865,759 | 5,607,612 | 5,039,815 | 854,810 | 5,894,625 |
| Governmental grants | 1,474,272 | - | 1,474,272 | 1,114,422 | - | 1,114,422 |
| Membership | 4,789,675 | - | 4,789,675 | 5,417,457 | - | 5,417,457 |
| Net assets released from restrictions | 2,212,046 | (2,212,046) | - | 2,346,197 | (2,346,197) | - |
| Total revenue, gains, and other support | 20,793,968 | (1,346,287) | 19,447,681 | 31,181,405 | (1,491,387) | 29,690,018 |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Collections and facilities | 8,585,293 | - | 8,585,293 | 9,615,109 | - | 9,615,109 |
| Education | 1,066,659 | - | 1,066,659 | 1,289,902 | - | 1,289,902 |
| Science and conservation | 4,402,229 | - | 4,402,229 | 4,198,471 | - | 4,198,471 |
| Public programs | 1,598,576 | - | 1,598,576 | 1,629,025 | - | 1,629,025 |
| Retail services | 3,450,326 | - | 3,450,326 | 7,638,324 | - | 7,638,324 |
| Visitor services | 3,093,735 | - | 3,093,735 | 3,661,347 | - | 3,661,347 |
| Interest | 1,535,940 | - | 1,535,940 | 1,238,730 | - | 1,238,730 |
| Depreciation | 3,280,379 | - | 3,280,379 | 3,257,578 | - | 3,257,578 |
| Total program services | 27,013,137 | - | 27,013,137 | 32,528,486 | - | 32,528,486 |
| Support services: | | | | | | |
| Administration | 6,293,705 | - | 6,293,705 | 6,309,145 | - | 6,309,145 |
| Membership | 1,305,344 | - | 1,305,344 | 1,406,095 | - | 1,406,095 |
| Development | 1,718,005 | - | 1,718,005 | 2,032,669 | - | 2,032,669 |
| Total support services | 9,317,054 | - | 9,317,054 | 9,747,909 | - | 9,747,909 |
| Total expenses | 36,330,191 | - | 36,330,191 | 42,276,395 | - | 42,276,395 |
| Decrease in Net Assets - Before other changes | (15,536,223) | (1,346,287) | (16,882,510) | (11,094,990) | (1,491,387) | (12,586,377) |
| Other Changes | | | | | | |
| Investment income | 25,898,927 | 440,196 | 26,339,123 | 31,629,272 | 1,262,137 | 32,891,409 |
| Realized/unrealized loss on interest rate swap | (715,861) | - | (715,861) | (555,567) | - | (555,567) |
| Increase (Decrease) in Net Assets | 9,646,843 | (906,091) | 8,740,752 | 19,978,715 | (229,250) | 19,749,465 |
| Net Assets - Beginning of year | 244,725,702 | 8,024,321 | 252,750,023 | 224,746,987 | 8,253,571 | 233,000,558 |
| Net Assets - End of year | <u>\$ 254,372,545</u> | <u>\$ 7,118,230</u> | <u>\$ 261,490,775</u> | <u>\$ 244,725,702</u> | <u>\$ 8,024,321</u> | <u>\$ 252,750,023</u> |

Statement of Functional Expenses

Year Ended December 31, 2020

| | Program Services | Management and General | Membership and Development | Total |
|----------------------------------|----------------------|---------------------------|----------------------------------|----------------------|
| Salaries and benefits | \$ 13,362,493 | \$ 4,506,396 | \$ 1,979,840 | \$ 19,848,729 |
| Supplies and travel | 1,737,877 | 97,964 | 516,200 | 2,352,041 |
| Services and professional fees | 4,653,811 | 1,689,345 | 527,309 | 6,870,465 |
| Cost of sales | 867,581 | - | - | 867,581 |
| Occupancy | 1,575,056 | - | - | 1,575,056 |
| Interest | 1,535,940 | - | - | 1,535,940 |
| Depreciation and amortizaion | 3,280,379 | - | - | 3,280,379 |
| Total functional expenses | \$ 27,013,137 | \$ 6,293,705 | \$ 3,023,349 | \$ 36,330,191 |

