

# **SANTA FE BOTANICAL GARDEN**

## **Financial Statements**

**Years Ended December 31, 2016 and 2015**

**(With Independent Auditors' Report Thereon)**



*Barraclough & Associates, P.C.*  
Certified Public Accountants & Consultants

# SANTA FE BOTANICAL GARDEN

## Board of Directors

December 31, 2016

Letitia Chambers	President
Liz Rees	Vice President
Kevin Flores	Treasurer
Elva Busch	Secretary
Ed Adcock	Member
Elva Busch	Member
Letitia Chambers	Member
Linda Donnels	Member
Kevin Flores	Member
Barcy Fox	Member
Deborah Gaynor	Member
Cathy Gronquist	Member
John R. Hendricksen	Member
Nora Hillier	Member
Rae Hoffacker	Member
Bonnie Joseph	Member
Jennifer Kimball	Member
Ken Kirk	Member
Christine Lorillard	Member
Mary Mitchell	Member
Liz Rees	Member
Stephen Reilly	Member
Jerry Richardson	Member
Linda Saurage	Member
Michael Violante	Member
Andrea Meditch	Member
Scott McIntyre	Member

# SANTA FE BOTANICAL GARDEN

## Table of Contents

December 31, 2016 and 2015

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statement of Activities 2016	4
Statement of Activities 2015	5
Statements of Cash Flows	6
Notes to Financial Statements	7-18

"31 Years of Excellence"

807 Camino De Monte Rey  
Post Office Box 1847  
Santa Fe, New Mexico 87504  
(505) 983-3387  
(800) 983-1040 Toll Free  
(505) 988-2505 Fax  
[ba@barracough.com](mailto:ba@barracough.com)



*Barracough & Associates, P.C.*  
Certified Public Accountants & Consultants

**Principals**

John E. Barracough, Jr., CPA  
Annette V. Hayden, CPA  
Sandra M. Shell, CPA /ABV, CVA  
Rhonda G. Williams, CPA  
Katherine M. Rowe, CPA

**Managers**

Rick W. Reynolds, CPA

**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees of  
Santa Fe Botanical Garden

We have audited the accompanying financial statements of Santa Fe Botanical Garden (Garden), a non-profit organization, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Fe Botanical Garden as of December 31, 2016 and 2015, 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.

A handwritten signature in black ink, appearing to read "Barraclough & Associates, P.C.", written in a cursive style.

Barraclough & Associates, P.C.

Santa Fe, NM

June 9, 2017

**SANTA FE BOTANICAL GARDEN**

**Statements of Financial Position**

**December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 106,794	\$ 605,753
Grants receivable	119,526	180,917
Museum Hill Campaign pledges net of allowance, current	336,609	221,919
Inventory	59,317	36,130
Other assets	8,301	18,978
Total current assets	630,547	1,063,697
Property and equipment, net	4,155,536	2,673,996
Museum Hill Campaign pledges, net of current	645,323	53,154
Total Assets	\$ 5,431,406	\$ 3,790,847
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 53,125	\$ 58,136
Line of credit	104,650	150,000
Current portion of long-term liabilities	122,600	-
Other current liabilities	16,687	8,131
Total current liabilities	297,062	216,267
Long-term Liabilities		
Notes payable, less current portion	790,400	-
Total liabilities	1,087,462	216,267
Unrestricted net assets		
Undesignated	4,178,008	1,581,200
Board designated - operating reserve	1,837	49,716
	4,179,845	1,630,916
Temporarily restricted net assets	164,099	1,943,664
Permanently restricted net assets	-	-
Total net assets	4,343,944	3,574,580
Total Liabilities and Net Assets	\$ 5,431,406	\$ 3,790,847

