

REEVES-REED ARBORETUM
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

REEVES-REED ARBORETUM
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Reeves-Reed Arboretum

I have audited the accompanying statements of financial position of Reeves-Reed Arboretum (the Arboretum) as of December 31, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the two years then ended. The financial statements are the responsibility of the Arboretum's Board of Trustees. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arboretum as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

James M. Wood

April 26, 2011
Hillsborough, NJ

REEVES-REED ARBORETUM
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Current assets								
Cash & cash equivalents	\$ 285,888	\$ -	\$ -	\$ 285,888	\$ 445,466	\$ -	\$ -	\$ 445,466
Investment securities	235,904	276,998	638,569	1,151,471	74,923	210,574	638,569	924,066
Contributions receivable	6,028	-	-	6,028	4,300	-	-	4,300
Other receivable	684	-	-	684	614	-	-	614
Prepaid expenses	6,485	-	-	6,485	2,461	-	-	2,461
	<u>534,989</u>	<u>276,998</u>	<u>638,569</u>	<u>1,450,556</u>	<u>527,764</u>	<u>210,574</u>	<u>638,569</u>	<u>1,376,907</u>
Premises & equipment, net of accumulated depreciation	447,012	-	-	447,012	479,265	-	-	479,265
Collection	6,319	-	-	6,319	-	-	-	-
	<u>\$ 988,320</u>	<u>\$ 276,998</u>	<u>\$ 638,569</u>	<u>\$ 1,903,887</u>	<u>\$ 1,007,029</u>	<u>\$ 210,574</u>	<u>\$ 638,569</u>	<u>\$ 1,856,172</u>
Liabilities & Net Assets								
Current liabilities								
Accounts payable & accrued expenses	\$ 17,534	\$ -	\$ -	\$ 17,534	\$ 15,372	\$ -	\$ -	\$ 15,372
Grants received in advance	93,392	-	-	93,392	116,683	-	-	116,683
Rent security deposits	7,827	-	-	7,827	9,090	-	-	9,090
	<u>118,753</u>	<u>-</u>	<u>-</u>	<u>118,753</u>	<u>141,145</u>	<u>-</u>	<u>-</u>	<u>141,145</u>
Net assets	<u>869,567</u>	<u>276,998</u>	<u>638,569</u>	<u>1,785,134</u>	<u>865,884</u>	<u>210,574</u>	<u>638,569</u>	<u>1,715,027</u>
	<u>\$ 988,320</u>	<u>\$ 276,998</u>	<u>\$ 638,569</u>	<u>\$ 1,903,887</u>	<u>\$ 1,007,029</u>	<u>\$ 210,574</u>	<u>\$ 638,569</u>	<u>\$ 1,856,172</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support								
Dues	\$ 67,175	\$ -	\$ -	\$ 67,175	\$ 67,790	\$ -	\$ -	\$ 67,790
Contributions	119,027	2,012	-	121,039	138,025	-	-	138,025
Grants	176,120	-	-	176,120	181,969	-	-	181,969
	<u>362,322</u>	<u>2,012</u>	<u>-</u>	<u>364,334</u>	<u>387,784</u>	<u>-</u>	<u>-</u>	<u>387,784</u>
Program Service Revenue								
Education activities	79,110	-	-	79,110	61,478	-	-	61,478
Facilities rental	94,953	-	-	94,953	85,040	-	-	85,040
	<u>174,063</u>	<u>-</u>	<u>-</u>	<u>174,063</u>	<u>146,518</u>	<u>-</u>	<u>-</u>	<u>146,518</u>
Interest & dividends	4,171	25,368	-	29,539	4,083	21,247	-	25,330
Special events, net of direct costs								
Bridge party	4,607	-	-	4,607	5,337	-	-	5,337
Daffodil event	2,426	-	-	2,426	3,625	-	-	3,625
House tours	35,863	-	-	35,863	31,583	-	-	31,583
Art in the garden	72,190	-	-	72,190	58,618	-	-	58,618
Celebrate fall	4,295	-	-	4,295	2,352	-	-	2,352
Garden shop	1,474	-	-	1,474	2,217	-	-	2,217
Olmsted documentary	198	-	-	198	-	-	-	-
Fireflies & flicks	1,631	-	-	1,631	-	-	-	-
Jazz on terrace	1,644	-	-	1,644	-	-	-	-
Christmas tree sale	-	-	-	-	371	-	-	371
Maple sugaring	-	-	-	-	465	-	-	465
Great American campout	-	-	-	-	87	-	-	87
	<u>124,328</u>	<u>-</u>	<u>-</u>	<u>124,328</u>	<u>104,655</u>	<u>-</u>	<u>-</u>	<u>104,655</u>
Donated services	1,483	-	-	1,483	4,000	-	-	4,000
Miscellaneous	563	-	-	563	374	-	-	374
Total income	<u>666,930</u>	<u>27,380</u>	<u>-</u>	<u>694,310</u>	<u>647,414</u>	<u>21,247</u>	<u>-</u>	<u>668,661</u>
Releases from restrictions	16,188	(16,188)	-	-	33,306	(33,306)	-	-
	<u>683,118</u>	<u>11,192</u>	<u>-</u>	<u>694,310</u>	<u>680,720</u>	<u>(12,059)</u>	<u>-</u>	<u>668,661</u>
Functional Expenses								
Program services								
Horticulture	327,424	-	-	327,424	287,711	-	-	287,711
Education	160,911	-	-	160,911	137,908	-	-	137,908
Public relations	13,119	-	-	13,119	41,341	-	-	41,341
	<u>501,454</u>	<u>-</u>	<u>-</u>	<u>501,454</u>	<u>466,960</u>	<u>-</u>	<u>-</u>	<u>466,960</u>
Supporting services								
Management & general	72,762	-	-	72,762	68,098	-	-	68,098
Fund raising	130,543	-	-	130,543	107,104	-	-	107,104
	<u>203,305</u>	<u>-</u>	<u>-</u>	<u>203,305</u>	<u>175,202</u>	<u>-</u>	<u>-</u>	<u>175,202</u>
Total expenses	<u>704,759</u>	<u>-</u>	<u>-</u>	<u>704,759</u>	<u>642,162</u>	<u>-</u>	<u>-</u>	<u>642,162</u>
Increase (decrease) in net assets before gains on investments	(21,641)	11,192	-	(10,449)	38,558	(12,059)	-	26,499
Gains on investments	25,324	55,232	-	80,556	11,665	82,581	-	94,246
Increase (decrease) in net assets	3,683	66,424	-	70,107	50,223	70,522	-	120,745
Net assets								
Beginning of year	865,884	210,574	638,569	1,715,027	815,661	140,052	638,569	1,594,282
End of year	<u>\$ 869,567</u>	<u>\$ 276,998</u>	<u>\$ 638,569</u>	<u>\$ 1,785,134</u>	<u>\$ 865,884</u>	<u>\$ 210,574</u>	<u>\$ 638,569</u>	<u>\$ 1,715,027</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

