

**Cylburn Arboretum Friends, Inc.
Financial Statements
December 31, 2023 and 2022**



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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, 2023 and 2022, 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, 2023 and 2022, 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.

Kahn, Berman, Solomon, Taibel & Mogol, P.A.
307 International Circle • Suite 620 • Hunt Valley, MD 21030
Telephone 410-308-0300 • Facsimile 410-308-0303 • e-mail info@kbstm.com

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.



Hunt Valley, Maryland
June 26, 2024

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 449,802	\$ 2,566,468
Accounts receivable	1,000	-
Grants receivable	100,000	57,729
Promises to give	10,000	486,470
	<u>560,802</u>	<u>3,110,667</u>
Total current assets		
OTHER ASSETS		
Investments	352,775	477,372
Long-term promises to give	-	12,000
Property and equipment, net	7,212,670	3,650,224
Right-of-use lease assets - operating lease	8,813	-
	<u>7,574,258</u>	<u>4,139,596</u>
Total other assets		
TOTAL ASSETS		
	<u>\$ 8,135,060</u>	<u>\$ 7,250,263</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 143,345	\$ 539,052
Due to Vollmer Center	10,000	10,000
Accrued payroll and payroll taxes	32,831	27,458
Related party note payable	380,000	-
Current portion of lease liability - operating lease	1,739	-
	<u>567,915</u>	<u>576,510</u>
Total current liabilities		
LONG-TERM LIABILITIES		
Long-term lease liability - operating lease	7,074	-
	<u>574,989</u>	<u>576,510</u>
Total liabilities		
NET ASSETS		
Without donor restrictions		
Undesignated	7,090,255	3,271,215
Board designated	-	6,066
	<u>7,090,255</u>	<u>3,277,281</u>
With donor restrictions	469,816	3,396,472
	<u>7,560,071</u>	<u>6,673,753</u>
Total net assets		
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 8,135,060</u>	<u>\$ 7,250,263</u>

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations and grants	\$ 417,287	\$ 1,010,322	\$ 1,427,609
In-kind use of facilities	25,000	-	25,000
Contributions of nonfinancial assets	3,500	-	3,500
Summer camp	55,636	-	55,636
Market day	33,436	-	33,436
Other events	50,991	-	50,991
Interest	315	-	315
Net investment return (loss)	(3,787)	19,770	15,983
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	3,956,748	(3,956,748)	-
Total support and revenue	4,539,126	(2,926,656)	1,612,470
EXPENSES			
Program expenses			
Beautify & Protect Cylburn	348,094	-	348,094
Education & Community Outreach	181,480	-	181,480
Total program expenses	529,574	-	529,574
Supporting services expense			
Administrative	143,077	-	143,077
Fundraising	53,501	-	53,501
Total supporting services expenses	196,578	-	196,578
Total expenses	726,152	-	726,152
CHANGE IN NET ASSETS	3,812,974	(2,926,656)	886,318
NET ASSETS			
BEGINNING OF YEAR	3,277,281	3,396,472	6,673,753
END OF YEAR	\$ 7,090,255	\$ 469,816	\$ 7,560,071

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
Contributions of nonfinancial assets	-	-	-
Summer camp	32,200	-	32,200
Market day	69,194	-	69,194
Other events	40,021	-	40,021
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	\$ 3,277,281	\$ 3,396,472	\$ 6,673,753

