



Houston Arboretum & Nature Center

FINANCIAL STATEMENTS

June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Arboretum & Nature Center
Houston, Texas

Opinion

We have audited the accompanying financial statements of Houston Arboretum & Nature Center (the Arboretum) which comprise the statements of financial position as of June 30, 2025 and 2024, 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 Houston Arboretum & Nature Center as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Houston Arboretum & Nature Center 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 Houston Arboretum & Nature Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Houston Arboretum & Nature Center'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 Houston Arboretum & Nature Center'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.

Carr, Rigg & Ingram, L.L.C.

Houston, Texas

October 24, 2025

Houston Arboretum & Nature Center Statements of Financial Position

<i>June 30,</i>	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 1,379,714	\$ 646,339
Program fees receivable	6,536	63,190
Promises to give	140,000	34,825
Prepaid expenses	21,875	-
Nature shop inventory	41,570	37,805
Total current assets	1,589,695	782,159
Non-current assets		
Long-term investments	4,890,032	4,897,203
Promises to give	100,000	-
Property and equipment, net	1,634,006	1,613,191
Total non-current assets	6,624,038	6,510,394
Total assets	\$ 8,213,733	\$ 7,292,553
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 79,583	\$ 39,566
Accrued liabilities	50,777	68,125
Note payable - related party	75,000	-
Current maturities of long-term finance lease liabilities	6,464	-
Contract liabilities	405,112	430,205
Total current liabilities	616,936	537,896
Long-term finance lease liabilities, net of current maturities	26,056	-
Total liabilities	642,992	537,896
Net assets		
Without donor restrictions		
Designated for specific purpose	382,721	382,721
Undesignated	5,849,447	5,533,363
	6,232,168	5,916,084
With donor restrictions	1,338,573	838,573
Total net assets	7,570,741	6,754,657
Total liabilities and net assets	\$ 8,213,733	\$ 7,292,553

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

Houston Arboretum & Nature Center

Statement of Activities

<i>For the year ended June 30, 2025</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	\$ 716,740	\$ 1,249,530	\$ 1,966,270
Contributions of nonfinancial assets	38,230	-	38,230
Memberships	181,078	-	181,078
Nature shop sales	77,130	-	77,130
Special events	512,329	-	512,329
Less: cost of direct benefits to donors	(119,705)	-	(119,705)
Program and education fees	769,777	-	769,777
Rental income	279,197	-	279,197
Other income	374,447	-	374,447
Investment return, net	531,632	-	531,632
Net assets released from restrictions	749,530	(749,530)	-
 Total revenue and other support	 4,110,385	 500,000	 4,610,385
Expenses			
Program services	3,113,822	-	3,113,822
Supporting services			
General and administrative	492,069	-	492,069
Fundraising	188,410	-	188,410
 Total supporting services	 680,479	 -	 680,479
 Total expenses	 3,794,301	 -	 3,794,301
 Change in net assets	 316,084	 500,000	 816,084
 Net assets at beginning of year	 5,916,084	 838,573	 6,754,657
 Net assets at end of year	 \$ 6,232,168	 \$ 1,338,573	 \$ 7,570,741

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

Houston Arboretum & Nature Center

Statement of Activities

<i>For the year ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	\$ 612,633	\$ 764,334	\$ 1,376,967
Contributions of nonfinancial assets	31,710	-	31,710
Memberships	184,364	-	184,364
Nature shop sales	94,736	-	94,736
Special events	605,730	-	605,730
Less: cost of direct benefits to donors	(139,825)	-	(139,825)
Program and education fees	811,134	-	811,134
Rental income	175,466	-	175,466
Other income	310,190	-	310,190
Investment return, net	491,796	-	491,796
Net assets released from restrictions	863,103	(863,103)	-
 Total revenue and other support	 4,041,037	 (98,769)	 3,942,268
Expenses			
Program services	2,806,585	-	2,806,585
Support services			
General and administrative	474,411	-	474,411
Fundraising	198,926	-	198,926
 Total supporting services	 673,337	 -	 673,337
 Total expenses	 3,479,922	 -	 3,479,922
 Change in net assets	 561,115	 (98,769)	 462,346
 Net assets at beginning of year	 5,354,969	 937,342	 6,292,311
 Net assets at end of year	 \$ 5,916,084	 \$ 838,573	 \$ 6,754,657