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

**SANTA FE BOTANICAL GARDEN**

**Statement of Activities**

**December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 86,547	\$ 1,167,824	\$ -	\$ 1,254,371
Membership dues	165,561	-	-	165,561
Grant income	13,630	20,927	-	34,557
Special events	101,524	-	-	101,524
Contract with the City of Santa Fe	-	15,000	-	15,000
Sponsorships	48,015	-	-	48,015
Garden admissions	97,064	-	-	97,064
Product sales, net cost of goods sold of \$42,547	53,195	-	-	53,195
Education and workshops	15,081	-	-	15,081
In-kind contributions	14,856	-	-	14,856
Other income	17,835	-	-	17,835
Net assets released from restrictions	2,983,316	(2,983,316)	-	-
Total revenues, gains, and other support	<u>3,596,624</u>	<u>(1,779,565)</u>	<u>-</u>	<u>1,817,059</u>
<b>EXPENSES</b>				
Program services	613,064	-	-	613,064
General and administrative	232,602	-	-	232,602
Fundraising	202,029	-	-	202,029
Total expenses	<u>1,047,695</u>	<u>-</u>	<u>-</u>	<u>1,047,695</u>
Change in net assets	2,548,929	(1,779,565)	-	769,364
Write-off of impaired capitalized cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net assets	2,548,929	(1,779,565)	-	769,364
Net assets, beginning of the year	<u>1,630,916</u>	<u>1,943,664</u>	<u>-</u>	<u>3,574,580</u>
Net assets, end of the year	<u>\$ 4,179,845</u>	<u>\$ 164,099</u>	<u>\$ -</u>	<u>\$ 4,343,944</u>

The accompanying notes are an integral part of this financial statement.

SANTA FE BOTANICAL GARDEN

Statement of Activities

December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 91,533	\$ 571,202	\$ -	\$ 662,735
Membership dues	185,337	-	-	185,337
Grant income	-	342,707	-	342,707
Special events	56,245	-	-	56,245
Contract with the City of Santa Fe	-	4,500	-	4,500
Sponsorships	62,000	-	-	62,000
Garden admissions	76,296	-	-	76,296
Product sales, net cost of goods sold of \$43,456	42,856	-	-	42,856
Education and workshops	6,316	-	-	6,316
In-kind contributions	41,904	-	-	41,904
Other income	6,911	-	-	6,911
Net assets released from restrictions	278,984	(278,984)	-	-
Total revenues, gains, and other support	<u>848,382</u>	<u>639,425</u>	<u>-</u>	<u>1,487,807</u>
<b>EXPENSES</b>				
Program services	526,089	-	-	526,089
General and administrative	223,523	-	-	223,523
Fundraising	219,520	-	-	219,520
Total expenses	<u>969,132</u>	<u>-</u>	<u>-</u>	<u>969,132</u>
Change in net assets	(120,750)	639,425	-	518,675
Write-off of impaired capitalized cost	26,656	-	-	26,656
Total change in net assets	(147,406)	639,425	-	492,019
Net assets, beginning of the year	<u>1,778,322</u>	<u>1,304,239</u>	<u>-</u>	<u>3,082,561</u>
Net assets, end of the year	<u>\$ 1,630,916</u>	<u>\$ 1,943,664</u>	<u>\$ -</u>	<u>\$ 3,574,580</u>

The accompanying notes are an integral part of this financial statement.



**SANTA FE BOTANICAL GARDEN**

**Statements of Cash Flow**

**December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 769,364	\$ 492,019
Adjustments to reconcile changes in net assets to net cash provided in operating activities:		
Depreciation	93,631	75,039
Bad debt expense	600	3,103
Write-off of impaired capitalized cost	-	26,656
(Increase) decrease in operating assets:		
Grants receivable	61,391	(180,917)
Pledges	(706,859)	192,512
Other current assets	10,077	(15,574)
Inventory	(23,187)	(26,679)
Increase (decrease) in operating liabilities:		
Accounts payable	(5,011)	10,711
Other current liabilities	8,556	4,053
Net cash provided by operating activities	208,562	580,923
Cash flows from investing activities		
Payments for property and equipment	(1,575,171)	(147,850)
Net proceeds from line of credit	(45,350)	(154,880)
Net cash (used) for investing activities	(1,620,521)	(302,730)
Cash flows from financing activities		
Cash proceeds from long-term liabilities	913,000	-
Net cash provided from financing activities	913,000	-
Increase in cash and cash equivalents	(498,959)	278,193
Cash and cash equivalents, beginning of the year	605,753	327,560
Cash and cash equivalents, end of the year	\$ 106,794	\$ 605,753
Supplemental disclosure of cash flow information:		
Interest paid, total amount capitalized	\$ 30,767	\$ 14,672
Non-cash contributions		
In-kind goods and services	\$ 14,856	\$ 41,904