Year Ended December 31, 2019

| | Program Services | Management and General | Membership and Development | Total |
|----------------------------------|----------------------|---------------------------|----------------------------------|----------------------|
| Salaries and benefits | \$ 13,029,410 | \$ 4,060,535 | \$ 1,895,006 | \$ 18,984,951 |
| Supplies and travel | 3,321,561 | 355,316 | 868,199 | 4,545,076 |
| Services and professional fees | 6,769,058 | 1,893,294 | 675,559 | 9,337,911 |
| Cost of sales | 2,648,231 | - | - | 2,648,231 |
| Occupancy | 2,263,918 | - | - | 2,263,918 |
| Interest | 1,238,730 | - | - | 1,238,730 |
| Depreciation and amortizaion | 3,257,578 | - | - | 3,257,578 |
| Total functional expenses | \$ 32,528,486 | \$ 6,309,145 | \$ 3,438,764 | \$ 42,276,395 |

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 8,740,752 | \$ 19,749,465 |
| Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities: | | |
| Depreciation | 3,280,379 | 3,257,578 |
| Realized/unrealized loss on interest rate swap | 715,861 | 555,567 |
| Amortization of debt issuance costs | 318,489 | 13,491 |
| Contributions restricted for long-term purposes | (289,060) | (376,827) |
| Net realized and unrealized investment gains | (22,678,277) | (27,758,225) |
| (Gain) loss on disposal of property and equipment | (4,900) | 45,365 |
| Changes in operating assets and liabilities that (used) provided cash and cash equivalents: | | |
| (Increase) decrease in accrued interest and dividends receivable | (33,716) | 19,291 |
| Decrease in other receivables | 28,011 | 34,238 |
| Increase in grants receivable | (19,961) | (108,093) |
| Decrease in pledges receivable | 9,760 | 13,797 |
| Increase in other assets | (247,902) | (37,258) |
| Decrease (increase) in accounts payable and other accrued liabilities | 1,212,085 | (87,934) |
| Net cash and cash equivalents used in operating activities | (8,968,479) | (4,679,545) |
| Cash Flows from Investing Activities | | |
| Acquisition of property and equipment | (678,511) | (356,021) |
| Proceeds from sale of property and equipment | 4,900 | 15,720 |
| Purchases of marketable securities | (139,729,177) | (73,576,390) |
| Proceeds from sales and maturities of marketable securities | 152,506,592 | 78,170,996 |
| Acquisition of property and equipment with proceeds from contributions restricted for long-term purposes | (207,730) | (146,620) |
| Net cash and cash equivalents provided by investing activities | 11,896,074 | 4,107,685 |
| Cash Flows from Financing Activities | | |
| Cash proceeds from contributions of stock - Restricted for long-term purposes | - | 32,868 |
| Cash collections from contributions restricted for long-term purposes | 1,210,751 | 1,492,515 |
| Payments on loan payable | (1,375,000) | (1,375,000) |
| Payment of debt issuance costs | (340,009) | - |
| Proceeds from issuance of bonds | 50,366,673 | - |
| Payments on bonds | (49,000,000) | - |
| Proceeds from Paycheck Protection Program loan | 3,505,600 | - |
| Payment to terminate interest rate swap | (1,019,000) | - |
| Net cash and cash equivalents provided by financing activities | 3,349,015 | 150,383 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,276,610 | (421,477) |
| Cash and Cash Equivalents - Beginning of year | 3,723,616 | 4,145,093 |
| Cash and Cash Equivalents - End of year | \$ 10,000,226 | \$ 3,723,616 |
| Supplemental Cash Flow Information - Cash paid for interest | \$ 1,072,271 | \$ 1,228,606 |

December 31, 2020 and 2019

Note 1 - Nature of the Organization

The Morton Arboretum (the "Arboretum") is an outdoor museum of living woody plants. The mission of The Morton Arboretum is to collect and study trees, shrubs, and other plants from around the world; display them across naturally beautiful landscapes for people to study and enjoy; and learn how to grow them in ways that enhance our environment. The Arboretum's goal is to encourage the planting and conservation of trees and other plants for a greener, healthier, and more beautiful world.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with nonprofit reporting principles and practices.

