

**MINNESOTA LANDSCAPE
ARBORETUM FOUNDATION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota Landscape Arboretum Foundation
Chaska, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Minnesota Landscape Arboretum Foundation, which comprise the statements of financial position as of June 30, 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 Minnesota Landscape Arboretum Foundation as of June 30, 2023 and 2022, and the changes in 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 (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Minnesota Landscape Arboretum Foundation 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 Minnesota Landscape Arboretum Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 Minnesota Landscape Arboretum Foundation'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 Minnesota Landscape Arboretum Foundation'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 12, 2023

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,196,333	\$ 2,388,818
Donated Securities	-	86,787
Pledges Receivable, Current	1,795,322	1,642,048
Due from University of Minnesota	<u>266,403</u>	<u>468,914</u>
Total Current Assets	3,258,058	4,586,567
OTHER ASSETS		
Long-Term Pledges Receivable (Net of \$105,633 and \$195,367 of Present Value Discount in 2023 and 2022, Respectively)	1,072,486	1,866,016
Investments	31,971,743	2,628,912
Investments Designated and Restricted for Endowments	<u>51,423,650</u>	<u>47,473,002</u>
Total Other Assets	<u>84,467,879</u>	<u>51,967,930</u>
Total Assets	<u><u>\$ 87,725,937</u></u>	<u><u>\$ 56,554,497</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to University of Minnesota	\$ 60,112	\$ 68,957
Deferred Membership	<u>1,265,360</u>	<u>1,295,323</u>
Total Liabilities	1,325,472	1,364,280
NET ASSETS		
Without Donor Restrictions	11,407,119	7,126,715
With Donor Restrictions	<u>74,993,346</u>	<u>48,063,502</u>
Total Net Assets	<u>86,400,465</u>	<u>55,190,217</u>
Total Liabilities and Net Assets	<u><u>\$ 87,725,937</u></u>	<u><u>\$ 56,554,497</u></u>

See accompanying Notes to Financial Statements.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE, GAINS, LOSSES, AND OTHER SUPPORT						
Contributions	\$ 8,735,012	\$ 27,608,220	\$ 36,343,232	\$ 4,776,101	\$ 3,325,291	\$ 8,101,392
Membership Dues	2,651,770	-	2,651,770	2,590,924	-	2,590,924
Auxiliary Income	467,145	-	467,145	321,400	-	321,400
Other Income	16,663	-	16,663	22,013	-	22,013
Investment Income, Net of Fees	90,588	865,578	956,166	17,882	167,943	185,825
Net Unrealized and Realized Gain (Loss) on Investments	281,226	2,417,821	2,699,047	(257,549)	(2,762,235)	(3,019,784)
Release from Restrictions	3,961,775	(3,961,775)	-	7,060,407	(7,060,407)	-
Total Revenue, Gains, Losses, and Other Support	16,204,179	26,929,844	43,134,023	14,531,178	(6,329,408)	8,201,770
GRANTS AND EXPENSES						
University of Minnesota	9,772,520	-	9,772,520	11,048,303	-	11,048,303
University of Minnesota - Fundraising	1,468,335	-	1,468,335	1,012,960	-	1,012,960
University of Minnesota Foundation - Business Service Fee	391,878	-	391,878	271,772	-	271,772
Auxiliary	281,589	-	281,589	199,262	-	199,262
Other	9,453	-	9,453	16,326	-	16,326
Total Grants and Expenses	11,923,775	-	11,923,775	12,548,623	-	12,548,623
CHANGE IN NET ASSETS	4,280,404	26,929,844	31,210,248	1,982,555	(6,329,408)	(4,346,853)
Net Assets - Beginning of Year	7,126,715	48,063,502	55,190,217	5,144,160	54,392,910	59,537,070
NET ASSETS - END OF YEAR	<u>\$ 11,407,119</u>	<u>\$ 74,993,346</u>	<u>\$ 86,400,465</u>	<u>\$ 7,126,715</u>	<u>\$ 48,063,502</u>	<u>\$ 55,190,217</u>