	2010						2009 Total (See Page 5)
	Program Services			Supporting Services			
	Horticulture	Education	Public Relations	Management & General	Fund Raising	Total	
Salaries	\$ 110,561	\$ 89,494	\$ 5,708	\$ 35,849	\$ 79,041	\$ 320,653	\$ 316,486
Fringe benefits	18,159	14,699	937	5,888	12,982	52,665	47,655
	<u>128,720</u>	<u>104,193</u>	<u>6,645</u>	<u>41,737</u>	<u>92,023</u>	<u>373,318</u>	<u>364,141</u>
Direct program	16,274	5,281	-	-	-	21,555	19,881
Grounds enhancement	36,841	-	-	-	-	36,841	28,635
Occupancy	18,311	14,822	945	5,937	13,090	53,105	37,849
Insurance	3,858	3,123	199	1,251	2,758	11,189	14,596
Office	8,280	6,702	427	2,685	5,920	24,014	28,453
Postage	1,297	1,050	67	421	928	3,763	3,779
Telephone	1,466	1,186	76	475	1,048	4,251	5,810
Professional fees	70,738	10,433	665	13,283	9,214	104,333	64,813
Volunteers	807	-	-	-	-	807	476
Training	525	425	27	170	375	1,522	1,053
Development cultivation	-	-	725	-	-	725	2,473
Donated services	-	-	-	-	1,483	1,483	4,000
Miscellaneous	93	75	5	30	67	270	-
Dues & subscriptions	452	366	24	146	323	1,311	474
	<u>287,662</u>	<u>147,656</u>	<u>9,805</u>	<u>66,135</u>	<u>127,229</u>	<u>638,487</u>	<u>576,433</u>
Depreciation	<u>39,762</u>	<u>13,255</u>	<u>3,314</u>	<u>6,627</u>	<u>3,314</u>	<u>66,272</u>	<u>65,729</u>
Total functional expenses	<u>\$ 327,424</u>	<u>\$ 160,911</u>	<u>\$ 13,119</u>	<u>\$ 72,762</u>	<u>\$ 130,543</u>	<u>\$ 704,759</u>	<u>\$ 642,162</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

