

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

Financial Statements

June 30, 2020

INDEX TO FINANCIAL STATEMENTS

| | |
|--|---|
| Independent Auditor's Report | 1 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |



INDEPENDENT AUDITOR'S 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 "Society"), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's 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 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 San Francisco Botanical Garden Society at Strybing Arboretum as of June 30, 2020, 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 Society's financial statements as of and for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
November 18, 2020

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Summarized Comparative Totals for June 30, 2019)

| | 2020 | 2019 |
|---|--------------|--------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,922,926 | \$ 4,464,913 |
| Accounts receivable | 97,029 | 96,808 |
| Contributions and grants receivable | 127,474 | 16,115 |
| Promises to give - net | 121,100 | 98,070 |
| Inventory | 22,493 | 13,643 |
| Prepaid expenses | 52,125 | 201,783 |
| Total current assets | 4,343,147 | 4,891,332 |
| Property and Equipment - net | 786,153 | 780,556 |
| Other Assets | | |
| Deposits | 7,644 | 7,644 |
| Promises to give - long term - net | 24,690 | 105,237 |
| Total assets | \$ 5,161,634 | \$ 5,784,769 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 119,038 | \$ 257,812 |
| Accrued liabilities | 192,280 | 261,118 |
| Deferred revenue | 102,258 | 65,160 |
| Due to City and County of San Francisco | 66,425 | 127,427 |
| Total current liabilities | 480,001 | 711,517 |
| Noncurrent Liabilities | | |
| Loan payable | 462,500 | - |
| Total liabilities | 942,501 | 711,517 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 2,681,632 | 1,220,935 |
| Board designated | - | 1,907,739 |
| Total net assets without donor restrictions | 2,681,632 | 3,128,674 |
| With donor restrictions | | |
| Purpose and time restrictions | 1,495,001 | 1,902,078 |
| Perpetual in nature | 42,500 | 42,500 |
| Total net assets with donor restrictions | 1,537,501 | 1,944,578 |
| Total net assets | 4,219,133 | 5,073,252 |
| Total liabilities and net assets | \$ 5,161,634 | \$ 5,784,769 |

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(With Summarized Comparative Totals for June 30, 2019)

| | 2020 | | | 2019 |
|--|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Grants and contributions | \$ 878,447 | \$ 929,329 | \$ 1,807,776 | \$ 1,685,694 |
| In-kind contributions | 219,111 | - | 219,111 | 278,147 |
| Bequests | 436,232 | - | 436,232 | 64,866 |
| Non-resident admissions - allocated to San Francisco Botanical Garden Society | 691,388 | - | 691,388 | 742,200 |
| Nursery and store sales - net of cost of sales of \$104,621 in 2020 and \$119,573 in 2019 | 225,053 | - | 225,053 | 371,763 |
| Annual fundraising luncheon - net of direct expenses of \$0 in 2020 and \$124,020 in 2019 | - | - | - | 314,568 |
| Flower Piano at Night ticket sales | 295,736 | - | 295,736 | 306,117 |
| Memberships | 289,543 | - | 289,543 | 247,816 |
| Public programming | 127,041 | - | 127,041 | 88,610 |
| Private rentals | 1,493 | - | 1,493 | - |
| Realized and unrealized (loss) gain from investments | (5,008) | - | (5,008) | 14,084 |
| Interest and dividends | 432 | - | 432 | 19,333 |
| Other income | 130,417 | - | 130,417 | 53,061 |
| Net assets released from program restrictions | 1,336,406 | (1,336,406) | - | - |
| Total revenue and support | 4,626,291 | (407,077) | 4,219,214 | 4,186,259 |
| EXPENSES | | | | |
| Programs and activities | 4,076,515 | - | 4,076,515 | 4,474,530 |
| Fundraising and development | 585,673 | - | 585,673 | 596,834 |
| Management and general | 411,145 | - | 411,145 | 464,370 |
| Total expenses | 5,073,333 | - | 5,073,333 | 5,535,734 |
| CHANGE IN NET ASSETS | (447,042) | (407,077) | (854,119) | (1,349,475) |
| NET ASSETS - beginning of the year | 3,128,674 | 1,944,578 | 5,073,252 | 6,422,727 |
| Net assets - end of year | \$ 2,681,632 | \$ 1,537,501 | \$ 4,219,133 | \$ 5,073,252 |

