

THE HOLDEN ARBORETUM
FINANCIAL REPORT
SEPTEMBER 30, 2009

THE HOLDEN ARBORETUM
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The Board of Directors
The Holden Arboretum
Kirtland, Ohio

Independent Auditors' Report

We have audited the accompanying statement of financial position of The Holden Arboretum (the "Arboretum") as of September 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Arboretum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Arboretum's 2008 financial statements and, in our report dated January 22, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arboretum's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arboretum as of September 30, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Meloney + Novotny LLC

Cleveland, Ohio
January 15, 2010

THE HOLDEN ARBORETUM
STATEMENT OF FINANCIAL POSITION

September 30, 2009
(With Comparative Totals at September 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
ASSETS					
CURRENT ASSETS					
Cash and equivalents	\$ 598,555	\$ 445,366		\$ 1,043,921	\$ 610,825
Inventory	35,467			35,467	32,819
Receivables:					
Pledges	24,690			24,690	17,045
Ohio EPA	106,476			106,476	36,476
Prepays and other assets	13,369			13,369	55,583
Total current assets	<u>778,557</u>	<u>445,366</u>		<u>1,223,923</u>	<u>752,748</u>
Property, buildings and equipment, net (Note 4)	20,322,622			20,322,622	20,754,106
Investments (Note 3)	17,562,048	978,850	\$ 2,459,150	21,000,048	21,701,435
Investments - funds held in trust by others (Note 10)			<u>75,339,604</u>	<u>75,339,604</u>	<u>87,234,088</u>
TOTAL ASSETS	<u>\$38,663,227</u>	<u>\$1,424,216</u>	<u>\$77,798,754</u>	<u>\$117,886,197</u>	<u>\$130,442,377</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 158,045	\$ 4,958		\$ 163,003	\$ 148,510
Gift annuities - current (Note 9)		37,800		37,800	37,800
Accrued expenses	265,372	20,286		285,658	319,434
Deferred revenue	14,471			14,471	15,106
The Conservation Loan Fund	1,000,000			1,000,000	-
Conservation loan interest payable	44,333			44,333	-
Total current liabilities	<u>1,482,221</u>	<u>63,044</u>		<u>1,545,265</u>	<u>520,850</u>
NONCURRENT LIABILITIES					
Gift annuities liability (Note 9)		173,800		173,800	181,269
The Conservation Loan Fund				-	<u>1,000,000</u>
Total liabilities	<u>1,482,221</u>	<u>236,844</u>		<u>1,719,065</u>	<u>1,702,119</u>
NET ASSETS					
Unrestricted					
Operating	340,669			340,669	97,467
Funds functioning as endowment	17,562,048			17,562,048	18,064,457
Net investment in plant	19,278,289			19,278,289	19,754,106
Total unrestricted	<u>37,181,006</u>			<u>37,181,006</u>	<u>37,916,030</u>
Temporarily restricted (Note 7)		1,187,372		1,187,372	1,131,490
Permanently restricted (Note 8 and 10)					
Endowment funds			\$ 2,459,150	2,459,150	2,458,650
Funds held in trust by others			<u>75,339,604</u>	<u>75,339,604</u>	<u>87,234,088</u>
			<u>77,798,754</u>	<u>77,798,754</u>	<u>89,692,738</u>
Total net assets	<u>37,181,006</u>	<u>1,187,372</u>	<u>77,798,754</u>	<u>116,167,132</u>	<u>128,740,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$38,663,227</u>	<u>\$1,424,216</u>	<u>\$77,798,754</u>	<u>\$117,886,197</u>	<u>\$130,442,377</u>

The accompanying notes are an integral part of these financial statements.

