

**San Francisco Botanical Garden Society at  
Strybing Arboretum**

Financial Statements

June 30, 2021

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
San Francisco Botanical Garden Society at Strybing Arboretum

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Francisco Botanical Garden Society at Strybing Arboretum (a non-profit organization) (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 auditors' 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 San Francisco Botanical Garden Society at Strybing Arboretum as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Organization's financial statements as of and for the year ended June 30, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**BAKER TILLY US, LLP**

*Baker Tilly US, LLP*

San Francisco, California  
November 22, 2021

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2021**  
**(With Summarized Comparative Totals for June 30, 2020)**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,081,721	\$ 3,922,926
Due from City and County of San Francisco	253,354	97,029
Contributions and grants receivable	65,479	127,474
Promises to give	53,250	121,100
Inventory	35,182	22,493
Prepaid expenses	96,045	52,125
Total current assets	5,585,031	4,343,147
<b>Property and Equipment - net</b>	1,975,665	786,153
<b>Other Assets</b>		
Investments held in perpetuity	4,985,784	-
Deposits	7,644	7,644
Promises to give - long term - net	14,876,941	24,690
Total assets	\$ 27,431,065	\$ 5,161,634
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 107,374	\$ 119,038
Accrued liabilities	241,829	192,280
Paycheck Protection Program loan - current portion	8,751	-
Deferred revenue	157,807	102,258
Due to City and County of San Francisco	613,908	66,425
Total current liabilities	1,129,669	480,001
<b>Noncurrent Liabilities</b>		
Paycheck Protection Program loan - net of current portion	392,349	462,500
Total liabilities	1,522,018	942,501
<b>Net Assets</b>		
Without donor restrictions	3,723,727	2,681,632
With donor restrictions		
Purpose and time restrictions	2,363,112	1,495,001
Perpetual in nature	19,822,208	42,500
Total net assets with donor restrictions	22,185,320	1,537,501
Total net assets	25,909,047	4,219,133
Total liabilities and net assets	\$ 27,431,065	\$ 5,161,634

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**  
**(With Summarized Comparative Totals for June 30, 2020)**

	<b>2021</b>			<b>2020</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE, SUPPORT AND INVESTMENT RETURNS</b>				
Grants and contributions	\$ 876,290	\$ 21,135,413	\$ 22,011,703	\$ 1,807,776
In-kind contributions	43,650	-	43,650	219,111
Bequests	117,878	-	117,878	436,232
Memberships	368,539	-	368,539	289,543
Annual fundraiser	291,214	-	291,214	-
Private event rentals	112,698	-	112,698	1,493
Admissions - allocated to San Francisco Botanical Garden Society	998,718	-	998,718	691,388
Bookstore, Plant Arbor, and other retail sales - net of cost of sales of \$62,816 in 2021 and \$104,621 in 2020	185,961	-	185,961	225,053
Public programming	559,935	-	559,935	127,041
Flower Piano at Night ticket sales	-	-	-	295,736
Paycheck Protection Program loan forgiveness	462,500	-	462,500	-
Investment returns	309	82,339	82,648	(4,576)
Other income	18,944	-	18,944	130,417
Net assets released from restrictions	569,933	(569,933)	-	-
<b>Total revenue and support</b>	<b>4,606,569</b>	<b>20,647,819</b>	<b>25,254,388</b>	<b>4,219,214</b>
<b>EXPENSES</b>				
Programs and activities	2,739,829	-	2,739,829	4,076,515
Fundraising and development	436,204	-	436,204	585,673
Management and general	388,441	-	388,441	411,145
<b>Total expenses</b>	<b>3,564,474</b>	<b>-</b>	<b>3,564,474</b>	<b>5,073,333</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,042,095</b>	<b>20,647,819</b>	<b>21,689,914</b>	<b>(854,119)</b>
<b>NET ASSETS - beginning of the year</b>	<b>2,681,632</b>	<b>1,537,501</b>	<b>4,219,133</b>	<b>5,073,252</b>
<b>NET ASSETS - end of year</b>	<b>\$ 3,723,727</b>	<b>\$ 22,185,320</b>	<b>\$ 25,909,047</b>	<b>\$ 4,219,133</b>