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
With Summarized Comparative Totals for June 30, 2019

| | 2020 | | | | 2019 |
|---|----------------------------|--------------------------------|---------------------------|---------------------|---------------------|
| | Programs and Activities | Fundraising and Development | Management and General | Total | Total |
| Salaries | \$ 1,521,591 | \$ 341,999 | \$ 243,722 | \$ 2,107,312 | \$ 2,251,961 |
| Employee benefits | 123,426 | 26,179 | 19,009 | 168,614 | 199,235 |
| Payroll taxes | 117,888 | 11,857 | 16,938 | 146,683 | 181,677 |
| Garden projects and maintenance | 826,654 | - | - | 826,654 | 1,097,852 |
| Outside services | 486,548 | 51,226 | 31,375 | 569,149 | 544,245 |
| In-kind gifts - media | 198,206 | - | - | 198,206 | 217,667 |
| In-kind gifts - rent | 6,629 | - | 1,772 | 8,401 | - |
| In-kind gifts - fundraising | - | - | - | - | 43,527 |
| In-kind gifts - other | 11,847 | 657 | - | 12,504 | 16,953 |
| Program supplies and other purchases | 164,669 | 50,788 | 121 | 215,578 | 253,272 |
| Information technology and systems maintenance | 121,794 | 65,938 | 14,116 | 201,848 | 171,292 |
| Promotions and publications | 176,940 | - | 160 | 177,100 | 138,677 |
| Occupancy and security | 105,027 | 5,511 | 10,717 | 121,255 | 125,309 |
| Cost of sales | 104,621 | - | - | 104,621 | 119,573 |
| Office expense | 52,542 | 3,238 | 6,050 | 61,830 | 72,447 |
| Bad debts | 44,350 | - | - | 44,350 | 900 |
| Depreciation | - | - | 38,329 | 38,329 | 34,504 |
| Telephone | 24,275 | 1,075 | 1,994 | 27,344 | 27,915 |
| Recruitment and staff development | 3,846 | 1,021 | 16,777 | 21,644 | 8,843 |
| Insurance | 19,549 | 946 | 4,600 | 25,095 | 21,431 |
| Dues and subscriptions | 5,261 | 5,242 | 586 | 11,089 | 17,414 |
| Postage | 6,562 | 4,208 | 223 | 10,993 | 14,190 |
| Travel | 3,248 | 1,167 | 166 | 4,581 | 11,204 |
| Conferences and meetings | 2,197 | 772 | 190 | 3,159 | 7,437 |
| Cost of special events | - | - | - | - | 124,020 |
| Other | 53,466 | 13,849 | 4,300 | 71,615 | 77,782 |
| Total expenses by function | 4,181,136 | 585,673 | 411,145 | 5,177,954 | 5,779,327 |
| Less expenses with revenues on the statement of activities | | | | | |
| Cost of sales | (104,621) | - | - | (104,621) | (119,573) |
| Cost of special events | - | - | - | - | (124,020) |
| Total expenses | \$ 4,076,515 | \$ 585,673 | \$ 411,145 | \$ 5,073,333 | \$ 5,535,734 |

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**STATEMENT OF CASH FLOWS****For the Year Ended June 30, 2020****(With Comparative Totals for June 30, 2019)**

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (854,119) | \$ (1,349,475) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 38,329 | 34,504 |
| Net realized and unrealized gain from investments | - | (14,084) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (221) | (26,913) |
| Contributions and grants receivable | (111,359) | (12,625) |
| Promises to give - net | 57,517 | 516,760 |
| Inventory | (8,850) | 99 |
| Prepaid expenses | 149,658 | (67,534) |
| Accounts payable | (138,774) | 118,319 |
| Accrued liabilities | (68,838) | 23,271 |
| Deferred revenue | 37,098 | 8,825 |
| Due to City and County of San Francisco | (61,002) | 8,640 |
| Net cash used in operating activities | <u>(960,561)</u> | <u>(760,213)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | - | (19,333) |
| Proceeds from sale of investments | - | 4,151,518 |
| Purchases of property and equipment | (43,926) | (41,256) |
| Net cash (used in) provided by investing activities | <u>(43,926)</u> | <u>4,090,929</u> |
| CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | | |
| Proceeds from loan payable | 462,500 | - |
| Net cash provided by financing activities | <u>462,500</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (541,987) | 3,330,716 |
| CASH AND CASH EQUIVALENTS - beginning of year | <u>4,464,913</u> | <u>1,134,197</u> |
| CASH AND CASH EQUIVALENTS - end of year | <u>\$ 3,922,926</u> | <u>\$ 4,464,913</u> |