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

# SANTA FE BOTANICAL GARDEN

## Notes to the Financial Statements

December 31, 2016 and 2015

### 1. Nature of Operations

#### The Organization

The Santa Fe Botanical Garden (Garden) is a 501(c)(3) nonprofit corporation, established in 1987 by a small group of gardeners, botanists and environmentally oriented people who shared the vision of establishing a botanical garden in Santa Fe. Their vision grew and in 1992 a membership program was initiated.

Education and community service have remained the primary goals of the Garden, as it offers relevant workshops and events for visitors of all ages that focus on horticultural design, plant selection, and stewardship of our natural environments.

#### Leonora Curtin Wetland Preserve

In 1993, the Garden entered into a long-term lease with El Rancho de las Golondrinas for the 35 acre site, the Leonora Curtin Wetland Preserve, which quickly became the focus of much of the Garden's educational programming. The unique and fragile beauty of this land is a treasure in Santa Fe. Many dedicated volunteers have spent countless hours removing exotic and invasive plants, restoring the habitat through revegetation and ensuring that the pond remains a healthy environment for riparian plants, birds and invertebrates. Improvements including a floating dock, boardwalk and bird blind that have allowed visitors access to the site without damaging its delicate ecosystem.

#### Ortiz Mountains Educational Preserve

The 1,350 acre Ortiz Mountains Educational Preserve was acquired by the Garden in 2001 as a condition in the settlement agreement of a lawsuit requiring the cessation of mining activities by a mining conglomerate. Since assuming stewardship of this land, volunteers have made the land accessible to our members and visitors through the addition of a network of trails and a visitors' kiosk. In 2007 the land was sold to the County of Santa Fe. In May 2015, the Garden ended its management of the preserve which reverted to Santa Fe County.

#### Santa Fe Botanical Garden at Museum Hill

In December 2006 eleven acres of land were leased from the City of Santa Fe for the development of a new botanical garden. A landscape architect was hired to create a master plan for the new garden. The plan was approved by the City of Santa Fe in 2008. Development costs were initially funded by capital outlay funding from the State of New Mexico to the City of Santa Fe. The total appropriations expended to date are \$330,000. As the City does not retain the title to the assets, the Garden capitalizes the assets that were purchased with their funds and recognized the corresponding revenue. Current development of the Garden land is primarily funded by private contributions. In 2016, additional acreage was leased from the State of New Mexico, after an initial addition of acreage in 2014, bringing the total to approximately seventeen acres at the Museum Hill site.

# SANTA FE BOTANICAL GARDEN

## Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

### 1. Nature of Operations (Continued)

#### Education and Workshops

The Garden's mission of education and community service inspires programming for children and adults on topics ranging from water conservation, habitat restoration, best gardening practices, and historic garden restoration. Most programs are offered free of charge, or free to the membership.

#### Events

Special events are organized as fundraisers, but nevertheless have an educational focus. Several events are held each year. The two most significant special events are the annual Summer Solstice event and the annual Harvest Dinners. The Harvest Dinners are held at private Santa Fe residences that have beautiful gardens. Both raise money that fund educational programs.

#### Public Outreach

Public Outreach informs the general public about plants, flowers and gardening. The Garden's website features a plant database of several hundred plants, newsletters and garden-related activities where the Garden partners with other organizations.

#### Garden Admissions

In the summer of 2013 the Garden had its grand opening of the Botanical Garden. The garden is open year around and admission is charged at various rates for various levels or free with an annual membership. The Garden also offers free Community Days, once a month free admission is offered to New Mexico residents and students with valid identification.

#### Membership Dues

Membership dues generally allow members to visit the Garden during the membership year as well as participate in certain other benefits. Dues are recorded as income during the year received since no significant future costs related to membership are anticipated to be incurred.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial statements of the Garden have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### Basis of Presentation

The Garden follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-45, *Financial Statements of Not-for-Profit Entity*, which requires not-for-profit entities to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets depending on the existence or nature of any donor restrictions.