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2021**  
**(With Summarized Comparative Totals for June 30, 2020)**

	2021			2020	
	Programs and Activities	Fundraising and Development	Management and General	Total	Total
Salaries	\$ 1,565,263	\$ 244,299	\$ 227,717	\$ 2,037,279	\$ 2,107,312
Payroll taxes	134,989	15,896	17,111	167,996	146,683
Employee benefits	96,073	4,219	15,752	116,044	168,614
Garden projects and maintenance	102,224	-	-	102,224	826,654
Information technology and systems maintenance	122,071	28,877	12,993	163,941	201,848
Program supplies and other purchases	125,717	22,622	121	148,460	215,578
Occupancy and security	104,035	9,179	13,769	126,983	121,255
Outside services	31,524	62,270	32,245	126,039	569,149
Promotions and publications	115,144	-	-	115,144	177,100
Cost of sales	62,816	-	-	62,816	104,621
Office expense	44,444	3,915	5,872	54,231	61,830
Depreciation and amortization	-	-	43,706	43,706	38,329
In-kind gifts - tree and shrub work	40,140	-	-	40,140	-
In-kind gifts - rent	-	-	1,700	1,700	8,401
In-kind gifts - media	-	-	-	-	198,206
In-kind gifts - other	-	1,650	160	1,810	12,504
Consultants	34,841	3,096	4,644	42,581	-
Telephone	27,423	1,625	2,438	31,486	27,344
Insurance	16,350	1,350	4,936	22,636	25,095
Dues and subscriptions	10,072	4,121	679	14,872	11,089
Postage	6,116	5,122	523	11,761	10,993
Bad debts	100	5,000	-	5,100	44,350
Recruitment and staff development	2,397	37	70	2,504	21,644
Conferences and meetings	1,223	164	463	1,850	3,159
Travel	-	176	81	257	4,581
Other	159,683	22,586	3,461	185,730	71,615
Total expenses by function	2,802,645	436,204	388,441	3,627,290	5,177,954
Less expenses with revenues on the statement of activities					
Cost of sales	(62,816)	-	-	(62,816)	(104,621)
Total expenses	<u>\$ 2,739,829</u>	<u>\$ 436,204</u>	<u>\$ 388,441</u>	<u>\$ 3,564,474</u>	<u>\$ 5,073,333</u>

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2021**

**(With Comparative Totals for June 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 21,689,914	\$ (854,119)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	43,706	38,329
Net realized and unrealized gain from investments	(80,701)	-
Paycheck Protection Program loan forgiveness	(462,500)	-
Proceeds restricted to endowment	(4,902,767)	-
Changes in operating assets and liabilities:		
Due from City and County of San Francisco	(156,325)	(221)
Contributions and grants receivable	61,995	(111,359)
Promises to give - net	(14,784,401)	57,517
Inventory	(12,689)	(8,850)
Prepaid expenses	(43,920)	149,658
Accounts payable	(11,664)	(138,774)
Accrued liabilities	49,549	(68,838)
Deferred revenue	55,549	37,098
Due to City and County of San Francisco	547,483	(61,002)
<b>Net cash provided by (used in) operating activities</b>	<u>1,993,229</u>	<u>(960,561)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(4,986,690)	-
Proceeds from sale of investments	81,607	-
Purchases of property and equipment	(1,233,218)	(43,926)
<b>Net cash used in investing activities</b>	<u>(6,138,301)</u>	<u>(43,926)</u>
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		
Proceeds from contributions to endowment funds	4,902,767	-
Proceeds from Paycheck Protection Program loan	401,100	462,500
<b>Net cash provided by financing activities</b>	<u>5,303,867</u>	<u>462,500</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,158,795	(541,987)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>3,922,926</u>	<u>4,464,913</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 5,081,721</u>	<u>\$ 3,922,926</u>



