

SANTA FE BOTANICAL GARDEN

Financial Statements

Years Ended December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)



BARRACLOUGH & ASSOCIATES, P.C.

Certified Public Accountants & Consultants

SANTA FE BOTANICAL GARDEN

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December 31, 2018

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SANTA FE BOTANICAL GARDEN

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“34 Years of Excellence”

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INDEPENDENT AUDITOR'S 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, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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, 2018 and 2017, 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.

Barracough & Associates, P.C.

Barracough & Associates, P.C.
Santa Fe, New Mexico
October 18, 2019

SANTA FE BOTANICAL GARDEN

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>(As Restated) 2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 163,066	\$ 215,166
Accounts receivable	33,121	-
Grants receivable	20,665	26,854
Museum Hill Campaign pledges net of allowance, current	226,259	16,806
Inventory	46,309	54,255
Other assets	<u>2,430</u>	<u>9,802</u>
Total current assets	491,850	322,883
Property and equipment, net	4,134,213	4,127,323
Museum Hill Campaign pledges, net of current	<u>250,027</u>	<u>772,073</u>
Total assets	<u><u>\$ 4,876,090</u></u>	<u><u>\$ 5,222,279</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 97,360	\$ 58,963
Other current liabilities	34,846	14,743
Current portion of long-term liabilities	<u>300,000</u>	<u>6,369</u>
Total current liabilities	432,206	80,075
Long-term Liabilities		
Notes payable, less current portion	<u>349,650</u>	<u>883,631</u>
Total liabilities	<u>781,856</u>	<u>963,706</u>
Net assets without donor restrictions	3,443,916	3,300,156
Net assets with donor restrictions	<u>650,318</u>	<u>958,417</u>
Total net assets	<u>4,094,234</u>	<u>4,258,573</u>
Total Liabilities and Net Assets	<u><u>\$ 4,876,090</u></u>	<u><u>\$ 5,222,279</u></u>

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

SANTA FE BOTANICAL GARDEN

Statement of Activities

December 31, 2018

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 82,727	\$ 137,892	\$ 220,619
Membership dues	198,450	-	198,450
Grant income	101,284	-	101,284
Special events	245,554	-	245,554
Contracts	92,058	-	92,058
Sponsorships	82,774	-	82,774
Garden admissions	142,075	-	142,075
Product sales, net cost of goods sold of \$70,104	39,124	-	39,124
Education and workshops	15,267	-	15,267
In-kind contributions	189,575	-	189,575
Other income	4,294	-	4,294
Net assets released from restrictions	445,991	(445,991)	-
Total revenues, gains, and other support	1,639,173	(308,099)	1,331,074
EXPENSES			
Program services	1,035,289	-	1,035,289
Management and administrative	330,686	-	330,686
Fundraising	129,438	-	129,438
Total expenses	1,495,413	-	1,495,413
Change in net assets	143,760	(308,099)	(164,339)
Net assets, beginning of the year	3,300,156	958,417	4,258,573
Net assets, end of the year	\$ 3,443,916	\$ 650,318	\$ 4,094,234

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

SANTA FE BOTANICAL GARDEN

Statement of Activities

December 31, 2017 (As Restated)

	Without donor restrictions	With donor restrictions	Total
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
Contracts	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	158,050	-	158,050
Other income	8,442	-	8,442
Net assets released from restrictions	279,251	(279,251)	-
Total revenues, gains, and other support	1,440,534	(187,614)	1,252,920
EXPENSES			
Program services	782,807	-	782,807
General and administrative	346,282	-	346,282
Fundraising	209,202	-	209,202
Total expenses	1,338,291	-	1,338,291
Change in net assets	102,243	(187,614)	(85,371)
Net assets, beginning of the year	3,197,913	1,146,031	4,343,944
Net assets, end of the year	\$ 3,300,156	\$ 958,417	\$ 4,258,573

