

SANTA FE BOTANICAL GARDEN

Financial Statements

Years Ended December 31, 2017 and 2016 (Restated)

(With Independent Auditors' Report Thereon)



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

SANTA FE BOTANICAL GARDEN

Board of Directors

December 31, 2017

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SANTA FE BOTANICAL GARDEN

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"33 Years of Excellence"

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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, 2017 and 2016, 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

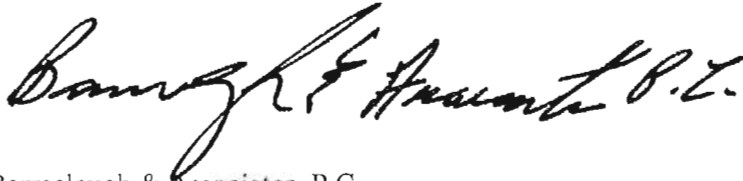
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017 and 2016, 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
July 19, 2018

SANTA FE BOTANICAL GARDEN

Statements of Financial Position

December 31, 2017 and 2016 (Restated)

	2017	(As Restated) 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 215,166	\$ 106,794
Grants receivable	26,854	119,526
Museum Hill Campaign pledges net of allowance, current	16,806	336,609
Inventory	54,255	59,317
Other assets	9,802	8,301
Total current assets	322,883	630,547
Property and equipment, net	3,982,323	4,155,536
Museum Hill Campaign pledges, net of current	772,073	645,323
Total Assets	\$ 5,077,279	\$ 5,431,406
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 58,963	\$ 53,125
Line of credit	-	104,650
Current portion of long-term liabilities	6,369	122,600
Other current liabilities	14,743	16,687
Total current liabilities	80,075	297,062
Long-term Liabilities		
Notes payable, less current portion	883,631	790,400
Total liabilities	963,706	1,087,462
Unrestricted net assets		
Undesignated	3,155,156	3,196,076
Board designated - operating reserve	-	1,837
	3,155,156	3,197,913
Temporarily restricted net assets	958,417	1,146,031
Permanently restricted net assets	-	-
Total net assets	4,113,573	4,343,944
Total Liabilities and Net Assets	\$ 5,077,279	\$ 5,431,406

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

SANTA FE BOTANICAL GARDEN

Statement of Activities

December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 326,682	\$ 91,637	\$ -	\$ 418,319
Membership dues	170,104	-	-	170,104
Grant income	2,506	-	-	2,506
Special events	145,416	-	-	145,416
Contract with the City of Santa Fe	38,649	-	-	38,649
Sponsorships	87,585	-	-	87,585
Garden admissions	156,828	-	-	156,828
Product sales, net cost of goods sold of \$65,257	49,377	-	-	49,377
Education and workshops	17,644	-	-	17,644
In-kind contributions	13,050	-	-	13,050
Other income	8,442	-	-	8,442
Net assets released from restrictions	279,251	(279,251)	-	-
Total revenues, gains, and other support	<u>1,295,534</u>	<u>(187,614)</u>	<u>-</u>	<u>1,107,920</u>
EXPENSES				
Program services	782,807	-	-	782,807
General and administrative	346,282	-	-	346,282
Fundraising	209,202	-	-	209,202
Total expenses	<u>1,338,291</u>	<u>-</u>	<u>-</u>	<u>1,338,291</u>
Change in net assets	(42,757)	(187,614)	-	(230,371)
Net assets, beginning of the year	<u>3,197,913</u>	<u>1,146,031</u>	<u>-</u>	<u>4,343,944</u>
Net assets, end of the year	<u>\$ 3,155,156</u>	<u>\$ 958,417</u>	<u>\$ -</u>	<u>\$ 4,113,573</u>

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

SANTA FE BOTANICAL GARDEN

Statement of Activities

December 31, 2016 (Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
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 \$54,876	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	2,276,457	(2,276,457)	-	-
Total revenues, gains, and other support	<u>2,889,765</u>	<u>(1,072,706)</u>	<u>-</u>	<u>1,817,059</u>
EXPENSES				
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	1,842,070	(1,072,706)	-	769,364
Net assets, beginning of the year	<u>1,355,843</u>	<u>2,218,737</u>	<u>-</u>	<u>3,574,580</u>
Net assets, end of the year	<u>\$ 3,197,913</u>	<u>\$ 1,146,031</u>	<u>\$ -</u>	<u>\$ 4,343,944</u>

