

Cylburn Arboretum Friends, Inc.
Financial Statements
December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cylburn Arboretum Friends, Inc.
Baltimore, Maryland

Opinion

We have audited the accompanying financial statements of Cylburn Arboretum Friends, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and 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 Cylburn Arboretum Friends, Inc. as of December 31, 2022 and 2021, 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 Cylburn Arboretum Friends, Inc. 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.

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 Cylburn Arboretum Friends, Inc.'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 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.

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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 Cylburn Arboretum Friends, Inc.'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 Cylburn Arboretum Friends, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink, appearing to read "KBST&M". The letters are stylized and connected, with a large "M" at the end.

Timonium, Maryland
June 8, 2023

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,566,468	\$ 3,108,872
Grants receivable	57,729	193,637
Promises to give	486,470	113,000
Total current assets	<u>3,110,667</u>	<u>3,415,509</u>
OTHER ASSETS		
Investments	477,372	694,794
Long-term promises to give, net	12,000	28,000
Property and equipment, net	3,650,224	758,753
Total other assets	<u>4,139,596</u>	<u>1,481,547</u>
TOTAL ASSETS	<u><u>\$ 7,250,263</u></u>	<u><u>\$ 4,897,056</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 539,052	\$ 3,760
Due to Vollmer Center	10,000	-
Accrued payroll and payroll taxes	27,458	18,395
Total current liabilities / total liabilities	<u>576,510</u>	<u>22,155</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,271,215	820,518
Board designated	6,066	106,066
	<u>3,277,281</u>	<u>926,584</u>
With donor restrictions	<u>3,396,472</u>	<u>3,948,317</u>
Total net assets	<u>6,673,753</u>	<u>4,874,901</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,250,263</u></u>	<u><u>\$ 4,897,056</u></u>

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations and grants	\$ 232,915	\$ 1,979,137	\$ 2,212,052
In-kind use of facilities	50,000	-	50,000
Market day	69,194	-	69,194
Other events	72,221	-	72,221
PPP loan forgiveness	-	-	-
Interest	2,211	-	2,211
Net investment return (loss)	(337)	(40,498)	(40,835)
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	2,490,484	(2,490,484)	-
Total support and revenue	2,916,688	(551,845)	2,364,843
EXPENSES			
Program expenses			
Beautify & Protect Cylburn	300,296	-	300,296
Education & Community Outreach	98,999	-	98,999
Total program expenses	399,295	-	399,295
Supporting services expense			
Administrative	102,546	-	102,546
Fundraising	64,150	-	64,150
Total supporting services expenses	166,696	-	166,696
Total expenses	565,991	-	565,991
CHANGE IN NET ASSETS	2,350,697	(551,845)	1,798,852
NET ASSETS			
BEGINNING OF YEAR	926,584	3,948,317	4,874,901
END OF YEAR	<u>\$ 3,277,281</u>	<u>\$ 3,396,472</u>	<u>\$ 6,673,753</u>

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations and grants	\$ 159,432	\$ 3,227,804	\$ 3,387,236
In-kind use of facilities	50,000	-	50,000
Market day	16,113	-	16,113
Other events	62,558	-	62,558
PPP loan forgiveness	47,100	-	47,100
Interest	240	-	240
Net investment return (loss)	(18,422)	119,580	101,158
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	480,206	(480,206)	-
Total support and revenue	797,227	2,867,178	3,664,405
EXPENSES			
Program expenses			
Beautify & Protect Cylburn	255,156	-	255,156
Education & Community Outreach	123,055	-	123,055
Total program expenses	378,211	-	378,211
Supporting services expense			
Administrative	67,506	-	67,506
Fundraising	74,436	-	74,436
Total supporting services expenses	141,942	-	141,942
Total expenses	520,153	-	520,153
CHANGE IN NET ASSETS	277,074	2,867,178	3,144,252
NET ASSETS			
BEGINNING OF YEAR	649,510	1,081,139	1,730,649
END OF YEAR	\$ 926,584	\$ 3,948,317	\$ 4,874,901