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

SANTA FE BOTANICAL GARDEN

Statements of Cash Flows

December 31, 2018 and 2017

	<u>2018</u>	<u>(As Restated) 2017</u>
Cash flows from operating activities		
Change in net assets	\$ (164,339)	\$ (85,371)
Adjustments to reconcile net assets to net cash from operating activities:		
Depreciation	183,133	181,711
Donated stock	(11,721)	(9,830)
Donated property & equipment	(184,539)	(145,000)
Bad debt expense	600	-
Realized loss (gain) on sale of donated stock	236	(261)
(Increase) decrease in operating assets:		
Accounts receivable	(33,121)	-
Grants receivable	6,189	92,672
Museum Hill Campaign pledges receivable	311,993	193,053
Inventory	7,946	5,062
Other current assets	7,372	(1,501)
Increase (decrease) in operating liabilities:		
Accounts payable	38,397	5,838
Other current liabilities	20,103	(118,175)
Net cash provided by operating activities	<u>182,249</u>	<u>118,198</u>
Cash flows from investing activities		
Proceeds from sale of donated stock	11,485	10,090
Payments for property and equipment	(5,484)	(8,497)
Net proceeds from line of credit	-	(104,650)
Net cash provided (used) for investing activities	<u>6,001</u>	<u>(103,057)</u>
Cash flows from financing activities		
Cash (payments) proceeds from long-term liabilities	(240,350)	93,231
Net cash (used) provided from financing activities	<u>(240,350)</u>	<u>93,231</u>
(Decrease) increase in cash and cash equivalents	(52,100)	108,372
Cash and cash equivalents, beginning of the year	<u>215,166</u>	<u>106,794</u>
Cash and cash equivalents, end of the year	<u>\$ 163,066</u>	<u>\$ 215,166</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 47,898</u>	<u>\$ 54,405</u>
Non-cash contributions		
In-kind goods and services	<u>\$ 189,575</u>	<u>\$ 158,050</u>

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

SANTA FE BOTANICAL GARDEN

Statement of Functional Expenses

December 31, 2018

	<u>Program Services</u>	<u>Management & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salary & wages	\$ 359,142	\$ 196,135	\$ 102,895	\$ 658,172
Production expenses	235,453	-	-	235,453
Depreciation	132,547	42,696	7,890	183,133
Cultivation & stewardship	49,776	277	5,254	55,307
Advertising	49,698	552	4,970	55,220
Loan interest & fees	47,898	-	-	47,898
Professional fees	44,904	-	-	44,904
Rent	30,891	10,082	1,931	42,904
Repairs & maintenance	29,569	9,664	1,848	41,081
Professional development	3,700	15,776	-	19,476
Bank & investment fees	3,855	12,232	1,287	17,374
Dues & subscriptions	3,822	11,634	1,163	16,619
Accounting	156	15,459	-	15,615
Printing & reproduction	6,912	3,142	419	10,473
Utilities	7,404	2,417	463	10,284
Insurance	5,367	3,152	-	8,519
Postage & shipping	3,499	1,590	212	5,301
Telephone & internet	3,656	1,193	229	5,078
In-kind	4,777	21	239	5,037
Landscape construction	4,984	-	-	4,984
Supplies	2,637	1,198	160	3,995
Equipment	2,383	905	147	3,435
Miscellaneous	383	1,313	115	1,811
Travel & entertainment	1,276	1,248	216	2,740
Bad debt expense	600	-	-	600
Total expenses	\$ 1,035,289	\$ 330,686	\$ 129,438	\$ 1,495,413

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

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements

December 31, 2018 and 2017

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 include 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. Current development of the Garden land is primarily funded by private contributions. In 2018, additional acreage was leased from the State of New Mexico, after an initial addition of acreage in 2016 and 2014, bringing the total to approximately nineteen 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, and best gardening practices, to historic garden restoration.

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 Summer Solstice event and the 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, 2018 and 2017

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

The Botanical Garden is open year round 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 provide certain other benefits. Dues are recorded as income during the year received since no significant future costs related to membership are expected 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).

Recent Accounting Guidance

During the year ended December 31, 2018, the Garden implemented ASU 2016-14, "Financial Statements of Not-for-Profit Entities." Accordingly, the classifications of donor restricted net assets categories (temporarily and permanently restricted) have been adjusted to consolidate all net assets into one classification: with donor restrictions. Additionally, unrestricted net assets are now categorized as net assets without donor restrictions.