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## SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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#### 1. NATURE OF ORGANIZATION

San Francisco Botanical Garden Society at Strybing Arboretum (the Organization) is a California non-profit corporation organized in 1955 to support San Francisco Botanical Garden at Strybing Arboretum (the Garden). Founded in 1940, the 55-acre Garden is located in Golden Gate Park in San Francisco, California and is operated and managed by the Organization in partnership with the City and County of San Francisco Recreation and Parks Department. The Organization's mission is to connect people to plants, the planet, and each other. With the support of members and volunteers, the Organization serves the community through its youth education programs, operates the Helen Crocker Russell Library of Horticulture, provides docent training and free daily guided walks to the public, sponsors other educational and community programming, conducts marketing and outreach, manages visitor experience and volunteer programs, and operates the Garden Bookstore and retail Plant Arbor. The Organization also helps to fund Garden improvements, provides curatorial and plant collection management services, propagates and conserves plants.

On July 14, 2020, the City and County of San Francisco and its Recreation and Parks Department extended the management of admissions at the Japanese Tea Garden to the Organization, effective August 1, 2020 (see Note 11). The 5-acre Japanese Tea Garden is the oldest Japanese garden in the United States and located inside Golden Gate Park in San Francisco, California.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Basis of Accounting*

The Organization prepares its financial statements on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for Not-for-Profit Organizations (U.S. GAAP).

##### *Basis of Presentation*

The Organization reports information regarding its financial position and activities based on existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

##### *Net assets without donor restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**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 stipulates 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of bank balances and short-term highly liquid investments with original maturities of three months or less from dates of acquisition. Cash equivalents held in custodian accounts as part of the Organization's long term investment policy are classified as investments.

***Investments***

Investments consist of marketable securities and alternative investments. Marketable securities, which consist primarily of common stocks, bonds, mutual funds and exchange-traded funds, are stated at fair values, determined based on quoted market prices. Unrealized gains and losses resulting from market fluctuations are recognized as revenues in the period such fluctuations occur. For purposes of determining realized gains or losses as revenues, the cost of securities sold was computed based on the weighted average method. Interest and dividends are recognized when earned. External and direct internal investment expenses are netted against investment return on the statement of activities.

Alternative investments, which consist primarily of private equity funds, are stated at fair value based on net asset value as a practical expedient.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Organization considers the use of market-based information over entity-specific information in valuing its investments, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology - quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- Level 3 inputs to the valuation methodology - unobservable and significant to the fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

An asset or liability's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other practices, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In accordance with the authoritative guidance on fair value measurements and disclosures, as a practical expedient, an entity holding investments in certain entities that calculate net asset value (NAV) per share or its equivalent for which the fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of that NAV or its equivalent without adjustment. Investments measured at fair value using the NAV are not categorized within the fair value hierarchy.

***Due from City and Country of San Francisco***

Amounts due from City and County of San Francisco include receivables for reimbursement by the City to the Organization for the costs to administer the admissions and annual allocation. Due from City and Country San Francisco are stated at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts reflects management's best estimate of the accounts that will not be collected based on historical experience and an evaluation of the outstanding receivable at the end of the year. At June 30, 2021, the Organization determined that the accounts were fully collectible.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Inventory***

Inventory consists of bookstore merchandise carried at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

***Property and Equipment***

The Organization capitalizes property and equipment with a cost or fair value in excess of \$1,000 and an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of gift. Repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 27.5 years. The costs of plants, planting and other improvements to the Garden are charged to expense as incurred.

The library collection is considered to be inexhaustible, therefore, library books and related materials are not depreciated.

***Revenue Recognition***

***Grants and Contributions***

The Organization recognizes unconditional gifts and pledges in the period notified and as a current or non-current asset depending on the form and term of the promised payments; such receivables and pledges are subject to an allowance for uncollectible amounts. The Organization records promises to give, if expected to be collected beyond one year, at their discounted net present value, at June 30, 2021. When applicable, the changes from period to period in the discounted present value are recorded as contribution revenue.