See accompanying Notes to Financial Statements.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			
	Program Services	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 8,515,426	\$ -	\$ -	\$ 8,515,426
Salaries and Benefits	-	594,741	1,182,048	1,776,789
Professional Services	-	732,656	53,172	785,828
Accounting Fees	-	20,703	-	20,703
Office Expenses	-	345,507	124,100	469,607
Travel	-	8,141	8,063	16,204
Equipment and Equipment Leases	-	48,176	-	48,176
Auxiliary Expenses	-	-	281,590	281,590
Other	9,452	-	-	9,452
Total Expenses	<u>\$ 8,524,878</u>	<u>\$ 1,749,924</u>	<u>\$ 1,648,973</u>	<u>\$ 11,923,775</u>
	2022			
	Program Services	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 9,823,963	\$ -	\$ -	\$ 9,823,963
Salaries and Benefits	-	1,023,596	858,676	1,882,272
Professional Services	-	372,803	48,300	421,103
Accounting Fees	6,836	18,084	-	24,920
Office Expenses	-	50,162	99,875	150,037
Travel	-	6,570	6,110	12,680
Equipment and Equipment Leases	-	24,896	-	24,896
Auxiliary Expenses	-	-	199,261	199,261
Other	9,491	-	-	9,491
Total Expenses	<u>\$ 9,840,290</u>	<u>\$ 1,496,111</u>	<u>\$ 1,212,222</u>	<u>\$ 12,548,623</u>

See accompanying Notes to Financial Statements.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 31,210,248	\$ (4,346,853)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Net Unrealized and Realized (Gain) Loss on Investments	(2,699,047)	3,019,784
Changes in Operating Assets and Liabilities:		
Donated Securities	86,787	(86,787)
Pledges Receivable	640,256	1,093,689
Due to/from University of Minnesota	193,666	548,035
Deferred Membership Revenue	(29,963)	33,417
Net Cash Provided by Operating Activities	<u>29,401,947</u>	<u>261,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	33,151,773	1,554,067
Purchase of Investments	(63,746,205)	(2,165,553)
Net Cash Used by Investing Activities	<u>(30,594,432)</u>	<u>(611,486)</u>
NET DECREASE IN CASH	(1,192,485)	(350,201)
Cash - Beginning of Year	<u>2,388,818</u>	<u>2,739,019</u>
CASH - END OF YEAR	<u><u>\$ 1,196,333</u></u>	<u><u>\$ 2,388,818</u></u>

See accompanying Notes to Financial Statements.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Minnesota Landscape Arboretum Foundation (the Foundation) was incorporated as a nonprofit corporation in the state of Minnesota in 1970 and operated exclusively for the benefit of the Minnesota Landscape Arboretum of the University of Minnesota (the Arboretum).

The Auxiliary is a support group within the Foundation. The Auxiliary holds fundraising events for the benefit of the Foundation such as glass blown pumpkins, summer garden tours, frog hollow projects, fall harvest, quilt raffle, and holiday sale.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Cash

The Foundation maintains its cash accounts at one financial institution. At times throughout the year, the Foundation's cash and equivalents balances may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity. There were no allowances for uncollectible contributions as of June 30, 2023 and 2022.

Contributions to be received after one year are discounted using a rate of 4%. Amortization of discounts is included in contribution revenue.

Contributed Services

A number of volunteers have made significant donations of time to program, fundraising, and support functions. In addition, the Arboretum provides various administrative and support services to the Foundation. The value of the contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Investments

Investments are carried at fair value. Investments are subject to market fluctuations. All investments are held by the University of Minnesota Foundation.

Realized and unrealized gains and losses are recognized in the period in which they occur and are recorded in the statements of activities. Investment income is presented net of investment management fees. Investment income is pooled and allocated to net assets without donor restrictions and net assets with donor restrictions in proportion to their average monthly equity in the pooled investment portfolio.

It is the Foundation's policy to sell donated securities as soon as possible after receipt. Donated securities are recorded at fair value as determined on the date of donation.

Property and Equipment

The Arboretum buildings and collections, which are used for guest services, administration, maintenance, education, and research, are owned by the University of Minnesota. Accordingly, expenditures by the Foundation for property additions and improvements are expensed as incurred. Additions to Arboretum buildings and the other Arboretum facilities are generally financed from contributions received by the Foundation.