2009

	Program Services			Supporting Services		Total
	Horticulture	Education	Public Relations	Management & General	Fund Raising	
Salaries	\$ 124,284	\$ 72,570	\$ 21,616	\$ 37,377	\$ 60,639	\$ 316,486
Fringe benefits	18,714	10,927	3,255	5,628	9,131	47,655
	<u>142,998</u>	<u>83,497</u>	<u>24,871</u>	<u>43,005</u>	<u>69,770</u>	<u>364,141</u>
Direct program	14,577	5,304	-	-	-	19,881
Grounds enhancement	28,635	-	-	-	-	28,635
Occupancy	14,863	8,679	2,585	4,470	7,252	37,849
Insurance	5,732	3,347	997	1,724	2,796	14,596
Office	11,174	6,524	1,943	3,360	5,452	28,453
Postage	1,484	867	258	446	724	3,779
Telephone	2,282	1,332	397	686	1,113	5,810
Professional fees	25,452	14,862	4,427	7,654	12,418	64,813
Volunteers	476	-	-	-	-	476
Training	414	242	72	124	201	1,053
Development cultivation	-	-	2,473	-	-	2,473
Donated services	-	-	-	-	4,000	4,000
Dues & subscriptions	187	108	32	56	91	474
	<u>248,274</u>	<u>124,762</u>	<u>38,055</u>	<u>61,525</u>	<u>103,817</u>	<u>576,433</u>
Depreciation	<u>39,437</u>	<u>13,146</u>	<u>3,286</u>	<u>6,573</u>	<u>3,287</u>	<u>65,729</u>
Total functional expenses	\$ <u>287,711</u>	\$ <u>137,908</u>	\$ <u>41,341</u>	\$ <u>68,098</u>	\$ <u>107,104</u>	\$ <u>642,162</u>

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase in net assets	\$ 70,107	\$ 120,745
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	66,272	65,729
Gain on investment securities	(80,556)	(94,246)
(Increase) decrease in:		
Contributions receivable	(1,728)	7,230
Inventory	-	21,664
Other receivable	(70)	2,968
Prepaid expenses	(4,024)	4,099
Increase (decrease) in:		
Accounts payable & accrued expenses	2,162	(40,457)
Dues & fees received in advance	-	-
Grants received in advance	(23,291)	52,171
Rent security deposits	(1,263)	215
	27,609	140,118
Cash flows from investing activities		
Proceeds from sales of investment securities	200,000	55,000
Acquisition of investment securities	(346,849)	(24,369)
Acquisition of premises & equipment	(34,019)	(80,959)
Acquisition of collection item	(6,319)	-
	(187,187)	(50,328)
Net (decrease) increase in cash & cash equivalents	(159,578)	89,790
Cash & cash equivalents		
Beginning of year	445,466	355,676
End of year	\$ 285,888	\$ 445,466

See accompanying notes to financial statements.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

The Reeves-Reed Arboretum (the Arboretum) is a not-for-profit organization located in Summit, New Jersey. The Arboretum was founded in 1974 for the purpose of preserving an historic 12.5 acre country estate as an outdoor living museum which contains a collection of native trees, shrubs, and plants that are protected and labeled in their natural settings for study and appreciation. Additionally, the Arboretum provides educational programs for children and adults focusing on environmental, natural, and botanical issues.