# SANTA FE BOTANICAL GARDEN

## Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

### 2. Summary of Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

*Unrestricted Net Assets* – are assets not subject to stipulations imposed by the donor and are currently available for expenditures, or designated by the board of directors for a specific use.

*Board Designated Unrestricted Net Assets* – are assets that the Board has designated to a specific purpose or designated for a specific time period.

*Temporarily Restricted Net Assets* – are assets subject to donor-imposed stipulations that may or will be met either by actions of the Garden and/or the passage of time.

*Permanently Restricted Net Assets* – are assets subject to donor-imposed stipulations that must be maintained permanently by the Garden. The donors of these assets permit the Garden to use the income earned on related investments for general or specific purposes.

#### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Garden considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Garden that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Garden uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

The majority of the Garden's contributions are received from donors located in the greater Santa Fe, New Mexico area. As such, the Garden's ability to generate resources via contributions is dependent upon the economic health and other factors that can impact donations of that area.

#### Inventory

Inventory consists of various merchandise items purchased for resale in the Garden's gift shop. Inventory is valued using the specific identification method on a periodic basis. Inventory is stated at the lower of cost or market value.

# SANTA FE BOTANICAL GARDEN

## Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

### 2. Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

The Garden capitalizes property and equipment over \$2,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Garden reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Garden reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to thirty years. Leasehold improvements are depreciated over the estimated lives of the leases.

#### Gifts In-Kind and Contributed Services

Gifts-in-kind are recorded at market value on the date of donation with a corresponding increase in either operation expenses or assets in the accompanying statement of activities or financial position as applicable. The contributions are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contributed services are recognized as contributions in accordance with FASB ASC 958-605-25-16, *Revenue Recognition – Contributed Services*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Garden. The Garden generally pays for services requiring specific expertise. However, a substantial number of individuals volunteer a significant amount of their time to operate the gift shop and perform a variety of tasks that assists the Garden with education, workshops, various programs, and special events, but these services do not meet the criteria for recognition as contributed services.

#### Contributions

The Garden accounts for its contributions in accordance with FASB ASC 958-605-45-3, *Revenue Recognition – Contributions Received*. In accordance with FASB ASC 958-605-45-3, contributions received are recorded as increases in temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

#### Sponsorships

The Garden has sponsorship agreements. These agreements allow for the sponsor to have their name displayed on specified promotional materials and/or at the sponsored event. Sponsorships received for future events are recorded to the extent cash is received as deferred revenue until the event occurs.

# SANTA FE BOTANICAL GARDEN

## Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

### 2. Summary of Significant Accounting Policies (Continued)

#### Classification of Expenses

Expenses are classified as program, general and administrative, or fundraising, depending on the activities supported. Certain costs have been allocated among the programs and supporting services benefited.

General and administrative activities include oversight, business management, general recordkeeping, budgeting, financing and related administrative activities, and all management and administration except for direct conduct of program services or fundraising activities.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor mailing lists, conducting special fundraising events, preparing and distributing fundraising materials, and conducting other activities involved with soliciting contributions from individuals, foundations, government agencies and others.

#### Advertising

The cost of advertising is charged to expense as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$39,403 and \$21,452, respectively.

#### Income Taxes

The Garden is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Garden files an annual information return (Form 990) with the Internal Revenue Service.

In accordance with FASB ASC 740-10, *Income Taxes*, which requires disclosure of taxable unrelated business income, none of the present or anticipated future activities of the Garden are subject to taxation as unrelated business income. No provision for income tax has been made in the accompanying financial statements and there are no uncertain tax positions for the years ended December 31, 2016 and 2015.

#### Concentration of Credit Risk

The Garden maintains its operating cash account and a business checking account at two banks. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Based on review of coverage available, the Garden did not have an uninsured balance at December 31, 2016 and 2015.

The Garden maintains an investment account at a financial institution, which is used to sell donated marketable securities. The Garden has cash at the investment account that is fully insured by SIPC at December 31, 2016 and 2015. The Garden has the policy to sell donated securities as soon as possible upon receipt. The Garden believes it is not exposed to any significant credit risk on its cash balances.