Basis of Presentation

The Garden follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, (*Not-for-Profit Entities – Presentation of Financial Statements*), which requires that net assets and revenues, expenses, gains and losses be classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Garden, and changes therein, are classified and reported as follows:

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

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 predicible 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, 2018 and 2017

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 net assets with donor restrictions to net assets without donor restrictions 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 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 net assets with or without donor restrictions, depending on the existence or nature of any donor restrictions.

Sponsorships

The Garden has sponsorship agreements, which allow for the sponsors to have their names displayed on specified promotional materials and/or at the sponsored event. Sponsorships received for future events are recorded 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, 2018 and 2017 was \$55,220 and \$43,858, respectively.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

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, 2018 and 2017. Under the statute of limitations, the Garden's tax returns are no longer subject to examination by tax authorities for years prior to 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 a review of available coverage, the Garden did not have any uninsured balances at December 31, 2018 and 2017.

The Garden maintains an investment account at a financial institution, which is used to sell donated marketable securities. The Garden has cash in the investment account that is fully insured by Securities Investor Protection Corporation (SIPC) at December 31, 2018 and 2017. The Garden's policy is 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.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

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:

		2018		
		Less		
Payment		Present Value	Less	Present
Year	Amount	Discount	Allowance	Value
2019	\$ 230,259	\$ -	\$ (4,000)	\$ 226,259
2020	160,000	(9,912)	-	150,088
2021	110,000	(10,061)	-	99,939
Total	500,259	(19,973)	(4,000)	476,286
Less current portion	(230,259)	-	4,000	(226,259)
Museum Hill Capital Campaign (net of current)	\$ 270,000	\$ (19,973)	\$ -	\$ 250,027
		2017		
		Less		
Payment		Present Value	Less	Present
Year	Amount	Discount	Allowance	Value
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)
Museum Hill Capital Campaign (net of current)	\$ 829,953	\$ (57,880)	\$ -	\$ 772,073

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 3.3% was used for 2018 pledges and 2.4% was used for 2017.

During the year ended December 31, 2018, an amount for a pledge was deemed uncollectable resulting in a \$600 write-off of pledges receivable. An allowance was established at December 31, 2018 and 2017 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, 2018 and 2017.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

4. Grants and Contracts

The Garden received the following grants and contracts for the years ended December 31, 2018 and 2017:

	2018	2017
Melville Hankins Family Foundation	\$ 50,000	\$ -
Cooking with Kids	42,910	-
New Mexico Humanities Council	28,478	28,483
Anonymous Foundation	25,000	-
Santa Fe County	15,000	-
City of Santa Fe	14,169	10,166
Santa Fe Community Foundation	10,500	-
National Audubon Society	3,960	-
Santa Fe Garden Club	1,825	-
Nancy Ann Mellen Foundation	1,500	-
Los Alamos National Laboratory Foundation	-	2,500
Northern Rio Grande National Grant	-	6
	\$ 193,342	\$ 41,155

Amounts expended under grants and contracts prior to reimbursement from the grantor agency are recorded as a receivable. The Garden received the following grants. Balances as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Institute of Museum and Library Services	\$ 15,276	\$ 17,094
City of Santa Fe	5,000	9,160
New Mexico Humanities Council	389	-
Santa Fe Community Foundation	-	600
	\$ 20,665	\$ 26,854

No allowance is considered necessary as all receivables were deemed collectible for the years ended December 31, 2018 and 2017.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

5. Property and Equipment

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

	2018	2017
Leasehold improvements	\$ 4,453,246	\$ 4,449,776
Sculptures	366,552	180,000
Equipment	5,556	5,556
Furniture & Fixtures	3,551	3,551
	4,828,905	4,638,883
Less accumulated depreciation	(694,692)	(511,560)
Property and equipment, net	\$ 4,134,213	\$ 4,127,323

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$183,133 and \$181,711, respectively.

The Garden's projected cost for the completion of the Santa Fe Botanical Garden at Museum Hill is approximately \$7,000,000 as of December 31, 2018.