Financial statement presentation

In accordance with generally accepted accounting principles, the Arboretum reports its statements of financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenue with temporary restrictions which is expended in the same year is considered unrestricted for financial statement presentation.

Temporarily restricted net assets

Funds which carry donor-imposed restrictions are classified as temporarily restricted net assets until the restrictions are fulfilled. Additionally, investment income and market appreciation on endowment investments are classified as temporarily restricted as such funds are available for expenditure on horticultural and educational-related expenditures.

Permanently restricted net assets

Assets received for the horticultural and children's education endowment fund are recorded as permanently restricted.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donated services

Donated services are recorded as income and related expense if the service provided is specialized and would be purchased if not donated.

Cash and cash equivalents

For purposes of the statement of cash flows, the Arboretum considers all highly liquid investments including demand deposits, money market accounts and certificates of deposit with an initial maturity of three months or less to be cash equivalents. These financial instruments are included in "cash and cash equivalents" in the statement of financial position.

Investment securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

Inventory

Garden shop inventory is carried at cost on a first in-first out (FIFO) basis. During 2009, the Garden shop's activities ceased, and the inventory was liquidated.

Premises & equipment

Premises & equipment are shown at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The cost of maintenance and repairs is charged to income as incurred.

Collection

Beginning January 1, 2010, The Arboretum established a policy to capitalize collections. Accessions of collection items are capitalized at cost if purchased or at fair value if received as a contribution. Gains or losses from deaccessions of these items are reflected on the statement of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

Collection items accessioned prior to January 1, 2010 were recorded as decreases in unrestricted net assets if purchased. No financial statement recognition was made for accessions of contributed collection items.

Income tax status

The Arboretum qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

Functional expenses

Expenses are charged to each program or cost center based on direct expenses incurred. Any expenses not directly chargeable are allocated to programs based on applicable usage rates.

Use of estimates

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

Concentrations of credit

Financial instruments that potentially expose the Arboretum to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investment securities. Cash and cash equivalents are placed with financial institutions or money market funds, and credit exposure is deemed to be limited to any one institution. Investments securities consist of mutual funds and are carried at fair value and are subject to market fluctuations. Future losses may be incurred in the event of a market decline.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

Fair value of financial instruments

Financial instruments are carried at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined using three levels of inputs:

Level 1 Valuations based on quoted prices in active markets for identical assets.

Level 2 Valuations based on one or more quoted price for investments that are not exchange-traded but for which all significant inputs are observable.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurements.

The following valuation techniques are used for assets measured at fair value:

Cash and money market funds - The carrying value approximates fair value due to its short term nature and is classified as Level 1.

Mutual funds - Investments in exchange-traded mutual funds are measured at fair value using quoted market prices and are classified as Level 1. Investments in mutual funds traded over the counter are classified as Level 2.

Accounting for uncertainty in income taxes

The Arboretum's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of tax status or exposure to uncertain tax positions that could require accrual or which could affect its liquidity or future cash flows.

New accounting pronouncements

The Arboretum adopted guidance which requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their respective returns. This standard is effective for the 2010 financial statements.

The Arboretum adopted guidance relating to subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued and requires disclosure of the date through which the entity has evaluated subsequent events and the basis for that date. The standard is effective for the Arboretum's 2010 financial statements.

In June 2009, authoritative guidance was issued which stipulated the FASB Accounting Standards Codification is the source of authoritative US GAAP (generally accepted accounting principles) recognized by the FASB to be applied by nongovernmental entities. This standard was effective for the Arboretum's 2009 financial statements. The

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

implementation of this standard did not have a material impact on the Arboretum's financial position, results of activities and cash flows.