Grants and contributions, including unconditional promises to give, are recognized when received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. At June 30, 2021, there are no conditional grants.

***Memberships***

Membership with the Organization is based on level of donation and membership gifts are recognized when received as contributions without donor restrictions as the members receive minimal benefits from the dues.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*In-Kind Contributions*

A substantial number of unpaid volunteers have made significant contributions of time to various departments and programs of the Organization. During the year ended June 30, 2021, the Organization was provided significant unpaid volunteer services which are not reflected in the accompanying financial statements as they do not meet the criteria for recognition in accordance with U.S. GAAP.

Breakdown of in-kind contributions for the year ended June 30, 2021 are as follows:

Tree and shrub work	\$	40,140
Rent		1,700
Other		<u>1,810</u>
	\$	<u><u>43,650</u></u>

*Private Event Rentals*

The Organization offers five outdoor venues in the Garden for private event rentals, normally for a certain number of hours. Rental income is recognized on the day of the event. Amounts received prior to the event are reported as deferred revenue. Amounts reported as deferred revenue related to public programming at June 30, 2021 was \$43,857.

*Contracts with Customers*

The Organization derives revenue from customers for admissions receipts, nursery and store sales, public programming and others. Revenue recognition is evaluated under Accounting Standards Codification (ASC) 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

*Admissions*

Effective August 2010, the City and County of San Francisco began to charge an admission fee to non-San Francisco residents. The Organization collects and remits the admissions to the City and County of San Francisco Recreation and Park Commission. Admissions revenue is generated from management of admissions at the Botanical Garden and at the Japanese Tea Garden (collectively referred to as Gardens). Revenue consists of the reimbursement by the City to the Organization for the costs to administer the admissions and an annual allocation to fund up to \$287,573 per year (subject to CPI increases every five years) for education and community outreach as specified under the Lease and Management Agreement with the City (see Note 11). Admissions are recognized as revenue when the Organization has incurred expenditures in compliance with the Lease and Management Agreement and is paid out of admissions fees.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Revenue Recognition*** (continued)

*Admissions* (continued)

During the year ended June 30, 2021, the Organization collected \$3,514,738 in admission fees from the Gardens. Revenue allocated to the Organization totaled \$998,718 for the year ended June 30, 2021. At June 30, 2021, non-resident admissions fees collected by the Organization and due to the City and County of San Francisco amounted to \$613,908.

*Bookstore, Plant Arbor, and other retail sales*

Bookstore, plant arbor, and other retail sales revenue is generated from sale of plants, library arts and books, and is recognized at a point in time when goods are delivered to the customers. Payments for bookstore, plant arbor, and other retail sales are made at the time of purchase.

*Public Programming*

The Organization utilizes the portfolio approach practical expedient to account for public programming as the contracts and performance obligations which have similar characteristics, and the Organization reasonably expects that the effects on the financial statements from applying the portfolio method are not materially different than applying ASC 606 to the individual contracts.

Public programming revenue is generated from the registration to the program event. The performance obligation from public programming includes classes, public programs, summer camp sessions, after school programs, lecture series, docent dues, volunteer training fees and others, generally ranging from one to five days. The Organization recognizes revenue from public programming over time, on a daily basis, as performance obligations are satisfied.

The transaction price is fixed, and the amount is identified on the website based on the event selected and number of days. Discounts are established upfront and do not contain variable consideration. There are no significant financing components.

The Organization uses a third party to process the registration. Processing fee is included in addition to the face value of the registration fee. Registration fee and payments for the public programming are made in advance at the time of the purchase. The Organization offers a 24-hour cancellation policy after registration in which guests can cancel for a full refund. After this time has expired, a cancellation fee may be charged in accordance with the Organization's terms and conditions.

All public programming registration fees received prior to the event are reported as deferred revenue. Amounts reported as deferred revenue related to public programming at June 30, 2021 was \$113,950.

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Revenue Recognition** (continued)

*Flower Piano at Night*

Flower Piano at Night revenue is generated from the sale of ticket to the event. The performance obligation from Flower Piano at Night include access to the event. Revenue is recognized at the date of the event.