THE HOLDEN ARBORETUM

STATEMENT OF ACTIVITIES

Year Ended September 30, 2009
(With Comparative Totals at September 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Current Year Total	Prior Year Total
SUPPORT AND REVENUE					
Contributions	\$ 1,152,767	\$ 315,213	\$ 500	\$ 1,468,480	\$ 1,846,900
Ohio EPA	70,000			70,000	86,000
Holden Arboretum Trust	4,725,292			4,725,292	5,013,184
Special events:					
Revenue	187,816			187,816	220,117
Expense	<u>(79,086)</u>			<u>(79,086)</u>	<u>(92,985)</u>
	108,730			108,730	127,132
Admissions, courses, museum store and other	375,667			375,667	420,532
Endowment income available for operations (Note 3)				-	664,114
Operating investment income (Note 3)	155,208			155,208	223,580
Net assets released from restrictions	<u>214,902</u>	<u>(214,902)</u>		<u>-</u>	<u>-</u>
Total support and revenue	6,802,566	100,311	500	6,903,377	8,381,442
EXPENSES					
Program expenses:					
Horticulture and conservation	2,005,077			2,005,077	2,693,303
Research	918,346			918,346	1,005,147
Education	967,894			967,894	1,059,404
Guest services	977,234			977,234	1,315,453
Total program expenses	<u>4,868,551</u>			<u>4,868,551</u>	<u>6,073,307</u>
Management and administration	1,127,289			1,127,289	1,071,036
Development	<u>468,795</u>			<u>468,795</u>	<u>453,565</u>
Total expenses	6,464,635			6,464,635	7,597,908
INCREASE FROM OPERATING ACTIVITY	337,931	100,311	500	438,742	783,534
NON-OPERATING ACTIVITY					
Contributions - estate bequests	59,642	20,975		80,617	518,579
Change in investments	(263,636)	(65,404)		(329,040)	(7,293,382)
Change in funds held in trust by others (Note 8)			(11,894,484)	(11,894,484)	(21,461,650)
Depreciation	(676,654)			(676,654)	(548,741)
Loss on disposal of equipment	(3,524)			(3,524)	(288,398)
Interest	(44,333)			(44,333)	-
Site planning/Campaign	(144,450)			(144,450)	(71,432)
	<u>(1,072,955)</u>	<u>(44,429)</u>	<u>(11,894,484)</u>	<u>(13,011,868)</u>	<u>(29,145,024)</u>
CHANGE IN NET ASSETS	(735,024)	55,882	(11,893,984)	(12,573,126)	(28,361,490)
NET ASSETS – BEGINNING OF YEAR, AS RESTATE (Note 1)	37,916,030	1,131,490	89,692,738	128,740,258	157,101,748
NET ASSETS – END OF YEAR	<u>\$37,181,006</u>	<u>\$ 1,187,372</u>	<u>\$ 77,798,754</u>	<u>\$ 116,167,132</u>	<u>\$ 128,740,258</u>

The accompanying notes are an integral part of these financial statements.

THE HOLDEN ARBORETUM

STATEMENT OF CASH FLOWS

Year Ended September 30, 2009
(With Comparative Totals at September 30, 2008)

	Current Year Total	Prior Year Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(12,573,126)	\$(28,361,490)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	676,654	548,741
Loss on disposal of equipment	3,524	288,398
Unrealized (gains) losses of investments	(348,722)	11,333,591
Realized loss (gain) of investments	793,228	(4,218,093)
Change in funds held in trust by others	11,894,484	21,461,650
Gifts restricted for permanent endowment	(500)	(500)
(Increase) decrease in inventory	(2,648)	56,234
Decrease in prepaids and other assets	42,212	24,056
(Increase) decrease in pledges receivable	(7,645)	40,910
Increase in Ohio EPA receivable	(70,000)	(36,476)
Decrease in accounts payable and accrued expenses	(19,283)	(199,341)
(Decrease) increase in deferred revenue	(635)	6,980
Increase in interest payable	44,333	-
Total adjustments	<u>13,005,002</u>	<u>29,306,150</u>
Net cash provided by operating activities	431,876	944,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,934,910)	(20,131,498)
Proceeds on sale of investments	4,191,794	19,796,523
Proceeds from sale of equipment	902	2,619
Purchase of equipment	(56,190)	(131,380)
Purchase of land, buildings and improvements	<u>(193,407)</u>	<u>(1,504,619)</u>
Net cash provided (used) by investing activities	8,189	(1,968,355)
CASH FLOWS FROM FINANCING ACTIVITY		
Gifts restricted for permanent endowment	500	500
Decrease in gift annuity liability	(7,469)	(7,548)
Borrowing - note payable	-	<u>1,000,000</u>
Net cash (used) provided by financing activities	<u>(6,969)</u>	<u>992,952</u>
INCREASE IN CASH AND EQUIVALENTS	433,096	(30,743)
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>610,825</u>	<u>641,568</u>
CASH AND EQUIVALENTS – END OF YEAR	<u>\$ 1,043,921</u>	<u>\$ 610,825</u>