Classification of Net Assets

Net assets of the Arboretum are classified as without donor restrictions or with donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Arboretum's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Accordingly, net assets of the Arboretum are reported as follows:

Funds without Donor Restrictions

Those resources over which the board of trustees has discretionary control. These include any designated amounts the board has set aside for a particular purpose. These funds are broken out by board designation into the following funds:

- Undesignated - Represents the portion of expendable funds available for support of the Arboretum's operations
- Board-designated fund - Those funds designated by the board of trustees to function as endowments are classified as board-designated net assets. These funds include the Infrastructure Fund, Suzette Morton Davidson Rare Book and Print Fund, the Capital Development Fund, and the Capital Campaign Estate Gifts Fund. The Infrastructure Fund is intended to support the repair and replacement of significant buildings or site facilities. The Suzette Morton Davidson Rare Book and Print Fund supports the acquisition and maintenance of the Arboretum's rare books and prints. The Capital Development Fund finances major additions and renovations to the Arboretum's facilities. The Capital Campaign Estate Gifts Fund is composed of estate gifts received during a fundraising period if there is no stated restriction. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Funds with Donor Restrictions

Those resources subject to donor-imposed restrictions that will be satisfied either by actions of the Arboretum or the passage of time or that stipulate that the principal of these endowments can be permanently invested by the Arboretum.

Earnings, gains, and losses on restricted net assets are classified as without donor restrictions, unless specifically restricted by the donor or by applicable state law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are released to net assets without donor restrictions.

Revenue Recognition

The Arboretum derives revenue from the following revenue streams:

- Retail services

Note 2 - Significant Accounting Policies (Continued)

- Admissions
- Education
- Visitor events
- Membership

Performance Obligations

The following explains the performance obligations related to each revenue stream and how those are recognized:

Retail Services

The Arboretum generates revenue from written or implied agreements for a specific exchange of merchandise, food, or facility rental priced at market value and recognized at time of performance.

Admissions

The Arboretum charges entrance to the grounds priced at market value and recognized at the date of admission.

Education

The Arboretum generates revenue from written agreements identifying the specific education course priced at market value and recognized at the end of the program.

Visitor Events

The Arboretum generates revenue from written agreements or implied special event admission, annual plant sale, and miscellaneous visitor services priced at market value and recognized at the time of performance.

Membership

The Arboretum generates revenue from written agreements allowing free admission for a one- or two-year period priced at market value and recognized over the membership period, as applicable. There is a nominal value of privileges associated with membership.

Contract liabilities arising from revenue with customers had a beginning balance as of January 1, 2020 and 2019 of \$1,594,290 and \$1,471,744, respectively. The closing balances were \$1,865,407 and \$1,594,290 as of December 31, 2020 and 2019, respectively.

Other Revenue and Support

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less. The Arboretum maintains cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits. The Arboretum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments are reported at fair value. Investment income, including realized and unrealized gains (losses), is reflected in the statement of activities and changes in net assets as an increase (decrease) in net assets. Interest and dividend income is recorded on the accrual basis. Realized gains and losses are determined based on specific identification of securities sold using the first-in, first-out (FIFO) accounting method.

The Arboretum's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amounts reported in the financial statements.

The Arboretum readily accepts marketable securities from donors, which may be delivered in certificate form or transferred to the Arboretum's brokerage account from the donor's brokerage account. The policy of the Arboretum is to sell all such securities as soon as possible after receipt.

Pledges Receivable

The Arboretum's pledges receivable are composed primarily of promises made by donors for use in the Arboretum's activities. Unconditional promises expected to be collected within one year are recorded at fair value. Unconditional promises expected to be collected in future years are recorded as a receivable at the present value of expected future cash flows. The Arboretum has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The Arboretum capitalizes additions of property and equipment in excess of \$25,000, with the exception of motor vehicles and attachments, which are capitalized regardless of cost. Costs of repairs and maintenance are charged to expense as incurred.

Deferred Financing Costs

Bond issuance costs are amortized using the straight-line method over the lives of the bonds, which are 35 years for the 2003 series bond, 30 years for the 2017 series bond, and 27 years for the 2020 series bond. During 2020, the 2003 and 2017 series bonds were paid off with the issuance of the 2020 series bond, as described in Note 8. The remaining unamortized bond issuance costs were written off in 2020 and are included in amortization expense. Amortization expense was \$318,489 and \$13,491 for the years ended December 31, 2020 and 2019, respectively. Unamortized bond issuance costs of \$520,033 and \$305,937 as of December 31, 2020 and 2019, respectively, are included in bonds payable as a reduction of the liability on the statement of financial position.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statements of activities and changes in net assets and functional expenses. Costs are charged to program and support services on an actual basis. Management has determined that allocations for certain indirect costs, such as depreciation and occupancy expenses, that could be allocated to support services based on relative square footage are not material to the financial statements as a whole and have not been allocated. Even though the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Donated Services and Assets

Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value if the services received create or enhance long-lived assets or require specialized skills and would need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. In-kind contributions that meet the criteria for recognition are included in the accompanying financial statements and are offset by like amounts as expenses or additions to property and equipment.