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

Houston Arboretum & Nature Center Statements of Functional Expenses

For the years ended June 30, 2025					2024				
	Supporting Services				Supporting Services				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total	
Advertising and promotion	\$ 67,742	\$ -	\$ 1,687	\$ 69,429	\$ 65,000	\$ -	\$ 500	\$ 65,500	
Audit and accounting fees	23,325	36,439	18,250	78,014	8,674	42,582	12,611	63,867	
Bank charges and interest expense	30,426	17,457	-	47,883	11,086	12,647	131	23,864	
Building maintenance	86,929	34,992	-	121,921	100,877	34,991	-	135,868	
Communications	6,430	20,895	-	27,325	3,298	19,767	-	23,065	
Cost of special events	-	-	119,705	119,705	-	-	139,825	139,825	
Depreciation excluding nature shop depreciation	133,105	3,581	3,581	140,267	133,542	3,590	3,590	140,722	
Employee benefits	401,652	67,854	29,032	498,538	387,205	66,510	36,420	490,135	
Insurance	22,772	48,149	-	70,921	1,393	50,227	-	51,620	
Nature shop	111,496	-	-	111,496	105,611	-	-	105,611	
Office expenses	26,544	3,404	2,954	32,902	25,922	4,127	2,176	32,225	
Printing	35,677	3,235	19,227	58,139	21,522	10,702	17,524	49,748	
Professional development	16,056	170	4,880	21,106	11,835	84	2,027	13,946	
Program and education expense	485,883	-	-	485,883	439,100	-	-	439,100	
Rentals - operating costs	63,831	-	-	63,831	65,098	-	-	65,098	
Salaries and wages	1,500,052	251,334	107,535	1,858,921	1,328,107	224,975	123,173	1,676,255	
Travel and entertainment	21,197	4,559	1,264	27,020	12,820	4,209	774	17,803	
Paid parking expense	59,870	-	-	59,870	72,194	-	-	72,194	
Utilities	20,835	-	-	20,835	13,301	-	-	13,301	
Total expenses	3,113,822	492,069	308,115	3,914,006	2,806,585	474,411	338,751	3,619,747	
Cost of special events reported separately	-	-	(119,705)	(119,705)	-	-	(139,825)	(139,825)	
Total operating expenses	\$ 3,113,822	\$ 492,069	\$ 188,410	\$ 3,794,301	\$ 2,806,585	\$ 474,411	\$ 198,926	\$ 3,479,922	

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

Houston Arboretum & Nature Center Statements of Cash Flows

<i>For the years ended June 30,</i>	2025	2024
Operating activities		
Change in net assets	\$ 816,084	\$ 462,346
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	143,132	143,594
Amortization of finance lease right of use assets	4,234	-
Net realized gain on investments	(7,677)	(29,424)
Net unrealized gain on investments	(393,106)	(348,192)
Change in operating assets and liabilities		
Program fees receivable	56,654	(63,190)
Promises to give	(205,175)	(113)
Prepaid expenses	(21,875)	-
Nature shop inventory	(3,765)	(4,372)
Accounts payable	40,017	(29,955)
Accrued liabilities	(17,348)	28,195
Contract liabilities	(25,093)	151,641
Net cash provided by operating activities	386,082	310,530
Investing activities		
Proceeds from sales and maturities of investments	1,063,535	1,257,309
Purchases of investments	(655,581)	(1,282,172)
Purchases of property and equipment	(131,887)	(344,946)
Net cash provided by (used in) investing activities	276,067	(369,809)
Financing activities		
Proceeds from note payable - related party	75,000	-
Payments on finance lease liability	(3,774)	-
Net cash provided by financing activities	71,226	-
Net change in cash and cash equivalents	733,375	(59,279)
Cash and cash equivalents, at beginning of year	646,339	705,618
Cash and cash equivalents, at end of year	\$ 1,379,714	\$ 646,339
Supplementary cash flow information		
Retirement of fully depreciated assets	\$ 55,954	\$ -
Finance lease liabilities arising from obtaining right of use assets	\$ 36,294	\$ -

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

Houston Arboretum & Nature Center Notes to Financial Statements

Note 1: OVERVIEW AND MANAGEMENT'S DISCUSSION OF ACTIVITIES (UNAUDITED)

-MISSION: Houston Arboretum & Nature Center serves the greater Houston area as an urban nature sanctuary and center for nature education. Its mission is to provide education about the natural environment to people of all ages and to protect and enhance the Arboretum as a haven and sanctuary for native plants and animals.