The transaction price is fixed, and the amount is identified on the website based on the event selected and number of days. Discounts are established upfront and do not contain variable consideration. There are no significant financing components.

The Organization uses a third party to process the ticketing transaction. Processing fee is included in addition to the face value of the ticket when tickets are sold. Ticket sales and payments for the flower piano at night are made in advance at the time of the purchase. Tickets for Flower Piano at Night are final and non-refundable.

For the year ended June 30, 2021, Flower Piano at Night event was cancelled due to operational impacts of COVID-19.

Total revenue recognized over time and point-in-time, for the year ended June 30, 2021 are allocated as follows:

Revenue Stream	Over-time	Point-in-time	Total
Admissions	\$ 998,718	\$ -	\$ 998,718
Bookstore, Plant Arbor, and other retail sales - net	-	185,961	185,961
Public programming	559,935	-	559,935
	<u>\$ 1,558,653</u>	<u>\$ 185,961</u>	<u>\$ 1,744,614</u>

**Functional Allocation of Expenses**

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of time and usage.

The Organization treats certain indirect costs associated with the promotion of its programming as program-related in its presentation of the functional allocation of expenses. The Organization's mission is to build communities of support for the Garden and cultivate the bond between people and plants. Therefore, the resources utilized to bring people to and engage with the Garden are direct program costs of the Organization in fulfilling its mission. As a result, the marketing and outreach expenses of the Organization in promotion of the Garden's programs constitute a program expense in the statement of functional expenses.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Income Taxes***

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Each year, management considers whether the Organization has engaged in any activities that could affect the Organization's income tax status or result in taxable income. Management believes that any positions the Organization has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly, there are no potential liabilities to be recorded or disclosed in the financial statements.

***Recently Issued Accounting Standards***

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Organization is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2020-07 will have on its results of operations, financial position and cash flows.



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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Subsequent Events***

The Organization has evaluated subsequent events through November 22, 2021, the date the financial statements were available to be issued (refer to Note 10).

**3. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces most existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. ASU 2014-09 and its amendments were included primarily in ASC 606. The Organization has adjusted the presentation of its financial statements accordingly. The Organization has adjusted the presentation of its financial statements accordingly (refer to Note 2, Revenue Recognition).

The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements used. The Organization adopted ASC 606 effective July 1, 2020 using the modified retrospective method applied to all contracts that were not completed at the date of initial application. The adoption of ASC 606 did not have a material effect on the Organization's financial position or results of operations and there was no cumulative effect adjustment to the opening balance of retained earnings as of July 1, 2020 as a result of ASC 606 implementation.

**4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available to meet general expenditures within one year of the financial statement position date due to contractual restrictions. Amounts not available may also include net assets with donor restrictions, as well as funds that are perpetual in nature.

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

Financial assets at year-end		
Cash and cash equivalents	\$	5,081,721
Due from City and County of San Francisco		253,354
Contributions and grants receivable		65,479
Promises to give - net		14,930,191
Investments		<u>4,985,784</u>
Total financial assets at year-end		25,316,529
Net assets with donor restrictions -		
Purpose and time restrictions		(2,363,112)
Perpetual in nature		(19,822,208)
Due to City and County of San Francisco		<u>(613,908)</u>
Financial assets available for general expenditures over the next 12 months	\$	<u><u>2,517,301</u></u>

**5. PROMISES TO GIVE - NET**

Promises to give include annual pledges and pledges restricted by the donors for various purposes. At June 30, 2021, promises to give are restricted for the following purposes:

	<u>Due within 1 year</u>	<u>Due within 2 to 5 years</u>	<u>Total</u>
Current:			
New Nursery	\$ 29,500	\$ -	\$ 29,500
Celebration Garden	20,000	-	20,000
Garden Feast	3,750	-	3,750
Subtotal - current	<u>53,250</u>	<u>-</u>	<u>53,250</u>
Noncurrent:			
Endowment	5,097,233	10,000,000	15,097,233
Less: discounts	-	(220,292)	(220,292)
Subtotal - noncurrent	<u>5,097,233</u>	<u>9,779,708</u>	<u>14,876,941</u>
	<u>\$ 5,150,483</u>	<u>\$ 9,779,708</u>	<u>\$ 14,930,191</u>

Discount rate for promises to give due within 2 to 5 years is 1.12%. Promises to give related to endowment are classified as non-current in the statement of financial position as they are not available for current obligations.