For the years ended December 31, 2020 and 2019 there were no donated services. The value of services would be determined based on their estimated fair value. Other volunteer services are not reflected in the financial statements because the criteria for recognition of those services has not been met.

Collection Items

The Arboretum's rare books and print collections are not capitalized in the accompanying financial statements. Living woody plants are also not capitalized, unless they are part of a major capital project. Purchases of collection items that are not capitalized are recorded as decreases in net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Arboretum is a not-for-profit entity and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Arboretum and recognize a tax liability if the Arboretum has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries implemented measures to combat the outbreak that have impacted global business operations. As a result of the pandemic, the Arboretum has experienced reductions in earned revenue through retail services, visitor services, and membership due to facility closures during 2020. Additionally, the Arboretum has received funding via the Paycheck Protection Program to help with payroll costs; see Note 9 for further information.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Arboretum's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Upcoming Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts-in-kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Arboretum's year ending December 31, 2022 and will be applied using the retrospective method.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 23, 2021, which is the date the financial statements were available to be issued.

On March 18, 2021, the Arboretum entered into an agreement for a line of credit from PNC Bank. Under the terms of the agreement, the Arboretum has access to \$10,000,000, which expires on March 17, 2023. The line of credit will bear interest at the one-month LIBOR plus 0.90 percent, which is due the first day of each month after advances have been made. As of March 23, 2021, no draws have been made on the line of credit.

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

| | 2020 | 2019 | Depreciable Life - Years |
|------------------------------|----------------------|----------------------|-----------------------------|
| Land | \$ 1,255,284 | \$ 1,255,284 | - |
| Land improvements | 32,498,118 | 32,498,118 | 20 |
| Buildings | 54,079,128 | 54,079,128 | 30-45 |
| Equipment and other property | 9,126,696 | 8,902,123 | 2-10 |
| Construction in progress | 613,446 | - | - |
| Total cost | 97,572,672 | 96,734,653 | |
| Accumulated depreciation | 50,155,859 | 46,923,702 | |
| Net property and equipment | <u>\$ 47,416,813</u> | <u>\$ 49,810,951</u> | |

Depreciation expense for 2020 and 2019 was \$3,280,379 and \$3,257,578, respectively.

Construction in progress as of December 31, 2020 consists of expenditures associated with the implementation and development costs for a new website, for a new constituent relationship management system, and for the construction of the Centennial Garden.

December 31, 2020 and 2019

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Arboretum's assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by the Arboretum to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets and liabilities that the Arboretum has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets or liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Arboretum's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments in Entities that Calculate Net Asset Value per Share

The Arboretum holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2020

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Net Asset Value | Balance at December 31, 2020 |
|-----------------------------|--|---|--|-----------------|------------------------------------|
| Assets | | | | | |
| Investments: | | | | | |
| Common stock | \$ 71,878,658 | \$ - | \$ - | \$ - | \$ 71,878,658 |
| Fixed-income mutual funds - | | | | | |
| Corporate bonds | 73,577,675 | - | - | - | 73,577,675 |
| Real estate - Mutual fund | 1,134,717 | - | - | - | 1,134,717 |
| International equities | 45,056,947 | - | - | - | 45,056,947 |
| Partnership - Other | - | - | - | 43,264,020 | 43,264,020 |
| Hedge funds | - | - | - | 25,876,535 | 25,876,535 |
| Total investments | \$ 191,647,997 | \$ - | \$ - | \$ 69,140,555 | \$ 260,788,552 |