#### Reclassification

Certain 2015 items have been reclassified in order to conform to the 2016 financial statement presentation. An adjustment has been made to the 2015 Statement of Activities to classify in-kind contributions previously recorded as special events revenue to the respective in-kind contributions revenue classification. The reclassification had no effect on the reported results of the operations.

**SANTA FE BOTANICAL GARDEN**

**Notes to the Financial Statements (Continued)**

**December 31, 2016 and 2015**

**3. Promises to Give**

*Museum Hill Capital Campaign*

Unconditional promises to give are restricted for the Museum Hill Capital Campaign. Unconditional promises to give consist of the following at December 31:

		2016		
Payment Year	Amount	Less Present Value Discount	Less Allowance	Present Value
2017	\$ 340,609	\$ -	\$ (4,000)	\$ 336,609
2018	277,787	(9,525)	-	268,262
2019	153,333	(7,816)	-	145,517
2020	150,000	(10,107)	-	139,893
2021	100,000	(8,349)	-	91,651
Total	1,021,729	(35,797)	(4,000)	981,932
Less current portion	(340,609)	-	4,000	(336,609)
Unconditional promises to give Museum Hill Capital Campaign	\$ 681,120	\$ (35,797)	\$ -	\$ 645,323

  

		2015		
Payment Year	Amount	Less Present Value Discount	Less Allowance	Present Value
2016	\$ 225,919	\$ -	\$ (4,000)	\$ 221,919
2017	48,220	(1,898)	-	46,322
2018	7,253	(421)	-	6,832
Total	281,392	(2,319)	(4,000)	275,073
Less current portion	(225,919)	-	4,000	(221,919)
Unconditional promises to give Museum Hill Capital Campaign	\$ 55,473	\$ (2,319)	\$ -	\$ 53,154

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques when the donor makes an unconditional promise to give. A discount rate of 1.8% was used for 2016 pledges and 2% was used for 2015.

During the years ended December 31, 2016 and 2015, an amount for a pledge was deemed uncollectable resulting in a \$600 and \$3,103 write-off of pledges receivable. An allowance was established at December 31, 2016 and 2015 considering historical and qualitative factors impacting the collectability of unconditional promises to give. Management has determined the allowance for uncollectible promises to give is sufficient to cover any future losses at December 31, 2016 and 2015.

**SANTA FE BOTANICAL GARDEN**

**Notes to the Financial Statements (Continued)**

**December 31, 2016 and 2015**

**4. Grants Receivable and Grant Revenue**

The Garden received the following grants and contracts for the years ended December 31, 2016 and 2015:

	2016	2015
City of Santa Fe	\$ 15,000	\$ 4,500
PNM	13,630	-
New Mexico Humanities Council	10,000	-
New Mexico Art	6,465	-
Northern Rio Grande National Grant	2,962	-
Los Alamos National Laboratory Foundation	1,500	1,500
Melville Hankins Family Foundation	-	150,000
Ralph B. Rogers Foundation	-	150,000
Institute of Museum and Library Services	-	38,807
Stanley Smith Horticultural Trust	-	2,400
	\$ 49,557	\$ 347,207

Amounts expended under grants and contracts prior to reimbursement from the grantor agency are recorded as a receivable. The Garden has received the following grants with balances as of December 31, 2016 and 2015 consisting of the following amounts:

	2016	2015
Melville Hankins Family Foundation	\$ 50,000	\$ 100,000
Institute of Museum and Library Services	21,914	26,417
Ralph B. Rogers Foundation	20,000	50,000
City of Santa Fe	13,569	4,500
New Mexico Art	6,465	-
New Mexico Humanities Council	5,500	-
Northern Rio Grande National Grant	1,478	-
Santa Fe Community Foundation	600	-
	\$ 119,526	\$ 180,917

No allowance is considered necessary as all receivables were deemed collectible for the year ended December 31, 2016.