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program			Administrative	Fundraising	Total
	Beautify & Protect Cylburn	Education & Community Outreach	Total			
Salaries and benefits	\$ 182,831	\$ 78,543	\$ 261,374	\$ 68,529	\$ 30,962	\$ 360,865
Payroll taxes	14,361	6,169	20,530	5,383	2,432	28,345
Bank fees	1,286	552	1,838	482	217	2,537
Computer expenses	4,521	1,942	6,463	1,696	765	8,924
Depreciation	51,160	54,720	105,880	16,576	7,490	129,946
Dues and subscriptions	-	-	-	1,293	-	1,293
Event supplies	5,557	2,387	7,944	-	3,024	10,968
Equipment	11,242	4,830	16,072	4,214	1,904	22,190
Garden and ground maintenance	33,349	-	33,349	-	-	33,349
Insurance	-	-	-	18,953	-	18,953
Interest	-	-	-	11,889	-	11,889
Market day supplies	-	4,161	4,161	-	-	4,161
Miscellaneous	2,073	891	2,964	777	351	4,092
Nature museum storage and displays	5,792	2,488	8,280	-	-	8,280
Office expenses	1,192	512	1,704	447	201	2,352
Postage	381	163	544	143	64	751
Printing	9,237	3,968	13,205	3,462	1,564	18,231
Professional fees	6,508	2,796	9,304	2,439	1,102	12,845
Rent - in kind	12,418	5,334	17,752	4,748	2,500	25,000
Summer camp	-	9,365	9,365	-	-	9,365
Telephone	984	423	1,407	369	167	1,943
Training	727	313	1,040	-	-	1,040
Utilities	4,475	1,923	6,398	1,677	758	8,833
Total	\$ 348,094	\$ 181,480	\$ 529,574	\$ 143,077	\$ 53,501	\$ 726,152

See accompanying notes.

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

	Program			Administrative	Fundraising	Total
	Beautify & Protect Cylburn	Education & Community Outreach	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	4,871	1,712	6,583	1,955	1,385	9,923
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
Equipment	613	215	828	246	174	1,248
Garden and ground maintenance	47,282	-	47,282	-	-	47,282
Insurance	-	-	-	11,863	-	11,863
Interest	-	-	-	-	-	-
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 - in kind	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
Utilities	-	-	-	-	-	-
Total	\$ 300,296	\$ 98,999	\$ 399,295	\$ 102,546	\$ 64,150	\$ 565,991

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 886,318	\$ 1,798,852
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	129,946	10,190
Realized and unrealized (gain) loss on investments	(10,017)	43,254
Non-cash contribution of investments	(318,092)	(137,432)
Non-cash portion of lease expense for operating leases	1,020	-
Repayments of lease liability - operating leases	(1,020)	-
(Increase) decrease in operating assets:		
Accounts receivable	(1,000)	-
Grants receivable	(42,271)	135,908
Promises to give	488,470	(357,470)
Increase (decrease) in operating liabilities:		
Accounts payable	(395,707)	535,292
Due to Vollmer Center	-	10,000
Accrued payroll and payroll taxes	5,372	9,063
Net cash provided (used) by operating activities	743,019	2,047,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(356,565)	(18,375)
Proceeds from sale of investments, net of fees	809,272	329,975
Purchase of property and equipment	(3,692,392)	(2,901,661)
Net cash provided (used) by investing activities	(3,239,685)	(2,590,061)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - related	530,000	-
Principal payments on notes payable - related	(150,000)	-
Net cash provided (used) by financing activities	380,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,116,666)	(542,404)
CASH AND CASH EQUIVALENTS, beginning of year	2,566,468	3,108,872
CASH AND CASH EQUIVALENTS, end of year	\$ 449,802	\$ 2,566,468
SUPPLEMENTAL CASH FLOW INFORMATION		
Right-of-use lease assets obtained in exchange for operating lease liabilities	\$ 9,644	\$ -

See accompanying notes.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

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.

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.

Accounts and grants receivable – Accounts and 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. Management routinely reviews all receivables and makes allowances for credit losses, as deemed necessary. Management considers historic loss data, current conditions, and reasonable and supportable forecasts about future economic conditions. As of December 31, 2023 and 2022, management considered all accounts and 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, 2023 AND 2022

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. Effective January 1, 2023, management elected to increase the capitalization threshold. Acquisitions of property and equipment in excess of \$5,000 and \$500 were capitalized for the years ended December 31, 2023 and 2022, respectively. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Nature museum and land improvements	15 - 39
Office equipment	5 - 7
Garden / program and computer 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. 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 year 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, 2023 AND 2022

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, equipment, miscellaneous, office expenses, postage, printing, professional fees, rent, telephone, and utilities, 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, 2023 and 2022, as the Arboretum had no significant net unrelated business income. Management does not believe that the Arboretum has any uncertain tax positions.