In January 2010, the FASB issued a standard addressing fair value measurements and disclosures, which amends previously released guidance on fair value measurements and disclosures. The amendment requires additional disclosures about fair value measurements including transfers in and out of levels 1 and 2 and more disaggregation for different types of financial instruments. This standard is effective for annual and interim reporting periods beginning after December 15, 2009 and for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. The Arboretum is expecting the impact of this pronouncement to be immaterial to its financial statement disclosures.

The Arboretum is not aware of any other new accounting standards that were required to be adopted in 2010 or yet to be adopted that would impact the Arboretum's 2010 financial statements.

Reclassifications

Certain items in the 2009 financial statements have been reclassified to conform with current year presentation.

(2) **Investment Securities**

Investment securities are maintained in accounts according to intended use. As of December 31, investment securities, carried at fair value, are as follows:

	<u>2010</u>	<u>2009</u>
Horticulture & Children's Endowment		
Fidelity Cash Reserve	\$ 71,446	\$ 175,345
Fidelity Intermediate Treasury Bond	108,687	197,876
Fidelity Balanced Fund	583,389	603,751
Fidelity Bond Fund	180,333	-
Fidelity Bond Index Fund	<u>146,118</u>	<u>-</u>
	1,089,973	976,972
Operating		
Fidelity Cash Reserves	10,000	-
Fidelity Treasury Money Market Fund	90,412	109,238
Fidelity Intermediate Treasury Fund	<u>132,944</u>	<u>122,439</u>
	<u>233,356</u>	<u>231,677</u>
Total investment securities	1,323,329	1,208,649
Less money market funds included in cash & cash equivalents	<u>171,858</u>	<u>284,583</u>
Net investment securities	<u>\$1,151,471</u>	<u>\$ 924,066</u>

**REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

(3) Premises & Equipment

The Arboretum leases its land and buildings from the City of Summit. Improvements, equipment, and other buildings are as follows as of December 31:

	<u>2010</u>	<u>2009</u>
Improvements to buildings	\$1,013,715	\$ 992,452
Gardens & woodlands	214,370	214,370
Land improvements	386,788	377,238
Greenhouse	118,041	114,835
Fencing	121,986	121,986
Barn	106,916	106,916
Furniture & equipment	<u>193,113</u>	<u>193,113</u>
	2,154,929	2,120,910
Less accumulated depreciation	<u>1,707,917</u>	<u>1,641,645</u>
	<u>\$ 447,012</u>	<u>\$ 479,265</u>

(4) Operating Lease Commitments

For each of the next five years ending December 31, the Arboretum is obligated to the following minimum lease amounts:

2011	\$ 3,248
2012	3,248
2013	2,842
2014	10
2015	10
Thereafter	<u>2,520</u>
	<u>\$11,878</u>

The Arboretum leases the land and buildings it occupies from the City of Summit for \$10 per year. For the years ended December 31, 2010 and 2009, rent expense totaled \$3,805 and \$3,699, respectfully.

(5) Donated Services

For the years ended December 31, 2010 and 2009, volunteers reported approximately 3,964 and 4,055 hours, respectively, in time donated for horticultural work, grounds maintenance, and education programs. The value of these hours is a vital and integral portion of the Arboretum's programming, but carries no objective basis for valuation.

(6) Restrictions on Net Assets

As of December 31, 2010 and 2009, the Arboretum maintains an endowment fund consisting of permanently restricted, temporarily, and unrestricted assets. The permanently restricted assets are contributions received in prior years for the purpose of endowing children's education and horticultural activities. Temporarily restricted net assets consist of investment income earned and accumulated on the permanently restricted corpus. Unrestricted assets are those added to the endowment fund at the discretion of the Board of Trustees.

The endowment fund assets are invested in a variety of mutual funds as noted in Note 2. The Board's investment policy is to maximize return while managing risk.