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. NATURE OF ORGANIZATION

San Francisco Botanical Garden Society at Strybing Arboretum (the "Society") is a California non-profit corporation organized in 1955 as the support organization for San Francisco Botanical Garden at Strybing Arboretum (the "Garden"). The 55-acre Garden is located in Golden Gate Park in San Francisco, California and is operated and managed by the Society in collaboration with the City and County of San Francisco and its Recreation and Parks Department. The Society's mission is to build communities of support for the Garden and expand people's understanding and appreciation of plants. The Society is a member-supported organization. It reaches more than 13,000 children a year 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 services and volunteer programs, and operates the Garden Bookstore. The Society also funds and helps to supervise Garden improvements, provides curatorial and plant collection management services, and propagates plants for the Garden and for sale to the public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Society 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 Society 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. The Board of Directors has designated a portion of these net assets for the library and long-term maintenance of the Garden.

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.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Society 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 Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Cash and Cash Equivalents

The Society has defined cash and cash equivalents as petty cash, cash in banks, and cash held in money market accounts.

Accounts Receivable

Accounts receivable 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, 2020, the Society determined that the accounts were fully collectible.

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 Society 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.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Grants and Contributions

The Society 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 Society records promises to give, if expected to be collected beyond one year, at their discounted net present value, at June 30, 2020. 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.

Memberships

Membership with the Society is based on level of donation and membership gifts are recognized when received as contributions without donor restrictions.

Deferred Revenue

Deferred revenue consists of ticket sales for events occurring subsequent to year-end.

In-Kind Contributions

A substantial number of unpaid volunteers have made significant contributions of time to various departments and programs of the Society. During the years ended June 30, 2020, the Society 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 accounting principles generally accepted in the United States.

Breakdown of in-kind contributions for the year ended June 30, 2020 are as follows:

| | | |
|-------|----|-----------------------|
| Media | \$ | 198,206 |
| Rent | | 8,401 |
| Other | | <u>12,504</u> |
| | \$ | <u><u>219,111</u></u> |

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Nonresident Admissions

Effective August 2010, the City and County of San Francisco began to charge an admission fee to non-San Francisco residents. The Society collects and remits the admissions to the City and County of San Francisco Recreation and Park Commission. During the year ended June 30, 2020, the Society collected \$978,965 in non-resident admission fees. Under its Lease and Management Agreement with the City (see Note 11), a portion of the admissions revenue is allocated to the Society to reimburse its authorized collection expenses and to fund up to \$287,573 per year (subject to CPI increases every five years) for education and community outreach. Revenue allocated to the Society totaled \$691,388 for the year ended June 30, 2020. At June 30, 2020, non-resident admissions fees collected by the Society and due to the City and County of San Francisco amounted to \$66,425.

Functional Allocation of Expenses

The costs of providing the Society'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 Society treats certain indirect costs associated with the promotion of its programming as program-related in its presentation of the functional allocation of expenses. The Society'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 Society in fulfilling its mission. As a result, the marketing and outreach expenses of the Society in promotion of the Garden's programs constitute a program expense in the statement of functional expenses.

Income Taxes

The Society 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 Society has engaged in any activities that could affect the Society's income tax status or result in taxable income. Management believes that any positions the Society 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.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”). The new standard is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are transferred to customers. The new standard will be effective for the Society for the year ending June 30, 2021.

The FASB issued ASU No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”) for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Society for the year ending June 30, 2023, and early adoption is permitted.

The FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) – *Effective Dates for Certain Entities* (“ASU 2020-05”) to defer the effective dates of the ASU 2014-09 and ASU 2016-02 to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective. The deferral of the effective dates of ASU 2014-09 and ASU 2016-02 is reflected in the above paragraphs.

3. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional.

Following the adoption of ASU 2018-08, under the modified prospective method effective July 1, 2019, the Society recognized an additional \$30,000 of grants and contributions in its statement of activities for the year ended June 30, 2020. Likewise, contributions and grants receivable amounting to \$30,000 were recognized in the statement of financial position as of June 30, 2020.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

San Francisco Botanical Garden Society strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Society's financial assets as of June 30, 2020, reduced by amounts not available to meet general expenditures within one year of the financial statement position date due to contractual restrictions or internal board designations. Amounts not available may include certain board-designated special project funds intended for board initiatives not considered in the annual operating budget. In the event the need arises to utilize these funds for liquidity purposes, the reserves could be drawn through board resolution. Amounts not available may also include net assets with donor restrictions, as well as funds that are perpetual in nature, reflecting several small endowments.