VISION: We seek to be “nature connectors,” stewards and providers of best-in-class nature-centered experiences and knowledge for a diverse Houston.

DIVERSITY STATEMENT: The Houston Arboretum & Nature Center strives to integrate diversity, equity, accessibility, and community into its practices. We welcome and serve all members of our diverse community.

Fiscal year 2024-2025 continued the positive trend of financial success that the Houston Arboretum & Nature Center has enjoyed in recent years, with income exceeding budget by a large margin in several categories. The 2025 Alfresco Gala proved to be one of the most successful in history, raising more than \$437,000 in revenue. Program income was lower than budget due to smaller Tapas on the Trail as well as lower attendance in children's programs across the board, and less availability for both native plant sales. School field trips and other educational programs welcomed more than 8,500 youth to enjoy the 155-acre Arboretum campus that is an ever-changing, inspiring outdoor classroom.

During the 2024-2025 school year, students visited the Arboretum for grade-level, hands-on science education that includes experimentation, guided hikes, and outdoor discovery. Roughly 70% of the students taking part in these programs come from low-income Title I schools, and the Arboretum maintains a commitment to deliver unparalleled learning opportunities to underserved students from across the region.

Led by Executive Director, Debbie Markey, the Arboretum employs thirty-two full-time and two part-time staff while operating within a \$2,663,000 budget (fiscal year 2025-2026). In September 2023, the Arboretum's board formally adopted a five-year strategic plan that will guide the Arboretum's efforts to expand the quality, impact and access to conservation and education programming, create opportunities to expand and deepen engagement with Houstonians and invest further organizational capacity, people and systems that will allow the organization to be successful in reaching its goals with efficacy and efficiency. The goals of the Strategic Plan are as follows:

- Engage and connect Houstonians with the natural world.
- Deliver best-in-class education experiences.
- Establish a plan for conservation management and messaging.
- Enhance organizational efficiency.
- Develop a long-term strategy for stability and growth.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 1: OVERVIEW AND MANAGEMENT'S DISCUSSION OF ACTIVITIES (UNAUDITED) (Continued)

This past fiscal year, the Arboretum met the Plan head on and made great strides in organizational efficiency through cross-departmental collaboration, strategic planning, and benchmarking existing policies, practices, and programs against local and national green spaces. Despite the late spring and summer severe Houston weather events, the Arboretum still welcomes hundreds of thousands of visitors to our trails and classrooms, all while our conservation team managed professional clean up efforts to ensure the safety of every guest.

The Arboretum enjoyed record level board philanthropic board participation and hosted its first retreat in January 2024 to activate the expertise of our leadership and collectively address strategic priorities including board diversification, accessibility and equity and continued staff development.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to valuation of investments and allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Program Fees Receivable

Program fees receivable represent amounts owed to the Arboretum which are expected to be collected within twelve months and are presented in the statements of financial position net of the allowance for credit losses.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the change in net assets as received. There is no allowance for credit losses at June 30, 2025 or 2024.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. At June 30, 2025 and 2024, management believes all promises to give to be fully collectible.

Inventory

Inventories are stated at the lower of cost or net realizable value, with the cost determined by using the first-in, first-out (FIFO) basis. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statements of activities in the period in which it occurs.

Investments and Investment Return

Investments are recorded at fair value. Investment return includes interest, dividends, capital gain distributions, realized and unrealized gains and losses, and investment fees. Investment return is reported in the statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restriction until expended in accordance with donor imposed restrictions. Marketable securities donated to the Arboretum are recorded at fair value on the date of donation.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Land used by the Arboretum for its building and nature center operations is owned by the City of Houston. No rent is paid for the use of the land.