Membership Fees and Revenue Recognition

Membership fees are recognized as revenue evenly over the one-year period for which memberships are effective, as membership benefits and access to the Arboretum are provided and the performance obligation is met. Deferred membership revenue is the unamortized portion of membership fees to be recognized as revenue in the subsequent year.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated directly based on the nature of the actual expense incurred. Program service expenses are direct expenses for improvements, general services and supplies for maintenance at the Arboretum and other fees paid to University of Minnesota. General and administrative expenses are those directly incurred and paid for administrative staff and related expenses. Fundraising costs as shown in the accompanying statements of activities represent the Foundation's cost of fundraising activities for development staff and related expenses.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state income tax laws. The Foundation is a public charity under IRC Section 509(a)(1) and contributions to the Foundation qualify as a charitable tax deduction by the contributor. The Foundation assesses any uncertain tax provisions and, if necessary, would record a tax asset or liability, and the related income tax expense, for any uncertain tax provisions. The Foundation does not have any uncertain tax positions or unrelated business income. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Fair Value Measurement

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

The inputs used to measure fair value into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Foundation has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

Accounting standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Foundation carries all nonpublicly traded equity securities at the lower of cost or market unless the election under this accounting standard has been made. To date, the Foundation has elected to carry all nonpublicly traded equity securities at fair value. The Foundation may elect to measure newly acquired financial instruments at fair value in the future.

Concentrations

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of pledges receivable. Management believes concentrations of credit risk with respect to pledges receivable are limited due to their nature and contributors.

For the year ended June 30, 2023, there were three donors that represented 78% of the total pledges receivable balance and two donors that represented 80% of the contributions. For the year ended June 30, 2022, there was one donor that represented 71% of the total pledges receivable balance.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through October 12, 2023, the date the financial statements were available to be issued.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2023	2022
Cash and Cash Equivalents	\$ 1,196,333	\$ 2,475,605
Accounts Receivable	266,403	468,914
Pledges Receivable, Net	2,867,808	3,508,064
Investments	31,971,743	2,628,912
Endowment Investments	51,423,650	47,473,002
Estimated Endowment Spending-Rate Distributions	1,877,506	1,704,107
Less: Net Assets with Donor Restrictions	(74,993,346)	(48,063,502)
Total	<u>\$ 14,610,097</u>	<u>\$ 10,195,102</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$5,021,940 is subject to an annual spending rate of 4.5% as described in Note 8. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 3 AFFILIATION WITH THE UNIVERSITY OF MINNESOTA

Support Services

The Foundation is one of the two foundations officially recognized by the University of Minnesota Board of Regents to receive gifts on behalf of the University of Minnesota (the University). The Foundation provides financial support to the University's Minnesota Landscape Arboretum. The Foundation reimburses the University for certain operating expenses, capital projects managed by the University of Minnesota facilities management, and fundraising expenses of the Foundation paid on its behalf by the University. Such amounts are reported in the statement of activities as expenses and totaled \$11,240,855 and \$12,061,263 for the years ended June 30, 2023 and 2022, respectively, including \$1,367,383 and \$1,012,960, respectively, reported as fundraising.

The Foundation had net amounts due from the University of Minnesota of \$206,541 and \$399,957 at June 30, 2023 and 2022, respectively.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable as of June 30 are summarized as follows:

	2023	2022
Unconditional Promises Expected to be Collected in:		
Less Than One Year	\$ 1,795,322	\$ 1,642,048
One to Five Years	1,124,039	1,971,649
Total	2,919,361	3,613,697
Discount at Rate of 4%	(51,553)	(105,633)
Pledges Receivable, Net	<u>\$ 2,867,808</u>	<u>\$ 3,508,064</u>

NOTE 5 INVESTMENTS

The investments are maintained in pooled funds by the University of Minnesota Foundation. The fair value of investments as of June 30 is as follows:

	2023	2022
Management Agency Funds	\$ 51,493,398	\$ 47,538,873
Committed Funds	2,699,928	2,563,041
PACE Funds	29,202,067	-
Total	<u>\$ 83,395,393</u>	<u>\$ 50,101,914</u>

Management Agency Funds

The Foundation has invested the management agency funds in the University of Minnesota Foundation's endowment pool. As of June 30, this pool is invested in the following:

	2023	2022
Global Equities	55.9 %	45.0 %
Fixed Income	9.0	9.5
Private Equity	21.0	26.3
Credit and Reinsurance	18.0	26.6
Cash and Equivalents	(3.9)	(7.4)

Committed Funds

The Foundation has invested these funds in the University of Minnesota Foundation's committed funds portfolio. This portfolio is invested in cash, cash equivalents, preferred stock, short-term, and fixed-income securities.