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2021 follows:

Furniture and equipment	\$	609,551
Leasehold improvements		85,841
Software		34,750
		730,142
Less: accumulated depreciation and amortization		(640,642)
Total depreciable assets		89,500
Library books and related collection materials		666,805
Work-in-progress		1,219,360
	\$	1,975,665

Depreciation and amortization expense amounted to \$43,706 for the year ended June 30, 2021.

**7. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments that are measured at fair value on a recurring basis at June 30, 2021 are as follows:

	Total	Level 1	Level 2
Marketable securities:			
Money market fund	\$ 341,180	\$ 341,180	\$ -
Common stocks	1,003,007	1,003,007	-
Bonds			
Corporate bonds	711,022	-	711,022
Municipal bonds	85,656	-	85,656
Mutual Funds			
Emerging markets	435,357	435,357	-
Bonds	303,920	303,920	-
Equities	301,837	301,837	-
Exchange Traded Products			
Mid-cap	234,109	234,109	-
Miscellaneous sector	11,613	11,613	-
	3,427,701	\$ 2,631,023	\$ 796,678
Alternative investments measured at NAV (Practical Expedient)			
Private equity funds	1,558,083		
	\$ 4,985,784		

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)**

At June 30, 2021, substantially all marketable securities are held with one investment institution.

The following table summarizes the investments that have calculated net asset values per unit along with the related unfunded commitments and redemption features:

	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (a)	\$ 1,558,083	\$ -	Quarterly	90 days

(a) A non-regulated special limited partnership formed under the laws of Delaware and principally invests in pooled investment vehicles both domestically and internationally across all sectors of the private equity market.

The composition of investment return during the year ended June 30, 2021 follows:

Net realized and unrealized losses	\$ 80,701
Interest and dividends	<u>1,947</u>
	<u>\$ 82,648</u>

**8. PAYCHECK PROTECTION PROGRAM LOAN**

On April 24, 2020, the Organization received loan proceeds in the amount of \$462,500 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during January of 2021. Legal release was received during March of 2021, therefore, the Organization recorded forgiveness income of \$462,500 within its statement of activities for the year ended June 30, 2021.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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**8. PAYCHECK PROTECTION PROGRAM LOAN** (continued)

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

On February 17, 2021, the Organization received a second draw of PPP (PPP2) in the amount of \$401,100. The PPP2 loan is scheduled to mature in February 2026, five years from the original loan date, and has a 1.00% per annum interest rate, and is subject to the terms and conditions applicable to loans administered by the SBA under the CARES Act.

When legal release is received, the Organization will record the amount forgiven as forgiveness income within its statement of activities. If any portion of the Organization's PPP2 loan is not forgiven, the Organization will be required to repay that portion, plus interest, over five years in equal installments with the repayment term beginning either from the time that the SBA remits the amount forgiven to the Organization's lender or ten months after the end of the borrower's loan forgiveness covered period.

Future maturities of the loan are as follows:

<u>Year ending June 30,</u>	
2022	\$ 8,751
2023	105,582
2024	106,643
2025	107,714
2026	<u>72,410</u>
	<u>\$ 401,100</u>

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2021, consist of:

	Balance at June 30, 2020	Additions	Releases	Balance at June 30, 2021
Capital Campaign				
New Nursery	\$ 1,195,130	\$ 1,039,206	\$ (98,853)	\$ 2,135,483
Gardens	111,145	16,950	(96,847)	31,248
Plant Collections	93,646	108,049	(140,512)	61,183
Library	10,456	2,850	(12,680)	626
Youth Education	60,000	44,900	(104,900)	-
Flower Piano	-	43,500	-	43,500
Docent Council	7,157	-	(850)	6,307
Other	6,030	100,250	(32,952)	73,328
Endowment unappropriated earnings	11,437	82,339	(82,339)	11,437
	1,495,001	1,438,044	(569,933)	2,363,112
Perpetual in nature	42,500	19,779,708	-	19,822,208
	<u>\$ 1,537,501</u>	<u>\$ 21,217,752</u>	<u>\$ (569,933)</u>	<u>\$ 22,185,320</u>

At June 30, 2021, net assets held in perpetuity consist of the following:

Maxwell-Hanrahan Endowment	\$ 19,779,708
Cookson Endowment	20,000
Barnard Endowment	10,000
Boesch and Hudson Endowment	5,000
Kennedy Endowment	5,000
McDonald Endowment	2,500
	<u>\$ 19,822,208</u>

**10. ENDOWMENTS**

The Organization's endowments consist of the Maxwell-Hanrahan endowment fund and five individual funds established for the Helen Crocker Russell Library donor-restricted endowment fund.

The Organization is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Organization has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. ENDOWMENTS** (continued)

Under this interpretation, the Organization classifies as funds held in perpetuity (a) the original fair value of gifts donated to the endowment, (b) the original fair value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. Amounts not held in perpetuity are subject to appropriation for expenditure of the Organization in a manner consistent with the standards of prudence prescribed by the UPMIFA. In accordance with the UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment funds.
2. The purposes of the Organization and the endowment funds.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policy of the Organization.
8. The limitation under California state law of appropriations to seven percent of the fair value of the endowment funds.

Endowment net asset composition by type of fund at June 30, 2021 follows:

	Endowment Unappropriated Earnings	Perpetual in Nature	Total
Endowment net assets - June 30, 2020	\$ 11,437	\$ 42,500	\$ 53,937
Additions	-	19,779,708	19,779,708
Spending	(82,339)	-	(82,339)
Investment return	82,339	-	82,339
Endowment net assets - June 30, 2021	<u>\$ 11,437</u>	<u>\$ 19,822,208</u>	<u>\$ 19,833,645</u>

The Organization has adopted investment and spending policies for endowment assets to preserve without undertaking undue risk, the real purchasing power, of its assets in perpetuity, while providing a relatively predictable stream of distributions in line with the Organization's spending needs and goals.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**10. ENDOWMENTS** (continued)

The objective of the endowments is to preserve without undertaking undue risk, the real (inflation-adjusted) purchasing power, as defined by the Consumer Price Index, of its assets in perpetuity, while providing a relatively predictable stream of distributions in line with the Organization's spending needs and goals. The endowments should maintain sufficient liquidity to meet obligations arising from planned activities. The liquidity of the endowments at the total portfolio level will be monitored.

The Organization targets a diversified asset allocation that may include allocations to investments with limited liquidity such as private equity funds.

The objective of the Organization's spending policy is to provide a consistent source of funding to meet the needs of the Organization and to deliver year-to-year budget stability, balancing short term needs with goals of preserving purchasing power and increasing the value of the endowment for future use. The annual spending will be determined by the Board as part of the annual budget review process with suggested rates between 2 to 5%.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as funds of perpetual duration also known as underwater funds. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At June 30, 2021, the Organization did not have any underwater funds.

In September 2021, the Department of Justice approved the Organization's request to direct five individual funds established for the Helen Crocker Russell Library donor-restricted endowment fund totaling \$42,500 for purchasing books and periodicals to meet the Library's need for current reference materials.