Long-Lived Assets

The Arboretum's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets at June 30, 2025 and 2024.

Leases

The Arboretum leases office equipment. The Arboretum determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Arboretum uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Arboretum will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Arboretum's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Arboretum reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Arboretum, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Memberships, nature shop sales, program and education fees, rental and other program income are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606) as exchange transactions, and revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate. These amounts are included in contract liabilities within the statements of financial position.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions.

Special events revenue represents the amount paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided in exchange for the amount paid by event attendees.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Arboretum. Volunteers also provided support of educational and conservation services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Personnel costs are allocated based on estimated time and effort in each functional area. Depreciation and other occupancy expenses are allocated across functional areas based on square footage occupied. Other expenses are allocated across functional areas based on estimates of usage of benefits.

Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense totaled \$69,429 and \$65,500, respectively, for the years ended June 30, 2025 and 2024.

Federal Income Taxes

The Arboretum is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Arboretum utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2025 and 2024, the Arboretum has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, October 24, 2025. See Note 7, Line of Credit. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which is often referred to as the CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The Arboretum adopted ASU 2016-13 on July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

On July 30, 2025, the FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets For Private Companies and Certain Not-For-Profit Entities (PCC), which amends ASC 326-20 to provide a practical expedient (for all entities) and an accounting policy election (for all entities, other than public business entities, that elect the practical expedient) related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. Entities should apply the new guidance prospectively.

The Arboretum early adopted ASU 2025-05 on July 1, 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSETS AVAILABILITY

The Arboretum maintains its financial assets primarily in cash and cash equivalents and investments to provide liquidity to ensure funds are available as the Arboretum's expenditures come due. The following reflects the Arboretum's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>June 30,</i>	2025	2024
Total assets at year end	\$ 8,213,733	\$ 7,292,553
Less non-financial assets		
Prepaid expenses	(21,875)	-
Inventory	(41,570)	(37,805)
Property and equipment, net	(1,634,006)	(1,613,191)
Financial assets at year-end	6,516,282	5,641,557
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with purpose restrictions	(255,000)	(5,000)
Restricted by donor with timing restrictions	(250,000)	-
Perpetual endowment funds	(833,573)	(833,573)
Board designated for operating reserve	(382,721)	(382,721)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,794,988	\$ 4,420,263

As part of the Arboretum's liquidity management, it structures its financial assets to be available as its general expenditures as liabilities become due. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Arboretum considers all expenditures related to its ongoing activities to create, improve, and protect the nature sanctuary.

As mentioned in Note 7, the Arboretum has a \$200,000 revolving credit facility with a bank, which can be used to provide working capital for general operating and development expenses in the next 12 months to meet any liquidity needs of the Arboretum.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 4: PROMISES TO GIVE

Promises to give consist of the following:

<i>June 30,</i>	2025	2024
Due within one year	\$ 140,000	\$ 34,825
Due in one to five years	100,000	-
Total	\$ 240,000	\$ 34,825

Note 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	Estimated Useful Lives (in years)	2025	2024
Land improvements	10	\$ 365,435	\$ 365,435
Building improvements	15	54,297	54,297
Furniture and equipment	5-15	507,739	563,692
Grounds and trails	15	1,061,991	942,739
Discovery room and library	15	282,100	282,100
Signage	15	415,639	403,004
Artwork	15	25,000	25,000
Finance lease right of use asset	5	36,294	-
Total property and equipment		2,748,495	2,636,267
Less: accumulated depreciation and amortization		(1,114,489)	(1,023,076)
Property and equipment, net		\$ 1,634,006	\$ 1,613,191

Depreciation expense totaled \$143,132 and \$143,594 for the years ended June 30, 2025 and 2024, respectively.

Amortization expense on finance lease right of use assets totaled \$ 4,234 for the year ended June 30, 2025. There was no amortization expense for the year ended June 30, 2024.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 6: LEASES

In December 2024, the Arboretum entered into a non-cancelable finance lease for copier that expires in March 2030 with the option to renew for another term mutually decided by both lessor and lessee. The option to renew is not included in the measurement of the lease asset and liability as the Arboretum believes the lease option is not reasonably certain to be exercised.