PACE Funds

The Foundation has invested certain funds with the University of Minnesota Foundation in short-term treasury notes with defined maturities. The funds held are primarily designated for use toward the Parking, Access, and Egress (PACE) capital improvement project at the Arboretum.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 INVESTMENTS (CONTINUED)

Valuation Policy of the University of Minnesota Foundation Investment Advisors

Investments are stated at fair value and are recorded on the trade or contract date. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments include private equity interests, mutual and commingled alternative investments, bonds, notes, and other investments. The estimated fair value of certain alternative investments, such as private equity interests, is based on valuations provided by the general partner. The University of Minnesota Foundation Investment Advisors review and evaluate the values provided by the general partner and assess the valuation methods and assumptions used in determining the fair value of private equity investments. Other alternative investments are valued in a variety of ways including various pricing models. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

NOTE 6 FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows at June 30:

2023				
	Level 1	Level 2	Level 3	Total
Investments:				
Management Agency Funds	\$ -	\$ -	\$ 51,493,398	\$ 51,493,398
Committed Funds	-	-	2,699,928	2,699,928
PACE Funds	-	-	29,202,067	29,202,067
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,395,393</u>	<u>\$ 83,395,393</u>
2022				
	Level 1	Level 2	Level 3	Total
Donated Securities	\$ 86,787	\$ -	\$ -	86,787
Investments:				
Management Agency Funds	-	-	47,538,873	47,538,873
Committed Funds	-	-	2,563,041	2,563,041
Total	<u>\$ 86,787</u>	<u>\$ -</u>	<u>\$ 50,101,914</u>	<u>\$ 50,188,701</u>

Certain assets of the Foundation are recorded at fair value based upon Level 3 inputs. A portion of the Foundation's investments are held in collective/common pooled funds and do not have an active market price. The underlying investments of these common/collective pooled funds are global equities, fixed income, credit, marketable alternatives, private equity, inflation hedge, real estate, natural resources, and cash and cash equivalents.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables provide a summary of changes in fair value of the Foundation's Level 3 investments and interest in charitable lead annuity trust for the years ended June 30:

	Investments		
	Management Agency Funds	Committed Funds	PACE Funds
Balance - June 30, 2021	\$ 51,868,304	\$ 641,908	\$ -
Net Realized/Unrealized Gains (Losses)	(3,023,731)	588	-
Purchases of Investments	246,469	1,922,442	-
Sales of Investments	(1,552,169)	(1,897)	-
Balance - June 30, 2022	47,538,873	2,563,041	-
Net Realized/Unrealized Gains (Losses)	2,661,559	117,708	(70,352)
Purchases of Investments	2,801,732	31,589,198	29,345,409
Sales of Investments	(1,508,766)	(31,570,019)	(72,990)
Balance - June 30, 2023	<u>\$ 51,493,398</u>	<u>\$ 2,699,928</u>	<u>\$ 29,202,067</u>

The following is a summarization of the Level 3 significant unobservable inputs:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2023	2022		
Management Agency Funds	\$ 51,493,398	\$ 47,538,873	Net Asset Value	Value of Underlying Assets
Committed Funds	2,699,928	2,563,041	Net Asset Value	Value of Underlying Assets
PACE Funds	29,202,067	-	Net Asset Value	Value of Underlying Assets

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
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JUNE 30, 2023 AND 2022

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
General Maintenance Purposes	\$ 687,726	\$ 733,450
Capital Improvements	26,079,538	1,732,609
Other Programs	292,724	352,354
Total	<u>27,059,988</u>	<u>2,818,413</u>
Endowments:		
Subject to NFP Endowment Spending Policy and		
Appropriation:		
Restricted by Donors for:		
Various Endowments	17,405,226	16,679,821
Land Grant Research Chair	492,213	481,204
Andersen Horticultural Library	614,584	570,412
Total	<u>18,512,023</u>	<u>17,731,437</u>
Original Donor Restricted Gift Amount to be		
Maintained in Perpetuity:		
General Operations Endowment	26,890,408	24,996,597
Peter J Olin Directorship Endowment	1,561,166	1,561,165
Land Grant Research Endowment	269,089	269,089
Andersen Horticultural Library Endowment	700,672	686,801
Total	<u>29,421,335</u>	<u>27,513,652</u>
Total Endowments	<u>47,933,358</u>	<u>45,245,089</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 74,993,346</u></u>	<u><u>\$ 48,063,502</u></u>

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 restricted support and as net assets released from restriction.