**SANTA FE BOTANICAL GARDEN**

**Notes to the Financial Statements (Continued)**

**December 31, 2016 and 2015**

**5. Property and Equipment**

A summary of property and equipment at December 31 is as follows:

	2016	2015
Leasehold improvements	\$ 4,476,277	\$ 1,756,648
Equipment	5,556	5,556
Furniture	3,551	3,551
Construction in progress - Museum Hill	-	1,144,458
	4,485,384	2,910,213
Less accumulated depreciation	329,848	236,217
Property and equipment, net	\$ 4,155,536	\$ 2,673,996

Depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$93,631 and \$75,039, respectively.

The Garden's projected cost for the completion of the Santa Fe Botanical Garden at Museum Hill is approximately \$7,000,000 at December 31, 2016.

**6. Long-Term Debt**

At December 31, long-term debt consisted of the following:

	2016	2015
Note payable to a bank which matures on July 8, 2021. Interest rate is subject to change from time to time based on changes to the U.S. Prime Rate (the "Index"). Interest rate was 4.75% at year-end. The note payable is collateralized by securities and investment properties for six individuals/trusts.	\$ 613,000	\$ -
Note payable to an individual which matures on October 29, 2020. Note is to be paid on lender's demand after October 2018. The interest rate shall be the three-month LIBOR rate plus 4.25%, adjusted quarterly on the first business day of September, December, March, and June. The LIBOR rate shall be the "latest" rate, as published in the Wall Street Journal on the adjustment date. The note payable is collateralized by cash and pledges.	300,000	-
Note payable to a bank which matures on January 3, 2017. The interest rate is fixed at 5.25%. The note payable is collateralized by cash and pledges.	104,650	150,000
	1,017,650	150,000
Less: current portion	(227,250)	(150,000)
	\$ 790,400	\$ -

**SANTA FE BOTANICAL GARDEN**

**Notes to the Financial Statements (Continued)**

**December 31, 2016 and 2015**

**6. Long-Term Debt (Continued)**

Maturities of long-term debt for years after December 31, 2016 are as follows:

2017	\$	227,250
2018		122,600
2019		122,600
2020		422,600
2021		122,600
		122,600
		\$ 1,017,650

**7. Net Assets**

Unrestricted net assets at December 31, 2016 and 2015 were \$4,178,008 and \$1,581,200, respectively. Board designated net assets at December 31, 2016 and 2015 were \$1,837 and \$49,716, respectively.

Temporarily restricted net assets consist of the following at December 31:

	Temporarily Restricted	
	2016	2015
Museum Hill Capital Campaign	\$ -	\$ 1,616,893
Children's Education at the Leonora Curtin Preserve	154,911	317,583
Plant Guide	9,188	9,188
	\$ 164,099	\$ 1,943,664

During the year ended December 31, 2016, \$1,144,458 of construction costs were capitalized as part of Phase II construction. During the year ended December 31, 2015, \$140,078 of construction in progress costs were capitalized and are included in temporary restricted net assets until the project is completed, while impaired costs of \$26,656 were written-off and removed. All construction in progress costs capitalized are included in temporary restricted net assets until phases are completed. As of December 31, 2016 all construction in progress costs had been capitalized and released from restriction.

**8. Net Assets Released from Restrictions**

Net assets of \$2,983,316 and \$278,984 were released from temporary donor restrictions during the years ended December 31, 2016 and 2015, respectively, by capitalizing Phase II of the Museum Hill project and by incurring expenses satisfying the restricted purposes of expenditures.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

9. Commitments and Contingencies

The Garden entered into a new office space and lease in 2012. The lease term was for one year with four one year extensions. A request for lease extension was made for another year in fiscal year 2016. Lease payments during 2016 and 2015 were \$1,329 per month.

Effective November 2010, the Garden leases a parcel of land from the State of New Mexico for the purpose of maintaining a garden and giving demonstrations. The lease was amended in fiscal year 2016. The new lease is for a term of 25 years, ending in November 2035, and the amended lease increased the yearly payment to \$9,892. At the end of every five years, the annual payment will increase by a percentage equal to the percentage increase in the Consumer Price Index.

Effective December 2006, the Garden leases a parcel of land from the City of Santa Fe for the purposes of maintaining gardens and giving demonstrations. The lease is for a term of 30 years, ending in December 2036, with the option to extend for an additional 30 years. The minimum lease payments are \$1 per year.