The components of lease expense consist of the following:

<i>For the years ended June 30,</i>	2025	2024
Finance lease cost		
Amortization of right of use asset	\$ 4,234	\$ -
Interest on lease liability	692	-
Total finance lease cost	\$ 4,926	\$ -

Lease cost for the year ended June 30, 2025 includes fixed cost of \$ 4,466 which has been reported in the accompanying statements of functional expenses.

Gross copier rent expense for the year ended June 30, 2025 was \$ 4,926 which has been reported in the accompanying statements of functional expenses.

Future minimum payments under the non-cancelable operating leases are as follows:

<i>Year ending June 30,</i>	Finance Leases
2026	\$ 7,656
2027	7,656
2028	7,656
2029	7,656
2030	5,104
Total future minimum lease payments	35,728
Less imputed interest	(3,208)
Present value of lease liabilities	32,520
Less: current maturities on lease liabilities	(6,464)
Lease liabilities, net of current maturities	\$ 26,056

Houston Arboretum & Nature Center Notes to Financial Statements

Note 6: LEASES (Continued)

Other information related to leases is as follows:

<i>For the years ended June 30,</i>	2025	2024
Supplemental Cash flow information		
Cash paid for amounts included in the measurement		
lease liabilities:		
Operating cash flows from finance leases	\$ 4,466	\$ -
Lease term and discount rate		
Weighted average remaining lease term		
Finance leases	5.25 years	-
Weighted average discount rate		
Finance leases	4.03%	-

Note 7: LINE OF CREDIT

In September 2019, the Arboretum entered into a credit agreement with a bank. The credit agreement provides for a revolving credit facility of \$200,000 which bears interest at the 1 month SOFR index rate per annum effective December 2, 2022, plus 2.25% and was stated to mature on September 27, 2024. Prior to December 2, 2022, the facility bore interest at the LIBOR rate per annum plus 2.25%. Advances under the revolving credit facility shall be used by Arboretum for working capital for general operating and development expenses. The line of credit agreements contain various reporting requirements which are required to be met by the Arboretum on a quarterly or annual basis. At June 30, 2025 and 2024, there was no outstanding balance on the line of credit.

On September 27, 2025, the Arboretum renewed the \$200,000 revolving credit facility through September 27, 2026 under the same terms.

Note 8: NET ASSETS

During the year ended June 30, 2015, as part of the Arboretum's liquidity management, the Arboretum's Board of Directors voted to designate up to \$1,000,000, using resources without donor restrictions, to the Master Plan as a designated operating reserve. The reserve is to be used for cash management purposes during the construction process, when areas of operations may be interrupted and temporarily suspended. During the years ended June 30, 2025 and 2024, the Arboretum did not take any board approved draws from the operating reserve. As of June 30, 2025 and 2024, the operating reserve balance was \$382,721 for both years.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 8: NET ASSETS (Continued)

A summary of net assets with donor restrictions consists of the following:

<i>June 30,</i>	2025	2024
Subject to expenditure for specific purpose		
Bird blind	\$ 100,000	\$ -
Maintenance	90,000	-
Adopt-A-School program	50,000	-
Bench fund	12,000	-
Equipment purchases	3,000	-
Children's programs	-	5,000
Subject to passage of time	250,000	-
Subject to spending policy and appropriations		
Perpetual endowment fund	833,573	833,573
	\$ 1,338,573	\$ 838,573

A summary of the release of donor restrictions consists of the following:

<i>For the years end June 30,</i>	2025	2024
Purpose restrictions		
Maintenance	\$ 200,000	\$ 228,500
Educational programs	158,000	230,200
Adopt-A-School program	96,250	72,500
Conservation projects	87,880	237,103
Bird Blind	69,000	-
Bench fund	66,000	30,100
Children's programs	35,000	25,000
Equipment purchases	23,000	15,700
Boardwalk projects	10,000	14,000
Houston Monarch Story	4,400	-
Butterfly Bungalow	-	10,000
Total net assets released from donor restrictions	\$ 749,530	\$ 863,103