Lease policies – Leases with a term of more than 12 months must be classified as either finance or operating leases. Leases are classified as finance leases when the Arboretum expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, when the Arboretum is not expected to consume a major part of the economic benefits of leased assets over the remaining lease term, leases are classified as operating leases. The lease classification affects both the pattern and presentation of expense recognized in the statements of activities, the categorization of assets and liabilities in the statements of financial position, and classification of cash flows in the statements of cash flows.

Total lease cost consists of two components; amortization expense related to the write-off of right-of-use assets, and interest expense from lease obligations.

For financing leases, total lease cost is recorded on an accelerated basis whereby interest expense is recorded using the effective interest method and right-of-use assets are amortized on a straight-line basis over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. The Arboretum has made an accounting policy election to use a risk-free rate as the discount rate in measuring its lease obligations. Under this election, the risk-free rate used is the rate for a United States Treasury instrument with a term consistent with the remaining lease term of an applicable lease. This election is made for all leases.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date. For leases with a lease term of more than 12 months in which the sum of the lease obligation does not exceed \$5,000, the Arboretum has elected not to record a right-of-use asset and related lease obligation.

Reclassifications - Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

Adoption of new credit losses standard - In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities are required to use a new forward looking current expected credit losses (“CECL”) model rather than incurred losses. The Arboretum adopted the standard effective January 1, 2023 and determined that adoption of the standard had no material impact on its financial statements and related disclosures.

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, 2023 and 2022:

	2023	2022
Financial assets, at year-end	\$ 913,577	\$3,600,039
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(469,816)	(3,396,472)
Board designations:		
Greenhouse	-	(6,066)
Financial assets available to meet cash needs for general expenditures within one year	\$ 443,761	\$ 197,501

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.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 **Promises to Give**

As of December 31, 2023 and 2022, promises to give, which related to a future garden endowment and garden support, were as follows:

	2023	2022
Amounts due in:		
Less than one year	\$ 10,000	\$ 486,470
One to five years	-	12,000
Total	\$ 10,000	\$ 498,470

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, 2023 and 2022:

	2023	2022
Money market funds	\$ 5,987	\$ 309,770
Short term bond funds	123,559	19,415
Mutual funds	223,229	148,187
Total investments	\$ 352,775	\$ 477,372

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.

CYLBURN ARBORETUM FRIENDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 **Investments (continued)**

The following schedule summarizes the Arboretum's investment return for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 7,213	\$ 3,676
Realized and unrealized gain (loss)	10,017	(43,255)
	17,230	(39,579)
Less investment fees	(1,247)	(1,256)
Net investment return (loss)	\$ 15,983	\$ (40,835)

NOTE 6 **Property and Equipment**

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Nature museum	\$ 6,972,888	\$ 2,246
Land improvements	363,771	142,903
Office equipment	10,855	4,270
Garden / program equipment	7,149	7,149
Security equipment	71,616	-
Construction in progress	-	3,578,072
	7,426,279	3,734,640
Accumulated depreciation	(213,609)	(84,416)
	\$ 7,212,670	\$ 3,650,224

NOTE 7 **Leases**

Amounts recognized as right-of-use assets related to operating leases are included in other assets in the statements of financial position, while related lease liabilities are included in current and long-term liabilities. As of December 31, 2023, right-of-use assets and lease liabilities related to operating leases were as follows:

Right-of-use assets:	
Cost	\$ 9,644
Less: accumulated amortization	(831)
	\$ 8,813
Lease liabilities:	
Current portion	\$ 1,739
Long-term portion	7,074
	\$ 8,813

CYLBURN ARBORETUM FRIENDS, INC.
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NOTE 7 **Leases (continued)**

Description of leases - 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. Construction of the property was completed on July 1, 2023.

The Arboretum also leases office equipment. The first lease ending December 30, 2024, requires monthly payments of \$109 on a short term basis. The second lease, a 63-month non-cancelable operating lease ending September 30, 2028, requires monthly payments of \$170.