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program					
	Beautify & Protect Cylburn	Education & Community Outreach	Total	Administrative	Fundraising	Total
Salaries and benefits	\$ 171,195	\$ 60,149	\$ 231,344	\$ 68,654	\$ 48,674	\$ 348,672
Payroll taxes	13,814	4,854	18,668	5,539	3,928	28,135
Bank fees	1,357	477	1,834	544	386	2,764
Computer expenses	5,484	1,927	7,411	2,201	1,559	11,171
Depreciation	7,541	2,649	10,190	-	-	10,190
Dues and subscriptions	-	-	-	1,639	-	1,639
Event supplies	3,622	1,272	4,894	-	2,482	7,376
Garden and ground maintenance	47,282	-	47,282	-	-	47,282
Insurance	-	-	-	11,863	-	11,863
Market day supplies	-	1,761	1,761	-	-	1,761
Miscellaneous	1,230	432	1,662	493	350	2,505
Nature museum storage and displays	2,295	807	3,102	-	-	3,102
Office expenses	474	167	641	190	135	966
Postage	218	77	295	88	62	445
Printing	4,241	1,490	5,731	1,701	1,205	8,637
Professional fees	9,007	3,164	12,171	3,612	2,560	18,343
Rent	31,450	11,050	42,500	5,000	2,500	50,000
Summer camp	-	8,342	8,342	-	-	8,342
Telephone	1,086	381	1,467	435	309	2,211
Training	-	-	-	587	-	587
Total	\$ 300,296	\$ 98,999	\$ 399,295	\$ 102,546	\$ 64,150	\$ 565,991

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program					
	Beautify & Protect Cylburn	Education & Community Outreach	Total	Administrative	Fundraising	Total
Salaries and benefits	\$ 135,489	\$ 72,955	\$ 208,444	\$ 28,810	\$ 58,397	\$ 295,651
Payroll taxes	10,328	5,561	15,889	2,197	4,451	22,537
Bank fees	899	484	1,383	191	388	1,962
Computer expenses	5,715	3,078	8,793	1,216	2,464	12,473
Depreciation	5,895	3,174	9,069	468	-	9,537
Dues and subscriptions	-	-	-	809	-	809
Event supplies	1,253	674	1,927	-	806	2,733
Garden and ground maintenance	52,571	-	52,571	-	-	52,571
Insurance	-	-	-	16,085	-	16,085
Market day supplies	-	847	847	-	-	847
Miscellaneous	625	337	962	133	269	1,364
Nature museum storage and displays	2,782	1,498	4,280	-	-	4,280
Office expenses	961	517	1,478	204	415	2,097
Postage	-	-	-	724	-	724
Printing	-	-	-	4,639	-	4,639
Professional fees	11,013	5,930	16,943	2,342	4,746	24,031
Rent	27,625	14,875	42,500	5,000	2,500	50,000
Summer camp	-	13,125	13,125	-	-	13,125
Telephone	-	-	-	2,770	-	2,770
Training	-	-	-	1,918	-	1,918
Total	\$ 255,156	\$ 123,055	\$ 378,211	\$ 67,506	\$ 74,436	\$ 520,153

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,798,852	\$ 3,144,252
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,190	9,537
Realized and unrealized (gain) loss on investments	43,254	(86,946)
Non-cash contribution of investments	(137,432)	(2,172,500)
PPP loan forgiveness	-	(47,100)
(Increase) decrease in operating assets:		
Grants receivable	135,908	(193,637)
Promises to give, net	(357,470)	(43,426)
Increase (decrease) in operating liabilities:		
Accounts payable	535,292	2,828
Due to Vollmer Center	10,000	-
Accrued payroll and payroll taxes	9,063	3,772
Net cash provided (used) by operating activities	<u>2,047,657</u>	<u>616,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(18,375)	(207,725)
Proceeds from sale of investments, net of fees	329,975	2,303,179
Purchase of property and equipment	(2,901,661)	(291,039)
Net cash provided (used) by investing activities	<u>(2,590,061)</u>	<u>1,804,415</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(542,404)	2,421,195
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,108,872</u>	<u>687,677</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,566,468</u></u>	<u><u>\$ 3,108,872</u></u>
NON-CASH FINANCING AND INVESTING ACTIVITIES		
PPP loan forgiveness	<u><u>\$ -</u></u>	<u><u>\$ 47,100</u></u>

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 **Summary of Significant Accounting Policies**

Nature of activities - Cylburn Arboretum Friends, Inc. (the Arboretum) was incorporated in the State of Maryland on December 18, 1970. The mission of the Arboretum is to protect Cylburn as a place of open space, beauty, and quiet and to ensure the preservation, enhancement, and interpretation of Cylburn Arboretum's gardens, woodlands, historic buildings, and collections as educational, environmental, and recreational assets for the benefit of Baltimore City and the general public, working in partnership with the Baltimore City Department of Recreation and Parks.