December 31, 2020 and 2019

Note 4 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2019

| | Quoted Prices in | | | Net Asset Value | Balance at December 31, 2019 |
|---|---|---|---|----------------------|------------------------------|
| | Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Assets | | | | | |
| Investments: | | | | | |
| Common stock | \$ 62,745,646 | \$ - | \$ - | \$ - | \$ 62,745,646 |
| Fixed-income mutual funds: | | | | | |
| Government bonds | 7,692,455 | - | - | - | 7,692,455 |
| Corporate bonds | 65,553,431 | - | - | - | 65,553,431 |
| Real estate - Mutual fund | 3,606,648 | - | - | - | 3,606,648 |
| International equities | 49,483,095 | - | - | - | 49,483,095 |
| Partnership - Other | - | - | - | 35,238,955 | 35,238,955 |
| Hedge funds | - | - | - | 26,567,460 | 26,567,460 |
| Total assets | \$ 189,081,275 | \$ - | \$ - | \$ 61,806,415 | \$ 250,887,690 |
| Liabilities - Interest rate swap | \$ - | \$ 303,139 | \$ - | \$ - | \$ 303,139 |

Level 1 Inputs

The fair value of shares of common stock, fixed-income mutual funds, international equities, and real estate mutual funds is based on quoted market prices.

Level 2 Inputs

The Arboretum's interest rate swap is not traded on an exchange. The Arboretum obtained the fair value of the swap from the counterparty. Level 2 inputs for the swap valuation were limited to quoted prices for similar assets or liabilities in active markets (specifically future contracts) and inputs other than quoted prices that were observable for the asset or liability (specifically the London Interbank Offered Rate (LIBOR) cash and swap rates, implied volatility for options, caps and floors, basis swap adjustments, and credit risk at commonly quoted intervals). Midmarket pricing was used as a practical expedient for fair value measurement.

The Arboretum's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event or change in circumstances that caused the transfer. During the years ended December 31, 2020 and 2019, there were no such transfers.

December 31, 2020 and 2019

Note 4 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments valued at net asset value per share are as follows:

| | 2020 | 2019 | 2020 | | |
|---|----------------------|----------------------|----------------------|---|--------------|
| | Fair Value | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | |
| | | | | Redemption Notice Period | |
| Partnerships, other (a) | \$ 43,264,020 | \$ 35,238,955 | \$ 28,138,549 | No redemption | N/A |
| Long-short equity portfolio funds (b) | 7,758,737 | 7,937,091 | - | Monthly to semiannual; direct hedge one-year lockup | 10 - 90 days |
| Event-driven portfolio funds (c) | 3,513,780 | 3,158,967 | - | Annually - Rolling two-year | 90 days |
| Relative value portfolio funds (d) | 4,923,432 | 4,698,816 | - | Monthly - quarterly | 15 - 90 days |
| Global Macro Strategy Portfolio Funds (e) | 3,402,708 | 3,940,896 | - | Monthly - quarterly | 5 - 90 days |
| Multistrategy portfolio funds (f) | 3,459,178 | 3,332,616 | - | Monthly to semiannual; direct hedge one-year lockup | 30 - 90 days |
| Distressed credit portfolio funds (g) | 2,818,700 | 3,499,074 | - | Quarterly staggered | 90 days |
| Total | \$ 69,140,555 | \$ 61,806,415 | \$ 28,138,549 | | |

(a) Partnerships, other includes several equity funds that invest in a wide range of equity and equity-related securities of management buyout transactions and special equity transactions. Within this category, there are limited partnerships and closed-end limited partnerships. Limited partnerships may not be redeemed without the prior written consent of the general partner. Closed-end limited partnerships cannot be redeemed. Liquidation will coincide with the term of the partnership.

(b) Long-short equity strategies seek to profit by taking positions in equities and generally involve fundamental analysis in the investment decision process. Managers in these strategies tend to be "stock pickers" and typically manage market exposure by shifting allocations between long and short investments depending on market conditions and outlook. Long-short equity strategies may comprise investments in one or multiple countries, including emerging markets and one or multiple sectors.

(c) Event-driven strategies involve investing in opportunities created by significant transaction events, such as spin-offs, mergers and acquisitions, and reorganizations. These strategies include risk arbitrage, distressed situations investing, special situations, and opportunistic investing.

(d) Relative value strategies seek to profit by exploiting pricing inefficiencies between related instruments while remaining long-term neutral to directional price movements in anyone market. These strategies include, but are not limited to: convertible bond arbitrage, fixed-income arbitrage, options arbitrage, pairs trading, managed futures, statistical arbitrage, commodity trading advisors (CTAs), and multiple market neutral strategies.