Houston Arboretum & Nature Center Notes to Financial Statements

Note 9: REVENUE

Membership dues are recognized over time as the member benefits are received and consumed simultaneously during the membership period. Revenues for summer discovery classes, winter discovery classes, preschool classes, spring break camp and homeschool classes (included in program and education fees) are recognized over time, as the classes are conducted. Customers that officially withdraw are able to request a refund of their fees or accept credit towards a future class. All other program and education fees are recognized at a point in time. Included in program and education fees is \$370,541 and \$402,039 of revenues recognized over time for 2025 and 2024, respectively. Rental income and other programs are recognized at a point in time. Revenue for nature shop sales are recognized at the point of sale.

Advance payments received from customers for program services and future events are reflected as a contract liability in the statements of financial position. The following table provides information about program fee receivables and contract liabilities from contracts with customers:

<i>June 30,</i>	2025	2024
Program fees receivable, beginning of year	\$ 63,190	\$ -
Program fees receivable, end of year	\$ 6,536	\$ 63,190
Contract liabilities		
Performance obligation liabilities, beginning of year	\$ 430,205	\$ 278,564
Performance obligation liabilities, end of year	\$ 405,112	\$ 430,205

Note 10: CONTRIBUTIONS OF NON-FINANCIAL ASSETS

All donated services and goods were utilized by the Arboretum's program and supporting services. There were no donor-imposed restrictions associated with the contributed services or goods.

The City of Houston pays for the utility costs of the Arboretum. Utility expenses incurred by the Arboretum totaled \$20,835 and \$13,301 based on current market rates for the years ended June 30, 2025 and 2024, respectively.

The Arboretum performs routine maintenance requiring the use of heavy equipment. Mustang Rental Services provides the use of heavy equipment at no cost to the Arboretum, but based on current market rental rates, the Arboretum would have paid \$15,944 and \$16,558 during the years ended June 30, 2025 and 2024.

The Arboretum received other miscellaneous services from third parties totaling \$1,451 and \$1,851 based on current market rates for the year ended June 30, 2025 and 2024.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 10: CONTRIBUTIONS OF NON-FINANCIAL ASSETS (Continued)

The Arboretum's volunteers contributed approximately 7,900 and 8,500 hours of service in support of educational and conservation services for the years ended June 30, 2025 and 2024, respectively; however, the value of the contributed time is not reflected in the accompanying financial statements because it does not meet the criteria for financial statement recognition.

Note 11: ENDOWMENT

The Arboretum has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The Arboretum is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) which has been enacted by the state of Texas. The Board of Directors of the Arboretum has interpreted TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of the interpretation, the Arboretum classifies as net assets with donor restriction – perpetual in nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulation to the perpetual endowment made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as net assets without donor restrictions.

In accordance with TUPMIFA, the Arboretum considers the following factors in making determination to appropriate accumulated donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Arboretum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Arboretum
- (7) The investment policies and objectives of the Arboretum

The primary investment objectives of the endowment funds are to preserve the purchasing power of the endowment funds and all future contributions, to provide a stream of income of 3-5% of the value of the endowment funds (based on a three-year rolling average of market values) on an annual basis to fund operations of the Arboretum, to maximize return within reasonable and prudent levels of risk and to maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

Houston Arboretum & Nature Center Notes to Financial Statements

Note 11: ENDOWMENT (Continued)

Endowment funds by net asset classification are as follows:

<i>June 30,</i>	2025	2024
With Donor Restrictions		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	\$ 833,573	\$ 833,573
Without Donor Restrictions		
Accumulated investment gains	4,134,918	2,662,842
	\$ 4,968,491	\$ 3,496,415

Endowment funds in the accompanying statements of financial position are as follows:

<i>June 30,</i>	2025	2024
Cash and cash equivalents	\$ 78,459	\$ 59,968
Long-term investments	4,890,032	3,436,447
	\$ 4,968,491	\$ 3,496,415

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ 2,304,330	\$ 833,573	\$ 3,137,903
Investment return			
Interest and dividend income	85,964	-	85,964
Net appreciation	292,035	-	292,035
Other changes - advisor fees	(19,487)	-	(19,487)
Endowment net assets, June 30, 2024	2,662,842	833,573	3,496,415
Investment return			
Interest and dividend income	115,616	-	115,616
Net appreciation	1,381,064	-	1,381,064
Other changes - advisor fees	(24,604)	-	(24,604)
Endowment net assets, June 30, 2025	\$ 4,134,918	\$ 833,573	\$ 4,968,491

Houston Arboretum & Nature Center Notes to Financial Statements

Note 12: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025 and 2024.