Financial statement presentation - The financial statements of the Arboretum have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Arboretum reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Arboretum. These net assets may be used at the discretion of the Arboretum's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Arboretum or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and cash equivalents - Cash and cash equivalents include all monies in banks and highly liquid investments with an initial maturity of three months or less, unless held as part of the investment portfolio. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants receivable - Grants receivable are recorded at net realizable value if expected to be collected within one year and at net present value if expected to be collected in future years. The allowance for uncollectible accounts is estimated based on historical collection trends, type of customer, the age of the outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. As of December 31, 2022 and 2021, management considered all grants receivable to be fully collectible within one year.

Promises to give - Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. Promises to give, due in more than one year, are reflected at the present value of estimated future cash flows. Management believes all promises to give are fully collectible; therefore, a provision for uncollectible accounts has not been established.

Investments - Investments in marketable securities with readily determinable fair values, and all investments in debt securities, are valued at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses, if any. The Arboretum invests in a professionally managed portfolio that contains publicly traded securities and mutual funds.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 **Summary of Significant Accounting Policies (continued)**

Property and equipment - Property and equipment are stated at cost or, if donated, at fair value at the date of the donation. The Arboretum capitalizes property and equipment if its value is greater than \$500. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Nature museum and land improvements	10 - 15
Office equipment	5 - 7
Garden / program equipment	5

Construction costs - Costs related to the acquisition, development, and improvement of property are capitalized. Construction in progress costs are stated at cost. When projects are completed, these costs are reclassified to their appropriate categories and depreciated over the respective useful lives.

Endowments - The Arboretum's endowments consist of donor-designated funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws the Maryland Uniform Prudent Management of Intuitional Funds Act, known as UPMIFA. UPMIFA was enacted by the Maryland General Assembly on April 19, 2009.

Support and revenue – The Arboretum recognizes contributions and certain grants when cash, securities, or other assets; or an unconditional promise to give is received. Unconditional contributions received are recorded as without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which support is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. 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. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of transferred assets or right of release of a promisor's obligation to transfer assets – are not recognized until conditions on which they depend have been met. Various grants to the Arboretum are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

A portion of the Arboretum's grant revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Arboretum has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are included as refundable advances in the statements of financial position. The Arboretum received cost-reimbursable grants of \$108,020 that were not recognized as of December 31, 2022, because qualifying expenditures were not incurred by the years then ended.

The Arboretum recognizes all other revenue at the time the performance obligation is satisfied, which occurs when the event or service has occurred.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 **Summary of Significant Accounting Policies (continued)**

The Arboretum may receive goods, labor, facilities, and services without payment or compensation. Significant donated goods are recorded at fair value on the date of donation. A substantial number of volunteers have contributed significant amounts of their time in support of the Arboretum's activities. However, no amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied. The criteria for recognition require that services rendered (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional allocation of expenses - The costs of providing the various programs and other activities of the Arboretum have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and benefits, payroll taxes, bank fees, computer expenses, depreciation, event supplies, miscellaneous, office expenses, postage, printing, professional fees, rent, and telephone, which are allocated based on estimates of time and effort.

Income taxes - The Arboretum is a nonprofit organization and is exempt from taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue code. No provision for income taxes is required for the years ended December 31, 2022 and 2021, as the Arboretum had no significant net unrelated business income. Management does not believe that the Arboretum has any uncertain tax positions.