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

SANTA FE BOTANICAL GARDEN

Statements of Cash Flow

December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (230,370)	\$ 769,364
Adjustments to reconcile changes in net assets to net cash provided in operating activities:		
Depreciation	181,711	93,631
Donated stock	(9,830)	-
Bad debt expense	-	600
Realize gain on sale of investment	(261)	-
(Increase) decrease in operating assets:		
Grants receivable	92,672	61,391
Pledges	193,053	(706,859)
Other current assets	(1,501)	10,077
Inventory	5,062	(23,187)
Increase (decrease) in operating liabilities:		
Accounts payable	5,838	(5,011)
Other current liabilities	(118,175)	8,556
Net cash provided by operating activities	118,199	208,562
Cash flows from investing activities		
Proceeds from sale of donated stock	10,089	-
Payments for property and equipment	(8,497)	(1,575,171)
Net proceeds from line of credit	(104,650)	(45,350)
Net cash (used) for investing activities	(103,058)	(1,620,521)
Cash flows from financing activities		
Cash proceeds from long-term liabilities	93,231	913,000
Net cash provided from financing activities	93,231	913,000
Increase (decrease) in cash and cash equivalents	108,372	(498,959)
Cash and cash equivalents, beginning of the year	106,794	605,753
Cash and cash equivalents, end of the year	\$ 215,166	\$ 106,794
Supplemental disclosure of cash flow information:		
Interest paid, total amount capitalized	\$ 54,405	\$ 30,767
Non-cash contributions		
In-kind goods and services	\$ 13,050	\$ 14,856

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

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements

December 31, 2017 and 2016

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.

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.

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.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

1. Nature of Operations (Continued)

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.

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.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

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. In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We implemented the provision of ASU 2015-11 on January 1, 2017 on a prospective basis. The implementation of ASU 2015-11 did not impact our results of operations or cash flow

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

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.

Advertising

The cost of advertising is charged to expense as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was \$43,858 and \$39,403, respectively.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

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.

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, 2017 and 2016. Under the statute of limitations, the Garden's tax returns are no longer subject to examination by tax authorities for years prior to 2014.

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, 2017 and 2016.

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 Securities Investor Protection Corporation (SIPC) at December 31, 2017 and 2016. 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 2016 items have been reclassified in order to conform to the 2017 financial statement presentation. An adjustment has been made to the 2016 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, 2017 and 2016

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:

	2017			
	Payment Year	Amount	Less Present Value Discount	Less Allowance
2018	\$ 20,806	\$ -	\$ (4,000)	\$ 16,806
2019	345,453	(16,108)	-	329,345
2020	214,500	(14,826)	-	199,674
2021	160,000	(14,571)	-	145,429
2022	110,000	(12,375)	-	97,625
Total	850,759	(57,880)	(4,000)	788,879
Less current portion	(20,806)	-	4,000	(16,806)
Unconditional promises to give Museum Hill Capital Campaign	<u>\$ 829,953</u>	<u>\$ (57,880)</u>	<u>\$ -</u>	<u>\$ 772,073</u>

	2016			
	Payment Year	Amount	Less Present Value Discount	Less Allowance
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	<u>\$ 681,120</u>	<u>\$ (35,797)</u>	<u>\$ -</u>	<u>\$ 645,323</u>

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 2.4% was used for 2017 pledges and 1.8% was used for 2016.

During the year ended December 31, 2016, an amount for a pledge was deemed uncollectable resulting in a \$600 write-off of pledges receivable. An allowance was established at December 31, 2017 and 2016 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, 2017 and 2016.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

4. Grants Receivable and Grant Revenue

The Garden received the following grants and contracts for the years ended December 31, 2017 and 2016:

	2017	2016
New Mexico Humanities Council	\$ 28,483	10,000
City of Santa Fe	10,166	15,000
Los Alamos National Laboratory Foundation	2,500	1,500
Northern Rio Grande National Grant	6	2,962
PNM	-	13,630
New Mexico Art	-	6,465
	\$ 41,155	\$ 49,557

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, 2017 and 2016 consisting of the following amounts:

	2017	2016
Institute of Museum and Library Services	\$ 17,094	\$ 21,914
City of Santa Fe	9,160	13,569
Santa Fe Community Foundation	600	600
Melville Hankins Family Foundation	-	50,000
Ralph B. Rogers Foundation	-	20,000
New Mexico Art	-	6,465
New Mexico Humanities Council	-	5,500
Northern Rio Grande National Grant	-	1,478
	\$ 26,854	\$ 119,526

No allowance is considered necessary as all receivables were deemed collectible for the year ended December 31, 2017.

5. Property and Equipment

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

	2017	2016
Leasehold improvements	\$ 4,484,776	\$ 4,476,277
Equipment	5,556	5,556
Furniture	3,551	3,551
	4,493,883	4,485,384
Less accumulated depreciation	511,560	329,848
Property and equipment, net	\$ 3,982,323	\$ 4,155,536

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

5. Property and Equipment (Continued)

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$181,711 and \$93,631, 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, 2017.