The accompanying notes are an integral part of these financial statements.

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. The Holden Arboretum (the "Arboretum"), an Ohio nonprofit corporation, is a tax-exempt, publicly-supported, charitable organization that operates a museum of plants and conducts related scientific and educational programs, and envisions a northeast Ohio in which trees, forests and gardens provide maximum ecological and social benefit to the region's people and communities.
- B. Accounting Method – The financial statements of the Arboretum have been prepared in conformity with accounting principles recommended by the American Institute of Certified Public Accountants.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. The Arboretum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Permanently restricted net assets represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized.

- C. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Cash and Equivalents – The Arboretum maintains cash and equivalents at various financial institutions which, at times, may exceed federally insured amounts and may significantly exceed the statement of financial position amount due to outstanding checks. For purposes of the statement of cash flows, cash and equivalents include short-term highly liquid investments with original maturities of three months or less.
- E. Inventories – Inventories of books and Treehouse store memorabilia are carried at lower of cost or market, using the first-in, first-out method.
- F. Contributions – The Arboretum recognizes contributions as revenue in the period in which the pledge (promise to give) is received.
- G. Fair Value of Financial Instruments – The carrying value of cash and equivalents, inventory, pledge receivables, accounts payable, accrued expenses and annuities payable are reasonable estimates of fair value due to the short-term nature of these financial instruments. The carrying value of the Arboretum's investments approximates fair value in accordance with the U.S. generally accepted accounting principles ("GAAP").

GAAP provides a framework for measuring fair value, disclosure about fair value measurements and establishes a three level hierarchy for disclosure to show the extent and level of judgment used to estimate fair value measurements:

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fair Value of Financial Instruments (Continued):

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. The Arboretum's funds held in trust primarily consist of investments with a readily determinable market value; however, there is not an active market for an interest in a trust.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions. The Arboretum's alternative investments are valued at market value reports provided by the investment manager.

The following table sets forth by level with the fair value hierarchy the Arboretum's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of September 30, 2009. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Arboretum's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value as described above.

	<u>Assets at Market Value as of September 30, 2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 20,259	\$ -	\$ -	\$ 20,259
Mutual funds	462,743	-	-	462,743
Equities	6,346,478	-	-	6,346,478
American Foundation	-	3,683,494	-	3,683,494
Limited partnerships	-	4,024,013	6,463,061	10,487,074
	<u>\$ 6,829,480</u>	<u>\$ 7,707,507</u>	<u>\$ 6,463,061</u>	<u>\$ 21,000,048</u>
Funds held in trust	<u>\$ -</u>	<u>\$ 60,720,553</u>	<u>\$ 14,619,051</u>	<u>\$ 75,339,604</u>

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fair Value of Financial Instruments (Continued):

The Arboretum's investment in the American Foundation is held in a pooled investment account, which invests the funds primarily in equities and fixed income securities. The Arboretum considers these investments to be Level 2.