Use of estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 **Availability of Financial Assets**

The following reflects the Arboretum's financial assets available for general expenditure, that is, without donor-imposed or other contractual restrictions limiting their use, within one year of the statement of financial position date, as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$3,600,039	\$4,138,303
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(3,396,472)	(3,948,317)
Board designations:		
Greenhouse	(6,066)	(6,066)
Reserves	<u>-</u>	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 197,501</u>	<u>\$ 83,920</u>

As part of the liquidity management plan, the Arboretum invests cash, in excess of daily requirements, in money market, bond, and mutual funds. Funds held in the managed investment portfolio could be made available if the need arises. The board previously designated a portion of operating surpluses to its operating reserve, which was \$100,000 as of December 31, 2021.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 **Promises to Give**

As of December 31, 2022 and 2021, promises to give, which related to a future garden endowment and garden support, were as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 486,470	\$ 113,000
One to five years	<u>12,000</u>	<u>28,000</u>
Total	<u>\$ 498,470</u>	<u>\$ 141,000</u>

The carrying amount of promises to give is based on the present value of expected future cash flows, net of an allowance for uncollectible promises.

NOTE 4 **Fair Value Measurements**

The Arboretum measures investments at fair value. GAAP establishes a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the perceived risk of that investment.

Pursuant to GAAP, the Arboretum's investments have been measured at fair value on a recurring basis by level 1 of the fair value hierarchy.

NOTE 5 **Investments**

Investments consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 309,770	\$ 451,151
Short term bond funds	19,415	81,442
Mutual funds	<u>148,187</u>	<u>162,201</u>
Total investments	<u>\$ 477,372</u>	<u>\$ 694,794</u>

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 Investments (continued)

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

The following schedule summarizes the Arboretum's investment return for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	3,676	\$ 16,731
Realized gain (loss)	12,021	120,100
Unrealized gain (loss)	<u>(55,276)</u>	<u>(33,154)</u>
	(39,579)	103,677
Less investment fees	<u>(1,256)</u>	<u>(2,519)</u>
Net investment return (loss)	<u>\$ (40,835)</u>	<u>\$ 101,158</u>

NOTE 6 Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Nature museum	\$ 2,246	\$ 65,470
Land improvements	142,903	131,503
Office equipment	4,270	11,922
Garden / program equipment	7,149	13,094
Construction in progress	<u>3,578,072</u>	<u>687,812</u>
	3,734,640	909,801
Accumulated depreciation	<u>(84,416)</u>	<u>(151,048)</u>
	<u>\$ 3,650,224</u>	<u>\$ 758,753</u>

NOTE 7 Governing Board Designations

The Arboretum's governing board has designated, from net assets without donor restrictions, the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Greenhouse	\$ 6,066	\$ 6,066
Reserves	<u>-</u>	<u>100,000</u>
	<u>\$ 6,066</u>	<u>\$ 106,066</u>

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 **Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Nature Education Center	\$ 2,970,054	\$ 3,485,064
Gardens	56,670	61,128
Education & program activities	39,910	75,305
Memorials	16,774	14,241
Garden support	<u>313,064</u>	<u>312,579</u>
	<u>\$ 3,396,472</u>	<u>\$ 3,948,317</u>

NOTE 9 **Endowment Funds**

In 2019, the Arboretum established an endowment fund for the following purposes:

1. To create a stable source of funding available for maintenance of the gardens, including sustainable staff hours and salaries from year to year.
2. To allow donors to direct their contributions specifically to the cultivated gardens on the Cylburn campus and their maintenance and enhancement.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2022 and 2021, the Arboretum's endowment includes only funds designated by donors.

Interpretation of relevant law - The Board of Directors of the Arboretum has interpreted 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, the Arboretum classifies the original value of the endowment, subsequent gifts to the endowment, and accumulations of the endowment as net assets with restrictions until those amounts are appropriated for expenditure by the Arboretum in a manner consistent with the donor's stipulations or standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 purposes 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 investments policies of the Arboretum

Endowment net assets were composed of donor restricted funds of \$313,064 and \$312,579 as of December 31, 2022 and 2021, respectively, which were net of contributions, investment income, and appropriations.