(e) Global macro strategy focuses on investing in instruments whose prices fluctuate based on the changes in economic policies, along with the flow of capital around the globe and are generally focused on financial instruments that are broad in scope and move based on systemic risk.

(f) Multistrategy managers employ a combination of any of the above-mentioned strategies.

(g) Distressed credit investment strategy focuses on debt securities originating from companies that are in the process of reorganization or liquidation and are purchased at a substantial discount to its intrinsic value.

December 31, 2020 and 2019

Note 5 - Investment Income

Investment returns for 2020 and 2019 were as follows:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Interest | \$ 1,036,584 | \$ 483,319 |
| Dividends | 2,893,543 | 4,895,935 |
| Investment expense | (264,283) | (257,676) |
| Tax (expense) refund | (4,998) | 11,606 |
| Net realized gain (loss) on sale of securities | 6,440,377 | (3,791,216) |
| Net unrealized gain on securities | 16,237,900 | 31,549,441 |
| Total | <u>\$ 26,339,123</u> | <u>\$ 32,891,409</u> |

Note 6 - Pledges Receivable

Pledges receivable in excess of one year are adjusted to present value using discount rates ranging from 0.61 to 2.50 percent as of December 31, 2020 and 2019. In accordance with accounting principles generally accepted in the United States of America, the discount rate is determined when the pledge is initially recognized.

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Within one year | \$ 1,572,216 | \$ 1,071,560 |
| From one to five years | 45,705 | 1,487,081 |
| Thereafter | 85,980 | 91,711 |
| Less allowance for net present value discount | (18,185) | (33,185) |
| Net contributions receivable | <u>\$ 1,685,716</u> | <u>\$ 2,617,167</u> |

Note 7 - Employee Benefit Plan

Effective July 1, 2005, the Arboretum established a defined contribution retirement plan operated under Section 401(k) of the Internal Revenue Code. The plan covers all employees who have attained the age of 21. Participants, upon qualification, are eligible for a matching contribution equal to 100 percent of elective deferrals, up to a maximum of 6 percent of compensation. The Arboretum shall also make a nonelective contribution on behalf of each participant who has attained age 50 and has completed 10 or more years of service on or before January 1, 2009 in the amount of 2 percent of the participant's contribution. In addition, the Arboretum, at its discretion, may make a qualified nonelective contribution. Contributions to the plan of \$866,334 and \$797,416 were charged against operations in 2020 and 2019, respectively.

Note 8 - Bonds Payable

The Arboretum was obligated to the County of DuPage, Illinois under a loan agreement for the issuance of \$29,000,000 in demand revenue bonds. The bonds were initially issued by the county for \$42,000,000 on December 17, 2003, and, effective with the issuance of the bond with Bank of America (described below), \$13,000,000 was repaid on May 15, 2017, leaving a balance of \$29,000,000 as of December 31, 2019. The bond was supported by an irrevocable letter of credit issued on August 20, 2015 by Northern Trust with an expiration date of August 20, 2021.

Note 8 - Bonds Payable (Continued)

The Arboretum was also obligated to Bank of America Public Capital Corp. under a loan agreement for the issuance of \$20,000,000 in a direct placement revenue bond on May 15, 2017. The direct placement revenue bond included an interest rate swap agreement maturing on May 1, 2024 in order to reduce its exposure to market risks from changes in interest rates. The Arboretum paid a fixed interest rate, and the counterparty paid the Arboretum a variable rate based on the one-month LIBOR. This interest rate swap represented a liability with a fair value of \$303,139 as of December 31, 2019.