The Arboretum Endowment holds investments in various limited partnerships, and considers these investments to be both Level 2 and 3. Any unfunded commitments related to these investments are to be satisfied through the redistribution of investment assets by the investment managers.

Funds held in trust by others consist of funds as described in Note 10, and the Arboretum considers these investments to be both Level 2 and 3. Any unfunded commitments related to these investments are to be satisfied through the redistribution of investment assets by the Trust. The Trust has committed to make future additional investments totaling \$3,812,500.

The table below sets forth a summary of changes in the fair value of the Arboretum's Level 3 assets for the year ended September 30, 2009:

	Arboretum Endowment	The Holden Arboretum Trust	Total
Balance at September 30, 2008	\$ 6,849,931	\$ 13,659,089	\$ 20,509,020
Investment income	-	72,430	72,430
Net realized and unrealized losses relating to instruments still held at the reporting date	(386,870)	(2,656,240)	(3,043,110)
Purchases and contributions	-	3,543,772	3,543,772
Balance at September 30, 2009	<u>\$ 6,463,061</u>	<u>\$ 14,619,051</u>	<u>\$ 21,082,112</u>

H. Property, Buildings and Equipment – Property, buildings and equipment are recorded at cost or, if contributed, appraised market value at the date of the gift. Purchases will be capitalized if they have an estimated useful life of two years or more and have an acquisition cost in excess of \$2,000. Expenditures for maintenance and repairs are expensed in the period incurred. Improvements are capitalized as additions to the appropriate asset accounts. Depreciation is computed using the straight-line method over the estimated useful economic life of each asset.

I. Income Taxes – The Arboretum has been ruled exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3) and has been classified as a public charity under Section 509(a)(1).

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Income Taxes (Continued)

As issued, generally accepted accounting principles ("GAAP") for uncertainty in income taxes (formerly FIN 48) was effective for fiscal years beginning after December 15, 2006. However, the effective date was deferred for most nonpublic entities until fiscal years beginning after December 15, 2008. In September 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("FASB ASU") 2009-6, *Income Taxes (Topic 740)—Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, which confirms the December 15, 2008 effective date of GAAP for uncertainties in income taxes for nonpublic entities. In addition, the FASB ASU amends the definition of a tax position, provides implementation guidance for pass-through entities and simplifies the disclosure requirements for nonpublic entities. FASB ASU 2009-6 is effective for interim and annual periods ending after September 15, 2009 or, if earlier, upon the adoption of GAAP for uncertain tax positions. Until it adopts the above provisions, the Arboretum will continue to apply existing standards related to accounting for contingencies.

J. Comparative Information – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Arboretum's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

K. Conditional Asset Retirement Obligations – The Arboretum has adopted an accounting policy which requires the Arboretum to recognize the costs associated with the retirement of assets, which primarily are for the future remediation and removal of asbestos from Arboretum-owned property. Such costs are not material to the Arboretum, given the states of construction of the properties.

L. Restatement/Reclassifications – Based upon new information received, the Arboretum has restated the September 30, 2007 and 2008 net assets with a net increase to property, buildings and equipment of \$1,416,055 and a corresponding increase to net assets.

Certain reclassifications of prior year amounts have been made to conform to current year presentation.

M. Subsequent Events – The Arboretum has evaluated all events subsequent to the statement of financial position of September 30, 2009, through January 15, 2010, which is the date these financial statements were available to be issued and have determined that there are no subsequent events that require disclosure except for the following:

The Arboretum is in the process of developing formal policies related to its collections. The policies should be completed and implemented by September 30, 2010.

Note 2. Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at realizable value. Unconditional promises to give that are expected to be collected in the future years are recorded at the present value of their estimated future cash flows. Pledges and grants are expected to be collected within one year are \$24,690. No allowance for uncollected pledges has been deemed necessary by management.