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NOTE 9 **Endowment Funds (continued)**

Return objectives and risk parameters - The Arboretum has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the endowment assets. Under this policy, as approved by the Board of Directors, annual withdrawals from the Endowment shall be not more than 4% of the average of the value of the endowment at the end of the prior three years, with adjustments as appropriate for large gifts during that period and unusual market performance. Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year, January 1	<u>\$ 312,579</u>	<u>\$ 315,883</u>
Investment return:		
Contributions	-	5,000
Investment income	<u>485</u>	<u>31</u>
Net investment return	485	5,031
Appropriated for expenditure	<u>-</u>	<u>(8,335)</u>
Endowment net assets, end of year of year, December 31	<u><u>\$ 313,064</u></u>	<u><u>\$ 312,579</u></u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Strategies employed for achieving objectives - To satisfy its objectives, the Arboretum's endowment fund strategy is to invest in a balanced portfolio based on prudent guidance provided by their investment advisor.

NOTE 10 **Loan Payable**

On May 1, 2020, the Arboretum was granted a loan in the amount of \$47,100 pursuant to the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted March 27, 2020. The loan was originally scheduled to mature on May 1, 2022, and bears interest at a rate of 1% per year, payable commencing March 1, 2021. However, during June 2021, the PPP loan was approved to be forgiven in whole by the Small Business Administration (SBA) and the related income is included in the statement of activities for the year ended December 31, 2021.

NOTE 11 **In-Kind Use of Facilities**

The structures and grounds of Cylburn Arboretum are owned by the City of Baltimore and are maintained by the Horticultural Division of Baltimore City's Department of Recreation and Parks. The City has provided the Arboretum use of office space in the Cylburn Mansion in exchange for the Arboretum's coordinating volunteer activities in the gardens, on the trails and in the library, museums, and herbarium. The Horticultural Department of Baltimore City and Arboretum management have estimated the fair value of rent for the years ended December 31, 2022 and 2021 to be \$50,000. This fair value is included in in-kind use of facilities and rent expense in the statements of activities.

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NOTE 12 **Commitments and Contingencies**

Lease commitments - Commencing on May 30, 2019, the Arboretum leases property known as the Carriage House from the City of Baltimore for an initial term of 25 years, with an automatic renewal of an additional 25-year period. Pursuant to the lease, the Arboretum will pay an annual fixed rent of \$1 and will be responsible for all leasehold improvement and construction costs. As of December 31, 2022, construction of the property was not yet completed.

The Arboretum also leases office equipment under a 63-month non-cancelable operating lease ending December 30, 2024, which requires monthly payments of \$109. Future minimum lease payments for the years ending December 31 are as follows:

2023	\$	1,308
2024		<u>1,308</u>
Total	\$	<u>2,616</u>

Claims - The Arboretum could be subject to various claims arising from its construction, development, and activities in the ordinary course of business. It is management's opinion that any claims that might arise from these activities will be negotiated and settled without having a material effect on the Arboretum's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possible that management's view could change in the near term.

NOTE 13 **Concentration of Credit Risk**

From time to time, the Arboretum maintains cash balances with one financial institution in excess of the federally insured limit of \$250,000. Uninsured deposits exceeded limits by \$2,072,132 and \$2,608,199 as of December 31, 2022 and 2021, respectively. The Arboretum's investments are maintained in non-federally insured brokerage accounts.

NOTE 14 **Retirement Plan**

The Arboretum adopted a 403(b)-retirement plan through Board resolution in October 2021. The plan covers eligible employees who meet certain employment requirements. Under the plan, eligible employees may elect to defer a portion of their earnings to the plan up to the statutory limits and the Arboretum will match employee contributions up to 3% of each employees compensation for the year. The Arboretum made contributions to the plan of \$4,545 and \$1,644 during the years ended December 31, 2022 and 2021, respectively.

NOTE 15 **Related Party Transactions**

A member of the Arboretum's board of directors is a controlling member of a foundation who provided the Arboretum with a substantial contribution during the year ended December 31, 2021. This contribution made up approximately 55% of the Arboretum's total revenue.

NOTE 16 **Subsequent Events**

The Arboretum evaluated its December 31, 2022 financial statements for subsequent events through June 8, 2023, the date the financial statements were available to be issued. The Arboretum is not aware of any subsequent events which would require recognition or disclosure in the financial statements.