On July 30, 2020, the above bonds were repaid in full under a loan agreement for the issuance of \$50,835,000 in revenue refunding bonds by the County of DuPage, Illinois. The issuance of the bond reimbursed the letter of credit associated with the demand revenue bonds and terminated the swap hedge agreement associated with the direct placement revenue bond. The swap termination fee was \$1,019,000. The revenue refunding bonds issued in 2020 bear an interest rate of 3.00 percent and mature on May 15, 2047. Interest is paid monthly.

| | 2020 | 2019 |
|---------------------|---------------|---------------|
| Bonds payable | \$ 50,835,000 | \$ 49,000,000 |
| Bond issuance costs | (520,033) | (305,937) |
| Bond discount | (275,751) | - |
| Total | \$ 50,039,216 | \$ 48,694,063 |

Note 9 - Loans Payable

The Arboretum entered into a line of credit on February 10, 2017 that was converted to a term loan on February 8, 2018. The loan bears fixed interest at a rate of 3.10 percent. The Arboretum is required to make interest-only payments through the scheduled term loan conversion date, at which time the Arboretum is required to make quarterly installment payments, which commenced on March 1, 2018 through the final principal payment on December 1, 2021. The Arboretum had an outstanding balance of \$1,375,000 and \$2,750,000 on the term loan as of December 31, 2020 and 2019, respectively.

The Arboretum is subject to a minimum liquidity ratio covenant under the term loan agreement.

Note 9 - Loans Payable (Continued)

During the year ended December 31, 2020, the Arboretum received a Paycheck Protection Program (PPP) loan in the amount of \$3,505,600. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Arboretum may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of 18 months with interest accruing at a rate of 1 percent, with monthly payments of principal and interest beginning 90 days after the SBA has received the Arboretum's loan forgiveness application. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be approximately \$195,000 during the repayment period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. In addition, because the Arboretum's loan exceeds \$2 million, the SBA will review the Arboretum's loan file, which will include review of the Arboretum's eligibility for the program and the good-faith certification of the necessity of the loan.

The Arboretum has submitted a request for forgiveness of the entire loan balance in December 2020; however, there can be no assurance given that any portion of the PPP loan will be forgiven.

If the SBA determines the Arboretum was not initially eligible under the program or concludes that the Arboretum did not have an adequate basis for making the good-faith certification of the necessity of the loan at the time of application, the loan could become payable on demand. Furthermore, the SBA has the ability to review the Arboretum's loan file for a period subsequent to the date the loan is forgiven or repaid in full and could request additional documentation to support the Arboretum's initial eligibility for the loan and request for loan forgiveness. In the event the SBA subsequently determines the Arboretum did not meet the initial eligibility requirements for the PPP loan, the Arboretum could be required to repay the PPP loan plus interest.

At December 31, 2020, the outstanding balance on the PPP loan is \$3,505,600, which is classified as loans payable on the statement of financial position.

The loan payable amounts above matures as follows:

| Years Ending | Amount |
|--------------|---------------------|
| 2021 | \$ 2,933,044 |
| 2022 | 1,947,556 |
| Total | <u>\$ 4,880,600</u> |

December 31, 2020 and 2019

Note 10 - Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

| | 2020 | 2019 |
|--|--------------|--------------|
| Time and purpose restrictions: | | |
| Endowment revenue - Science and conservation | \$ 1,869,705 | \$ 1,757,320 |
| Capital campaign | 840,974 | 1,864,908 |
| Endowment revenue - New plant development | 207,463 | 231,529 |
| Pledges receivable - Time restricted - Annual fund | 43,382 | 53,142 |
| Endowment revenue - Library | 288,097 | 215,577 |
| Estate gifts - Library | 30,224 | 63,437 |
| Program grants: | | |
| School programs | - | 32,778 |
| Center for tree science | 29,804 | 21,802 |
| Other | 542,305 | 523,041 |
| | 3,851,954 | 4,763,534 |
| Net assets to be maintained in perpetuity: | | |
| Davis Chair program | 766,276 | 766,276 |
| Charles C. Haffner Trust | 500,000 | 500,000 |
| Haerther New Plant Development | 2,000,000 | 1,994,511 |
| | 3,266,276 | 3,260,787 |
| | \$ 7,118,230 | \$ 8,024,321 |

Note 11 - Donor-restricted and Board-designated Endowments

The Arboretum's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Arboretum is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Arboretum has interpreted SPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary.