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments

The Arboretum records investments in the financial statements at fair value. Investments received by gift are recorded at market value at the date of donation. The Arboretum's alternative investments limited partnerships are valued at market value from reports provided by the investment managers. Because of the inherent uncertainty of the value terms, the fair values may differ significantly from values that would have been used had a ready market for these investments existed.

Market values and cost of investments are as follows:

	Market Value	Cost
Cash and equivalents	\$ 20,259	\$ 20,259
Mutual funds	462,743	501,020
Equities	6,346,478	6,036,782
American Foundation	3,683,494	856,087
Limited partnerships:		
Equities	4,024,013	4,850,000
Alternative investments	<u>6,463,061</u>	<u>7,750,000</u>
	<u>\$ 21,000,048</u>	<u>\$ 20,014,148</u>

Under the Arboretum's policy governing transfer of funds for operations for the year ended September 30, 2009, up to 5% of the prior year's average month end market value is available for current operations. Due to the steep decline in the value of investments over the course of the year ended September 30, 2009, no funds were withdrawn for current operations.

During the course of fiscal 2009, the Board of Directors adopted a new spending policy, where up to 5% of the average of the preceding sixteen quarters' market closing values with a one quarter lag from the fiscal year end is available for current operations which will be in effect for fiscal 2010.

An analysis of investment activity is as follows for the year ended September 30, 2009:

Interest and dividends, net	\$ 270,674
Realized loss on investments	(793,228)
Unrealized appreciation of investments	<u>348,722</u>
	(173,832)
Less: Endowment income utilized for operations	-0-
Operating investment income	<u>(155,208)</u>
	<u>(155,208)</u>
Non-operating depreciation of investments	<u>\$ (329,040)</u>

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Property, Buildings and Equipment

Property, buildings and equipment at September 30, 2009 are as follows:

Land and land improvements	\$ 16,108,529
Buildings	8,341,931
Field operating and office equipment	1,991,036
Furnishings/other	2,161,065
Construction-in-progress	9,627
	<u>28,612,188</u>
Less accumulated depreciation	<u>8,289,566</u>
	<u>\$ 20,322,622</u>

The Arboretum has received contributions of development rights - via conservation easements - associated with approximately 1,489 acres of land. No value has been placed on these contributions and the easements are not reflected in the statement of financial position. However, the Arboretum is required to maintain the integrity of the easements and may incur legal and other costs to enforce the easements.

Note 5. Note Payable

On August 1, 2008, the Arboretum signed a promissory note with The Conservation Fund for \$1,000,000. The note requires no payment until August 1, 2010, at which point the entire outstanding unpaid principal and accrued interest are due. The note bears interest at 3.8%. Interest expense incurred was \$44,333 for the year ended September 30, 2009.

Note 6. Line of Credit

The Arboretum has entered into a line of credit arrangement with BNY Mellon National Association that carries a maximum possible balance of \$1,700,000. The line of credit has a variable interest rate that is the Prime Rate less 1%. As of September 30, 2009, the Arboretum has no borrowing against the line of credit. The Arboretum Endowment Fund is the collateral for the line of credit.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Horticulture	\$ 201,082
Research	203,432
Education	134,278
Shadybrook house	47,120
Capital projects	87,459
Campaign	283,143
Annuity trust agreements	<u>230,858</u>
	<u>\$ 1,187,372</u>

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

Investment in perpetuity, the income from which is expendable to support:

Horticulture	\$ 296,575
Research	732,795
Education	250,000
General operations	<u>1,179,780</u>
 Total endowment funds	 <u>\$ 2,459,150</u>
 Funds held by others	 <u>\$ 75,339,604</u>

Note 9. Gift Annuities

The Arboretum is obligated under various annuity contracts, whereby donors have contributed cash to the Arboretum with the agreement that the donors shall be the sole recipients of annuity payments of \$37,800 per annum. Such payments are payable in equal quarterly installments of \$9,450 and shall terminate on the last payment date preceding the death of the donor. Discount rates used to value the annuity obligations have various rates.