6. Liquidity

The following reflects the Garden's financial assets as of the statement of financial position date available for general use within one year of the statement of financial position date:

	2018	2017
Cash and cash equivalents	\$ 163,066	\$ 215,166
Accounts receivable	33,121	-
Pledges receivable	226,259	16,806
Grants receivable	20,665	26,854
Total liquid assets	\$ 443,111	\$ 258,826

As part of the Garden's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Garden has a line of credit upon which it can draw.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

7. Long-Term Debt

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

	2018	2017
<p>Note payable to a bank which matures on January 1, 2021. 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 6.5% at year-end. The note payable is collateralized by pledges receivable.</p>	\$ 349,650	\$ 590,000
<p>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.</p>	300,000	300,000
	649,650	890,000
Less: current portion	(300,000)	(6,369)
	\$ 349,650	\$ 883,631

Maturities of debt for years after December 31, 2018 are as follows:

2019	\$ 300,000
2020	-
2021	349,650
	\$ 649,650

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

8. Net Assets

Net assets without donor restrictions at December 31, 2018 and 2017 were \$3,443,916 and \$3,300,156, respectively.

Net assets with donor restrictions consist of the following at December 31:

	Net assets with donor restrictions	
	2018	2017
Restricted for purpose:		
Children's Education	\$ 60,145	\$ 71,413
Biodiversity	25,000	-
Plant Guide	15,488	6,488
Interpretive Signage	6,922	-
Marketing & Tourism	4,933	-
Museum Hill Campaign		
Juniper Trail	51,944	91,637
Master Plan	9,600	-
Restricted for time:		
Museum Hill Campaign pledges receivable	476,286	788,879
	\$ 650,318	\$ 958,417

9. Net Assets Released from Restrictions

Net assets of \$445,991 and \$279,251 were released from donor restrictions during the years ended December 31, 2018 and 2017, respectively, 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, 2018 and 2017

10. 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 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 it 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 has a four-year lease on a multifunction copier. Lease payments are \$360 per month and are adjusted quarterly based on paper usage.

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

The Garden leases a mobile trailer for its gift shop on a month-to-month leasing arrangement. Lease payments are \$825 per month.

Minimum future lease payments required to be made under operating leases are as follows:

<u>Years Ending December 31:</u>	
2019	\$ 32,966
2020	30,806
2021	28,646
2022	25,521
2023	9,897
2024-2036	<u>118,770</u>
Total	<u>\$ 246,606</u>

Total expense for all leases was \$42,904 and \$30,949 for the years ended December 31, 2018 and 2017, respectively.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

11. In-kind Contributions

The Garden received \$184,575 and \$156,050 of donated goods for the years ended December 30, 2018 and 2017 respectively. The Garden also received \$5,000 and \$2,000 of in-kind advertising and professional services for the years ended December 31, 2018 and 2017, respectively. The total value of in-kind contributions was \$189,575 and \$158,050 for the years ended December 31, 2018 and 2017, respectively. These amounts are included as in-kind contribution revenue for the years ended December 31, 2018 and 2017.

12. Employee Benefit Plan

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 \$11,465 and \$10,740 in contributions to the plan for the years ended December 31, 2018 and 2017, respectively.

13. 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 \$187,811 and \$91,570 at December 31, 2018 and 2017, respectively. Included in the 2018 and 2017 amounts of \$187,811 and \$91,570 were \$11,721 and \$9,830 of stock donations, respectively and in-kind contributions were \$14,000 and \$8,250, respectively.

14. Restatement

During the year-ended December 31, 2018 management performed a retrospective review of property and equipment. As a result, it was determined that the December 31, 2017 property and equipment balance was understated by \$145,000, and in-kind contributions for the year-ended December 31, 2017 were understated by \$145,000. The misstatement was the result of sculptures donated during the year that had not previously been recorded. Beginning of the year net assets for 2017 have been restated to reflect these changes, increasing both property and equipment and total net assets by \$145,000.

SANTA FE BOTANICAL GARDEN

Notes to the Financial Statements (Continued)

December 31, 2018 and 2017

15. 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 adjustment as of the date of adoption. Management is assessing the impact the new revenue recognition guidance will have 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 year. Early adoption is permitted. Management is assessing the impact this pronouncement will have on its financial statements.

16. Subsequent Events

Management has evaluated subsequent events through October 18, 2019 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended December 31, 2018. 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 2018 financial statements.