Quantitative lease information - A summary of total lease costs, by component, and other lease information for the year ended December 31, 2023, are as follows:

Operating lease cost	\$ 1,020
Short-term lease cost	<u>1,308</u>
Total lease cost	<u>\$ 2,328</u>
 <u>Other lease information:</u>	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ (1,020)
 Weighted-average remaining lease term:	
Operating leases	4.75 years
 Weighted-average discount rate:	
Operating leases	4.14%

A summary of the future lease payments for operating leases, reconciled to the lease liabilities recorded as of December 31, 2023, are as follows:

2024	\$ 2,040
2025	2,040
2026	2,040
2027	2,040
2028	<u>1,530</u>
Total future lease payments	9,690
Less effects of discounting	<u>(877)</u>
Lease liability recorded at December 31, 2023	8,813
Less current portion	<u>(1,739)</u>
Long-term lease liability	<u>\$ 7,074</u>

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NOTE 8 **Governing Board Designations**

The Arboretum's governing board has designated, from net assets without donor restrictions, funds for the greenhouse totaling \$6,066 as of December 31, 2022.

NOTE 9 **Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31, 2023 and 2022 are available for the following purposes:

	2023	2022
Nature Education Center	\$ -	\$ 2,970,054
Gardens	71,733	56,670
Education & program activities	77,019	39,910
Memorials	5,155	16,774
Garden support	315,909	313,064
	\$ 469,816	\$ 3,396,472

NOTE 10 **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, 2023 and 2022, 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.

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NOTE 10 **Endowment Funds (continued)**

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 \$315,909 and \$313,064 as of December 31, 2023 and 2022, respectively, which were net of contributions, investment income, and appropriations.

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 not be 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, 2023 and 2022 are as follows:

	2023	2022
Endowment net assets, beginning of year, January 1	<u>\$ 313,064</u>	<u>\$ 312,579</u>
Investment return:		
Investment income	<u>16,157</u>	<u>485</u>
Net investment return	<u>16,157</u>	<u>485</u>
Appropriated for expenditure	<u>(13,312)</u>	<u>-</u>
Endowment net assets, end of year of year, December 31	<u><u>\$ 315,909</u></u>	<u><u>\$ 313,064</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.

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NOTE 11 **Related Party Note Payable**

On June 14, 2023, the Arboretum was granted a promissory note from a related party in the amount of \$530,000. The note bears interest at 4.43% per annum and was originally scheduled to mature on December 31, 2023. However, during December 2023, the loan was amended with a revised due date of March 31, 2024. The outstanding balance on the note as of December 31, 2023 was \$380,000. Interest expense on the note was \$11,889 for the year ended December 31, 2023. The loan was paid in full on March 27, 2024.

NOTE 12 **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 provided the Arboretum use of office space in the Cylburn Mansion through July 1, 2023, 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, 2023 and 2022 to be \$25,000 and \$50,000. This fair value is included in in-kind use of facilities and rent expense in the statements of activities.

NOTE 13 **Contributions of Nonfinancial Assets**

During the year ended December 31, 2023, the Arboretum received a worktable and benches. The items were valued at \$3,500 by the donor on the basis of current retail prices at the time of donation; the related amounts of revenue and expense are reflected in the statement of activities and the statement of functional expenses for the year then ended.

NOTE 14 **Contingencies**

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 15 **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 \$349,425 and \$2,072,132 as of December 31, 2023 and 2022, respectively. The Arboretum's investments are maintained in non-federally insured brokerage accounts.

NOTE 16 **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 \$3,811 and \$4,545 during the years ended December 31, 2023 and 2022, respectively.

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NOTE 17 **Related Party Transactions**

The Arboretum's board of directors provided the Arboretum with substantial contributions totaling \$322,358 and \$259,014 during the years ended December 31, 2023 and 2022, respectively. These contributions made up approximately 20% and 11% of the Arboretum's total revenue for the years ended December 31, 2023 and 2022, respectively.

As disclosed in Note 11, the Arboretum has a promissory note from a board member.

NOTE 18 **Subsequent Events**

The Arboretum evaluated its December 31, 2023 financial statements for subsequent events through June 26, 2024, 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.