Note 10. Funds Held in Trust by Others

Funds held in trust by others consist of irrevocable trusts established for the benefit of the Arboretum. These funds are reflected in the financial statements as permanent net assets. Under the Arboretum's policy governing transfer of funds for operations, which is consistent with Ohio's Institutional Trust Funds Act of 1999, 5% of the prior year's average month end market value is distributed from The Holden Arboretum Trust for current operations. For the Corning Institute for Education and Research ("Institute"), an annual funding request of 5% of the prior year's average month end market value is submitted by the Arboretum to the Institute's board of directors.

The fair market value of these funds at September 30 is as follows:

	2008 Market Value	2009 Market Value	Unrealized Depreciation
Corning Institute for Education and Research	\$ 4,218,156	\$ 3,903,413	\$ (314,743)
The Holden Arboretum Trust	<u>83,015,932</u>	<u>71,436,191</u>	<u>(11,579,741)</u>
	<u>\$ 87,234,088</u>	<u>\$ 75,339,604</u>	<u>\$ (11,894,484)</u>

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11. UPMIFA and Endowment Funds

On November 17, 2008, the Ohio General Assembly adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The law was signed on January 6, 2009, and it became effective June 1, 2009. The Arboretum has evaluated the potential impact of the law as it relates to the Arboretum and required disclosures in the financial statements.

During 2008, Financial Accounting Standards Board released a standard that provided guidance on the net asset classification of donor-restricted endowment funds and enhanced disclosures for endowment funds.

The Board of Directors of the Arboretum has approved an investment policy detailing the long term goals, asset allocation, guidelines for security selection, measurable objectives and on-going communication. Objectives of the Arboretum are, first and foremost, to preserve the safety to the principal and second, to maximize investment income. Endowment funds are subject to the investment policy approved by the Board of Directors.

The Arboretum endowment consists of several permanently restricted funds established for a variety of purposes. The endowment funds are recorded at historical dollar value. Income and realized/unrealized gains/losses for some specific funds' income is to be recorded as temporarily restricted until spent for those specific purposes in accordance with the spending policy approved by the Board of Directors. In addition, earnings in excess of the spending policy are added to temporarily restricted net assets. Income from other funds is to be used for general operations, and is recorded as unrestricted.

Income from endowment is appropriated based on an approval process through the Board of Directors. Specific committees recommend amounts to be disbursed from the accumulated earnings of the endowment funds, which are then approved for appropriation by the Board of Directors.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, beginning of the year	\$ 18,064,457	\$ 1,178,328	\$ 2,458,650	\$ 21,701,435
Reclassification of cumulative earnings	(4,286,900)	4,286,900		-
Investment return:				
Investment income	225,312	14,696	30,666	270,674
Realized and unrealized losses	(370,011)	(24,135)	(50,360)	(444,506)
Total investment return	(144,699)	(9,439)	(19,694)	(173,832)
Contributions and transfers	(397,353)	31,975	500	(364,878)
Appropriations of net assets	4,326,543	(4,508,914)	19,694	(162,677)
Endowment investments, end of the year	<u>\$ 17,562,048</u>	<u>\$ 978,850</u>	<u>\$ 2,459,150</u>	<u>\$ 21,000,048</u>

THE HOLDEN ARBORETUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 11. UPMIFA and Endowment Funds (Continued)

A thorough study of historical contributions and accumulated endowment earnings and related appropriations was completed during the 2009 fiscal year. As a result, the Arboretum determined that a reclassification of certain endowment assets was necessary. Such reclassifications and appropriations are reflected in the table above.

Note 12. Defined Contribution Plan

The Arboretum has a defined contribution retirement plan under section 403(b) of the Internal Revenue Code, which covers all eligible employees. Employer contributions have been 3% of employee compensation annually. In addition, the Arboretum has matched an employee contribution of up to 3%. The Arboretum has made contributions to the plan of \$188,178 for 2009.