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NOTE 8 ENDOWMENT FUNDS

The Foundation's endowments consist of funds established to provide for building and ground maintenance, library, education, research, directorship, and general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Pursuant to the requirements of Minnesota's Uniform Prudent Management of Institutional Funds Act (UPMIFA), and as interpreted by management, the Foundation must preserve the original value of the gift from the donor absent any explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to be held in perpetuity the original value of gifts donated to the permanent endowment and the original value of any subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions for purpose until those amounts are appropriated for expenditure by the Foundation.

In accordance with UMPIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the Foundation 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 Foundation, and
- The investment policies of the Foundation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2023 and 2022, there were no funds with such deficiencies to be deemed an underwater fund.

MINNESOTA LANDSCAPE ARBORETUM FOUNDATION
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NOTE 8 ENDOWMENT FUNDS (CONTINUED)

The Foundation has adopted an investment strategy for the endowment fund to provide an annualized return of five percentage points in excess of inflation. The investments of the endowment fund are rebalanced at the discretion of the investment manager.

It is the policy of the Foundation to distribute a percentage of the endowment fund based upon the endowment funds' fair value. For fiscal years 2023 and 2022, the Foundation distributed 4.50% of the average fair value for the prior five years. Accordingly, it is the Foundation's goal over the long-term to achieve a return in excess of the spending policy to allow the endowment funds to grow.

The composition of endowment assets was as follows as of June 30:

	2023		
	Without Restriction	With Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 47,933,358	\$ 47,933,358
Board-Designated Endowment Funds	5,021,940	-	5,021,940
Total Endowment Funds	<u>\$ 5,021,940</u>	<u>\$ 47,933,358</u>	<u>\$ 52,955,298</u>
	2022		
	Without Restriction	With Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 45,245,089	\$ 45,245,089
Board-Designated Endowment Funds	3,541,635	-	3,541,635
Total Endowment Funds	<u>\$ 3,541,635</u>	<u>\$ 45,245,089</u>	<u>\$ 48,786,724</u>

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NOTE 8 ENDOWMENT FUNDS (CONTINUED)

The changes in endowment assets for the years ended June 30 consisted of the following:

	Without Restriction	With Restriction	Total
Endowment Assets - July 1, 2022	\$ 3,541,635	\$ 45,245,089	\$ 48,786,724
Earnings:			
Investment Income, Net of Fees	38,796	423,095	461,891
Realized and Unrealized Losses	262,549	2,363,452	2,626,001
Total Investment Returns	301,345	2,786,547	3,087,892
Reclassifications	2,038,354	(2,038,354)	-
Contributions and Additions	1,320,983	1,940,076	3,261,059
Appropriations for Expenditure	(2,180,377)	-	(2,180,377)
Endowment Assets - June 30, 2023	<u>\$ 5,021,940</u>	<u>\$ 47,933,358</u>	<u>\$ 52,955,298</u>
	Without Restriction	With Restriction	Total
Endowment Assets - July 1, 2021	\$ 3,405,589	\$ 49,171,841	\$ 52,577,430
Earnings:			
Investment Income, Net of Fees	12,659	165,116	177,775
Realized and Unrealized Gains	(252,641)	(2,763,397)	(3,016,038)
Total Investment Returns	(239,982)	(2,598,281)	(2,838,263)
Reclassifications	-	(100,000)	(100,000)
Contributions and Additions	474,969	648,572	1,123,541
Appropriations for Expenditure	(98,941)	(1,877,043)	(1,975,984)
Endowment Assets - July 1, 2022	<u>\$ 3,541,635</u>	<u>\$ 45,245,089</u>	<u>\$ 48,786,724</u>