December 31, 2020 and 2019

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Arboretum considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Arboretum has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Arboretum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Arboretum and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Arboretum
- The investment policies of the Arboretum

| Endowment Net Asset Composition by Type of Fund as of December 31, 2020 | | | |
|--|-------------------------------|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 29,411,300 | \$ - | \$ 29,411,300 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 2,416,276 | 2,416,276 |
| Accumulated investment gains | - | 2,365,264 | 2,365,264 |
| Total donor-restricted endowment funds | - | 4,781,540 | 4,781,540 |
| Total | \$ 29,411,300 | \$ 4,781,540 | \$ 34,192,840 |
| Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020 | | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets - Beginning of year | \$ 24,845,127 | \$ 4,345,702 | \$ 29,190,829 |
| Investment return: | | | |
| Investment income | 376,287 | 61,182 | 437,469 |
| Realized gains | 661,987 | 107,635 | 769,622 |
| Unrealized gains | 1,669,044 | 271,376 | 1,940,420 |
| Total investment return | 2,707,318 | 440,193 | 3,147,511 |
| Contributions | - | 275,000 | 275,000 |
| Transfers | 2,367,664 | - | 2,367,664 |
| Amounts appropriated for expenditure | (508,809) | (279,355) | (788,164) |
| Endowment net assets - End of year | \$ 29,411,300 | \$ 4,781,540 | \$ 34,192,840 |

December 31, 2020 and 2019

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

| | Endowment Net Asset Composition by Type of Fund as of December 31, 2019 | | |
|--|--|----------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 24,845,127 | \$ - | \$ 24,845,127 |
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | - | 2,141,276 | 2,141,276 |
| Accumulated investment gains | - | 2,204,426 | 2,204,426 |
| Total donor-restricted endowment funds | - | 4,345,702 | 4,345,702 |
| Total | \$ 24,845,127 | \$ 4,345,702 | \$ 29,190,829 |
| | Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets - Beginning of year | \$ 20,456,768 | \$ 3,704,462 | \$ 24,161,230 |
| Investment return: | | | |
| Investment income | 366,040 | 80,164 | 446,204 |
| Realized losses | (270,346) | (59,206) | (329,552) |
| Unrealized gains | 2,249,774 | 492,706 | 2,742,480 |
| Total investment return | 2,345,468 | 513,664 | 2,859,132 |
| Contributions | - | 275,000 | 275,000 |
| Transfers | 2,325,000 | - | 2,325,000 |
| Amount appropriated for expenditure | (282,109) | (147,424) | (429,533) |
| Endowment net assets - End of year | \$ 24,845,127 | \$ 4,345,702 | \$ 29,190,829 |

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 SPMIFA requires the Arboretum to retain a fund of perpetual duration. As of December 31, 2020 and 2019, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Arboretum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Arboretum must hold in perpetuity or for a donor-specified period. The long-term investment objective for the endowment funds is to generate sufficient income to support its programs while preserving the related principal.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Arboretum 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). The Arboretum 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.

December 31, 2020 and 2019

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Through the combination of investment strategy and payout policy, the Arboretum strives to provide a reasonable and consistent payout from endowment funds to support operations, while preserving the purchasing power of the endowment adjusted for inflation. The annual and long-term spending rate is subject to approval by the board of trustees. For 2020 and 2019, the board approved a spending rate of 5.0 percent.

Note 12 - Liquidity

The following reflects the Arboretum's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 10,000,226 | \$ 3,723,616 |
| Investments | 260,788,552 | 250,887,690 |
| Receivables - Net | 440,900 | 415,234 |
| Pledge receivables - Net | 1,685,716 | 2,617,167 |
| | <u>272,915,394</u> | <u>257,643,707</u> |
| Financial assets - At year end | | |
| Less those unavailable for general expenditures within one year due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by donor with time or purpose restrictions - Net of appropriations | 113,500 | 701,097 |
| Unappropriated donor-restricted endowment earnings - Net of appropriations | 2,181,890 | 2,021,752 |
| Net assets to be maintained in perpetuity | 3,266,276 | 3,260,787 |
| Illiquid investments | 43,190,618 | 35,238,955 |
| Board-designated endowment funds - Net of appropriations | 28,721,300 | 24,198,126 |
| | <u>195,441,810</u> | <u>192,222,990</u> |
| Financial assets available to meet cash needs for general expenditures within one year | | |

As part of the Arboretum's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. In addition, the Arboretum invests cash in excess of daily requirements in short-term investments. Operating expenses are budgeted net of revenue and projected donor contributions. Any deficit is covered by a consistent payout from the endowment funds, as disclosed in Note 10.

The Arboretum has various sources of liquidity at its disposal, including cash and cash equivalents and marketable securities.