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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**11. COMMITMENTS**

The Organization has various agreements as follows:

***Lease and Management Agreements***

City and County of San Francisco

The Lease and Management Agreement between the City and County of San Francisco and the Organization, for lease of premises and cooperative operation and management of the Garden, was executed in December 2013. The agreement is for a ten-year term, with two ten-year options to extend at the Organization's election, and establishes the operating framework for the Garden for the next thirty years. It also provides for allocation of nonresident admissions revenue to reimburse the Organization for its authorized collection expenses, the payment of \$250,000 per year (subject to CPI increases every five years) to the San Francisco Recreation and Park Department to fund three horticulturist positions, the payment of \$250,000 per year (subject to CPI increases every five years) (currently \$287,753) to the Organization for education and community outreach expenditures, and then, if revenues are sufficient, to fund the Botanical Garden Improvement Fund dedicated solely to renovation, maintenance and improvement of the Garden. Per the agreement, the City and County of San Francisco provides the Organization with offices in the County Fair Building and Library Building, and operating facilities elsewhere in the Garden at an annual base rent of \$100.

On July 14, 2020, the City and County of San Francisco and its Recreation and Parks Department entered into a supplement agreement for the Lease and Management Agreement to extend the management of admissions at the Japanese Tea Garden to the Organization, effective August 1, 2020 through June 30, 2021, subject to renewal. In June 2021, the supplemental agreement was extended to June 30, 2022.

Office Lease

In December 2015, the Organization entered into a ten year lease for a finance and development office, expiring on November 30, 2025. The initial monthly rent is \$5,858 increasing to \$7,644 by the end of the lease term.

For the year ended June 30, 2021, rent expense totaled \$80,607, including in-kind rent expense of \$1,700.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
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**11. COMMITMENTS** (continued)

Office Lease (continued)

Future minimum payments due under these agreements consist of the following:

<u>Year ending June 30,</u>		
2022	\$	82,923
2023		85,411
2024		87,973
2025		90,612
2026		38,219
		<u>385,138</u>
	\$	<u>385,138</u>

Other

In March 2021, the Organization entered into a contract with a general contractor for the project management and coordination for the construction of the Organization's New Nursery. Total contract price and obligation as of June 30, 2021 is approximately \$3.0 million.

In April 2021, the Organization entered into a contract with a certain vendor for the structural drawings of and necessary systems for the Organization's greenhouse structure. Total contract fees amounted to \$399,200. As of June 30, 2021, remaining contractual obligation amounted to \$289,440.

In March 2020, the Organization entered into a contract with a certain vendor for the architectural design for the Organization's New Nursery. Total contract fees amounted to \$684,100. As of June 30, 2021, remaining contractual obligation amounted to \$151,267.

**12. 403(B) RETIREMENT PLAN**

The Organization sponsors an employee retirement benefit plan under section 403(b) of the Internal Revenue Code. Employees must complete a 6 month period of service to participate in the plan. The plan allows employees to defer a portion of their salary for income tax and retirement purposes. The Organization has the option of making additional contributions to the plan. There are no contributions made during the year ended June 30, 2021.

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**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

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**13. RISK AND UNCERTAINTIES**

***Contributions and Grants Receivable***

At June 30, 2021, one donor accounted for nearly 99.9% of promises to give. One donor accounted for approximately 90% of total contributions revenue for the year ended June 30, 2021.

***Uncertainties***

With respect on the ongoing and evolving coronavirus (COVID-19) outbreak, which was designated as a pandemic by the World Health Organization on March 11, 2020, the outbreak has caused a substantial disruption in international and U.S. economies and market. The Organization cancelled a number of the Garden's signature events and programs, and reduced operating expenses accordingly in prior year. In June 2020, the Garden reopened to the public and the Organization was able to reestablish some of its previously cancelled programming. In addition, the Organization obtained a PPP loan in the amount of \$462,500 which was forgiven during the fiscal year ended June 30, 2021. In addition, the Organization applied for a second PPP loan in the amount of \$401,100 (refer to Note 8).

The future impact of COVID-19 uncertainties could generate, in future reporting periods, material adjustments to the following: contributions receivables, promises to give and impairment of investments. The Organization's results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy. The ultimate impact on the Organization cannot be determined as of the date of this report and, as such, no adjustments related to this matter were made to the financial statements. Management will continue to monitor the development and the effect of COVID-19 on the Organization's results of operations and financial condition and adjust plans as necessary.