Effective October 1993, the Garden leases land from El Rancho de Las Golondrinas. The lease was renewed October 2005 for a term of 15 years, ending in October 2020. As part of the agreement, the Garden is not required to pay rent but the Garden is required to develop and maintain the property as a wetland preserve. All costs associated with the maintenance and development of this property is the responsibility of the Garden and is expensed by the Garden.

No current market rate adjustment has been recorded as in-kind contribution revenue and lease expense for any below market lease agreement as the amounts cannot be determined.

The Garden also has a month-to-month lease agreement for a trailer that serves as the Garden's Visitors Welcome Center. Lease payments are \$734 per month.

The Garden also has a month-to-month lease agreement for storage space. Lease payments are \$230 per month.

The Garden also has a 4 years' lease of a multifunction copier. Lease payments are \$360 per month and are adjusted quarterly based on paper usage.

The following is a schedule of future minimum lease payments required to be made under these operating leases:

<u>Years Ending December 31:</u>	
2017	\$ 16,876
2018	14,217
2019	14,217
2020	12,057
2021-2036	<u>148,462</u>
Total	<u>\$ 220,949</u>

Total lease expense for all leases is \$29,121 and \$23,925 for the years ended December 31, 2016 and 2015, respectively.

## SANTA FE BOTANICAL GARDEN

### Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

#### 10. In-kind Contributions

The Garden received \$9,856 and \$41,904 of donated materials for the years ended December 31, 2016 and 2015, respectively. The Garden also received \$5,000 and \$0 of in-kind advertising and professional services for the years ended December 31, 2016 and 2015, respectively. The total value of in-kind contributions were \$14,856 and \$41,904 for the years ended December 31, 2016 and 2015, respectively. These amounts are included as in-kind contribution revenue and expense for the years ended December 31, 2016 and 2015.

#### 11. Employee Benefit Plan

Effective January 1, 2013, Garden employees may participate in a Simple IRA plan sponsored by Fidelity Investments. Under this plan, the Garden contributes a dollar-for-dollar match up to 3% of an employee's compensation for those employees who elect to participate. The Garden made \$8,924 and \$8,171 in contributions to the plan for the years ended December 31, 2016 and 2015, respectively.

#### 12. Related Party Transactions

Members of the Board and employees provide financial assistance to the Garden through support and membership dues. Included in contribution revenue, membership dues and in-kind were \$82,026 and \$82,868 at December 31, 2016 and 2015, respectively. Included in the 2016 and 2015 amounts of \$82,026 and \$82,868 were \$2,560 and \$9,862 of stock donations, respectively and in-kind contributions were \$0 and \$8,500, respectively.

#### 13. New Accounting Standards

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) with an effective date for the 2018 fiscal year. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14 which allowed for a deferral of the effective date until the 2019 fiscal year. Early adoption for the original effective date is permitted. Entities can transition to the new guidance either retrospectively or as a cumulative effect adjustment as of the date of adoption. Management is assessing the impact the new revenue recognition guidance will have on its financial statements.

In July 2015, FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory with an effective date for the 2017 fiscal year. The main provision is that an entity should measure inventory within the scope of lower of cost and net realizable value. Net realizable value is further described as the estimated selling price in the ordinary course of business, less reasonably predictable costs. Early adoption is permitted. The Garden is currently evaluating the impact of this pronouncement on its financial statements.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842) which provides guidance on reporting previously unrecorded off-balance sheet obligations as a lease liability on the balance sheet. ASU 2016-02 will take effect for the 2020 fiscal year. Early adoption is permitted. The Garden is currently evaluating the impact of this pronouncement on its financial statements.

# SANTA FE BOTANICAL GARDEN

## Notes to the Financial Statements (Continued)

December 31, 2016 and 2015

### 13. New Accounting Standards (Continued)

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Garden is currently evaluating the impact of this pronouncement on its financial statements.

### 14. Subsequent Events

Management has evaluated subsequent events through June 9, 2017 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended December 31, 2016. This date represents the date the financial statements were available to be issued. There were no items deemed to be significant that require disclosure or adjustment to the 2016 financial statements.