Exchange Traded Funds (ETFs): Valued at the daily closing net asset value (NAV) as reported by the fund.

Assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 2	Level 3
June 30, 2025			
Exchange traded funds	\$ 4,890,032	\$ -	\$ -
June 30, 2024			
Exchange traded funds	\$ 4,897,203	\$ -	\$ -

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 12: FAIR VALUE MEASUREMENTS (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2025 and 2024, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 13: CONCENTRATIONS

The Arboretum maintains cash deposits with financial institutions at June 30, 2025 and 2024 in excess of federally insured limits of approximately \$472,000 and \$166,000, respectively.

The Arboretum received 26% of its contributions during 2025 from two donors. In 2024 Arboretum received 31% of its contribution from two donors. At June 30, 2025, amounts due from two donors accounted for 91% of the Arboretum's receivables. At June 30, 2024, amounts due from three donors accounted for 60% of the Arboretum's receivables.

One vendor made up 11% of accounts payable at June 30, 2025. At June 30, 2024, no single vendor made up more than 10% of accounts payable.

Note 14: AGREEMENT WITH UPTOWN TIRZ

During 2017, the Arboretum entered into an agreement with Uptown TIRZ under which Uptown TIRZ will reimburse the Arboretum for expenditures on the Master Plan up to a maximum of \$3,585,000. For both of the years ended June 30, 2025 and 2024, the Arboretum recognized \$200,000 as contributions from Uptown Houston TIRZ for disbursements made by Uptown TIRZ directly to or on behalf of the Arboretum.

Houston Arboretum & Nature Center

Notes to Financial Statements

Note 15: MANAGEMENT AGREEMENT

The Arboretum entered into a management agreement with the City of Houston on December 7, 2015. The agreement grants the Arboretum license and concession rights and privileges to managing and maintaining the Aline McAshan Botanical Hall for Children (the Hall) and gift shop merchandising. Under the agreement, all additions to existing structures and all new structures constructed by the Arboretum become property of the City upon expiration or termination of the agreement. Additionally, all gross receipts from any source, excluding Endowment Fund activities, from the Arboretum's management of the Hall are required to be expended toward the Arboretum's programs, operation and maintenance of the Hall, renovations to existing structures and improvements and for construction of additional structures. All such gross receipts not expended become the property of the City at expiration or termination of the agreement. The Arboretum shall also pay the City in semi-annual installments, an annual amount of \$35,000 beginning in the City's fiscal year 2020 and in fiscal years thereafter, and the following amounts in prior fiscal years: \$17,500 in fiscal year 2018 and \$24,500 in fiscal year 2019.

The agreement expires December 6, 2045. If the Arboretum fails to maintain or loses its Federal tax exempt status during or subsequent to the agreement term, all gross receipts described above become property of the City.

Note 16: TAX DEFERRED RETIREMENT PLAN

The Arboretum has a tax deferred retirement plan whereby employees may elect to contribute a portion of their salary to the plan. Under the plan, the Arboretum is required to contribute a matching amount of each employee's contribution, up to a maximum of 6% of each employee's annual salary. The amounts charged to contribution expense under the plan totaled \$77,177 and \$68,711 for the years ended June 30, 2025 and 2024, respectively.

Note 17: RELATED PARTIES

During the year ended June 30, 2025, the Arboretum entered into a loan agreement with a board member in the amount of \$75,000 for playscape improvements. The note bears interest at 4% annually, with no specific repayment terms. The balance at June 30, 2025 is \$75,000. The note is expected to be repaid as soon as all funding for the playscape project is secured.