6. Long-Term Debt

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

	2017	2016
Note payable to a bank which matures on January 1, 2019. Interest rate is subject to change from time to time based on changes in an independent index which is the prime rate as published in the Wall Street Journal (the "Index"). Interest rate was 5.5% at year-end. The note payable is collateralized by pledges and securities.	\$ 590,000	\$ -
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	300,000
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 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
	890,000	1,017,650
Less: current portion	(6,369)	(227,250)
	\$ 883,631	\$ 790,400

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

6. Long-Term Debt (Continued)

Maturities of long-term debt for years after December 31, 2017 are as follows:

2018	\$	6,369
2019		583,631
2020		<u>300,000</u>
	\$	<u>890,000</u>

7. Net Assets

Unrestricted net assets at December 31, 2017 and 2016 were \$3,155,156 and \$3,197,913, respectively. Board designated net assets at December 31, 2017 and 2016 were \$0 and \$1,837, respectively.

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

	Temporarily Restricted	
	2017	(As Restated) 2016
Restricted for purpose:		
Juniper Trail	\$ 91,637	\$ -
Children's Education at the Leonora Curtin Preserve	71,413	154,911
Plant Guide	6,488	9,188
Restricted for time:		
Museum Hill Campaign pledges receivable	<u>788,879</u>	<u>981,932</u>
	<u>\$ 958,417</u>	<u>\$ 1,146,031</u>

All construction in progress costs capitalized are included in temporary restricted net assets until phases are completed. During the year ended December 31, 2016, \$1,144,458 of construction costs were capitalized as part of Phase II construction. There were no construction costs capitalized for the year ended December 31, 2017. As of December 31, 2017 all construction in progress costs had been capitalized and released from restriction.

8. Net Assets Released from Restrictions

Net assets of \$279,251 and \$2,276,457 were released from temporary donor restrictions during the years ended December 31, 2017 and 2016, respectively, by capitalizing Phase II of the Museum Hill project and by incurring expenses satisfying the restricted purposes of expenditures and collection of Museum Hill Campaign pledges receivable.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

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 2017, and the lease ends on October 31, 2020. Lease payments are \$1,562 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 4 years' lease of a multifunction copier. Lease payments are \$360 per month and are adjusted quarterly based on paper usage.

The Garden also leases three storage units on a month-to-month leasing arrangement. Lease payments per month total \$485.

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

<u>Years Ending December 31:</u>	
2018	\$ 32,966
2019	32,966
2020	30,806
2021	28,646
2022	25,521
2023-2036	<u>128,667</u>
Total	<u>\$ 279,572</u>

Total lease expense for all leases is \$21,374 and \$29,121 for the years ended December 31, 2017 and 2016, respectively.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

10. In-kind Contributions

The Garden received \$11,050 and \$9,856 of donated materials for the years ended December 31, 2017 and 2016, respectively. The Garden also received \$2,000 and \$5,000 of in-kind advertising and professional services for the years ended December 31, 2017 and 2016, respectively. The total value of in-kind contributions were \$13,050 and \$14,856 for the years ended December 31, 2017 and 2016, respectively. These amounts are included as in-kind contribution revenue and expense for the years ended December 31, 2017 and 2016.

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 \$10,740 and \$8,924 in contributions to the plan for the years ended December 31, 2017 and 2016, 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 \$91,570 and \$82,026 at December 31, 2017 and 2016, respectively. Included in the 2017 and 2016 amounts of \$91,570 and \$82,026 were \$10,568 and \$2,560 of stock donations, respectively and in-kind contributions were \$8,250 and \$0, respectively.

13. Restatement

During the year-ended December 31, 2017, management of the Garden performed a retroactive review of net assets to ensure amounts were properly classified according to restriction. It was determined that the December 31, 2015 temporarily restricted net assets were understated \$275,073 and the 2016 temporarily restricted net assets released from restrictions were overstated by \$706,859. The result was an understatement of \$981,932 for the 2016 ending temporarily restricted net assets. Accordingly, the Garden reclassified and restated the results of December 31, 2016. There were no effect on previously recorded changes in net asset or total assets.

14. 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.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2017 and 2016

14. New Accounting Standards (Continued)

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 evaluating the impact of this pronouncement on its financial statements.

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 evaluating the impact of this pronouncement on its financial statements.

15. Subsequent Events

Management has evaluated subsequent events through July 19, 2018 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended December 31, 2017. 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 2017 financial statements.