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

The Uniform Prudent Management Institutions Funds Act (UPMIFA) as enacted in New Jersey does not establish a level below which an endowment or permanently restricted fund may fall. Instead, UPMIFA requires that permanently restricted fund investment and spending policies be designed with the aim of preserving that amount of each fund which is prudent for the uses, benefits, purposes and duration for which the permanently restricted gift was received.

Contributions received which are temporarily restricted are included in the Arboretum's operating investment account until expended on the intended use.

The composition and activity of the endowment fund investment portfolio and operating investment portfolio are as follows:

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Endowment				
Balance, January 1, 2009	\$638,569	\$ 84,199	\$122,365	\$ 845,133
Board challenge contributions	-	-	30,530	30,530
Other contributions	-	-	519	519
Investment returns	-	103,828	21,962	125,790
Release from restriction	-	(25,000)	-	(25,000)
Balance, December 31, 2009	<u>638,569</u>	<u>163,027</u>	<u>175,376</u>	<u>976,972</u>
Board challenge contributions	-	-	13,420	13,420
Investment returns	-	<u>80,600</u>	<u>18,981</u>	<u>99,581</u>
Balance, December 31, 2010	<u>\$638,569</u>	<u>\$243,627</u>	<u>\$207,777</u>	<u>\$1,089,973</u>
Operating				
Balance, January 1, 2009	\$ -	\$ 55,853	\$202,138	\$ 257,991
Transfers in	-	-	6,000	6,000
Release from restriction	-	(8,306)	-	(8,306)
Expenditures	-	-	(17,790)	(17,790)
Investment returns	-	-	(6,218)	(6,218)
Balance, December 31, 2009	-	<u>47,547</u>	<u>184,130</u>	<u>231,677</u>
Contributions	-	2,012	20,000	22,012
Transfers in	-	-	9,774	9,774
Release from restrictions	-	(9,774)	-	(9,774)
Expenditures	-	(6,414)	(24,434)	(30,848)
Investment returns	-	-	<u>10,515</u>	<u>10,515</u>
Balance, December 31, 2010	<u>\$ -</u>	<u>\$ 33,371</u>	<u>\$199,985</u>	<u>\$ 233,356</u>

As of December 31, 2010 and 2009, temporarily restricted net assets and designated net assets are as follows:

	<u>2010</u>	<u>2009</u>
Temporarily restricted		
Accumulated earnings, endowment fund	\$243,627	\$163,027
Kitchen	30,000	30,000
Trees/horticulture software	1,600	9,787
Membership software	<u>1,771</u>	<u>7,760</u>
	<u>\$276,998</u>	<u>\$210,574</u>
Board designated, unrestricted		
Tree fund	\$ 16,840	\$ 15,910
Capital maintenance	58,487	74,077
Garden shop residual	<u>6,000</u>	<u>6,000</u>
	<u>\$ 81,327</u>	<u>\$ 95,987</u>

REEVES-REED ARBORETUM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

(7) **Collection**

The Arboretum's collection consists of a garden sculpture which was commissioned and fabricated during 2010. The item is cataloged for educational and curatorial purposes.

(8) **Fair Value of Financial Instruments**

The Arboretum's assets recorded at fair value have been categorized based upon a fair value hierarchy as described in Note 1. The table below presents the balances of assets measured on a recurring basis as of:

	<u>Level 1</u>	<u>Total</u>
<u>December 31, 2010</u>		
Cash & cash equivalents	\$ 285,888	\$ 285,888
Mutual funds (exchange traded)	<u>1,151,471</u>	<u>1,151,471</u>
	<u>\$1,437,359</u>	<u>\$1,437,359</u>
 <u>December 31, 2009</u>		
Cash & cash equivalents	\$ 445,466	\$ 445,466
Mutual funds (exchanged traded)	<u>924,066</u>	<u>924,066</u>
	<u>\$1,369,532</u>	<u>\$1,369,532</u>

(9) **Evaluation of Subsequent Events**

The Arboretum has evaluated subsequent events through April 26, 2011, the date which the financial statements were available to be issued.