| | |
|---|----------------------------|
| Financial assets at year-end | |
| Cash and cash equivalents | \$ 3,922,926 |
| Accounts receivable | 97,029 |
| Contributions and grants receivable | 127,474 |
| Promises to give - net | 145,790 |
| Total financial assets at year-end | <u>4,293,219</u> |
| Net assets with donor restrictions - | |
| Purpose and time restrictions | (1,495,001) |
| Perpetual in nature | (42,500) |
| Due to City and County of San Francisco | <u>(66,425)</u> |
| Financial assets available for general expenses over the next 12 months | <u><u>\$ 2,689,293</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, 2020, 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> |
|-------------------|--------------------------|------------------------------------|--------------------------|
| New Nursery | \$ 96,100 | \$ 6,000 | \$ 102,100 |
| Exhibition Garden | 20,000 | 20,000 | 40,000 |
| General Operating | 5,000 | - | 5,000 |
| | <u>121,100</u> | <u>26,000</u> | <u>147,100</u> |
| Less: discounts | - | (1,310) | (1,310) |
| | <u><u>\$ 121,100</u></u> | <u><u>\$ 24,690</u></u> | <u><u>\$ 145,790</u></u> |

Discount rates for promises to give due within 2 to 5 years ranged from 2.60% to 2.68%.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 follows:

| | | |
|--|----|-----------------------|
| Furniture and equipment | \$ | 601,859 |
| Leasehold improvements | | 85,841 |
| Software | | 34,750 |
| | | <u>722,450</u> |
| Less: accumulated depreciation | | <u>(599,386)</u> |
| Total depreciable assets | | 123,064 |
| Library books and related collection materials | | 663,089 |
| | \$ | <u><u>786,153</u></u> |

Depreciation expense amounted to \$38,329 for the year ended June 30, 2020.

7. LOAN PAYABLE

In April 24, 2020, the Society applied and was approved for a Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Acts (CARES Act) in the amount of \$462,500. The PPP loan is scheduled to mature in April 2022, two 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, as amended by the PPP Flexibility Act. Monthly principal and interest payments, less the amount of any potential forgiveness (as discussed below), is anticipated to commence in August 2021. The Society did not provide any collateral or guarantees for the PPP loan, nor did the Society pay any facility charge to obtain the PPP loan.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act, proceeds may only be used for certain eligible costs. The loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs, rent, mortgage interest and utilities and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not so maintained or restored, forgiveness of the loan will be reduced in accordance with the regulations to be issued by the SBA. Any forgiveness of the loan will be subject to approval by the SBA and will require the Society to apply for such treatment in the future.

While the Society may apply for forgiveness of the PPP loan in accordance with the requirements and limitations under the CARES Act, as amended by the PPP Flexibility Act, and the SBA regulations and requirements, no assurance can be given that any portion of the PPP loan will be forgiven.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

7. LOANS PAYABLE (continued)

The future maturities of the loans payable are as follows:

| Year ending June 30, | Principal |
|----------------------|------------|
| 2022 | \$ 462,550 |

8. NET ASSETS WITH DONOR RESTRICTIONS

Purpose and Time Restricted

Net assets with purpose and time restrictions at June 30, 2020, consist of:

| | Balance at June 30, 2019 | Additions | Releases | Reclassifications | Balance at June 30, 2020 |
|---|-----------------------------|------------|----------------|-------------------|-----------------------------|
| Capital Campaign | | | | | |
| Nursery: Center for Sustainable Gardening | \$ 528,316 | \$ - | \$ (92,000) | \$ (436,316) | \$ - |
| Undesignated | 816 | - | - | (816) | - |
| New Nursery | 1,022,605 | 437,454 | (702,061) | 437,132 | 1,195,130 |
| Celebration Garden | - | 175,000 | (175,000) | - | - |
| Subtotal Capital Campaign | 1,551,737 | 612,454 | (969,061) | - | 1,195,130 |
| Flower Piano | 148,260 | 6,150 | (154,410) | - | - |
| Gardens | 135,215 | 13,010 | (37,080) | - | 111,145 |
| Plant Collections | 22,042 | 138,804 | (67,200) | - | 93,646 |
| Library | 12,316 | 3,100 | (4,960) | - | 10,456 |
| Youth Education | 9,466 | 149,190 | (98,656) | - | 60,000 |
| Docent Council | 9,325 | 105 | (2,273) | - | 7,157 |
| Other | 2,280 | 6,516 | (2,766) | - | 6,030 |
| Endowment unappropriated earnings | 11,437 | - | - | - | 11,437 |
| | \$ 1,902,078 | \$ 929,329 | \$ (1,336,406) | \$ - | \$ 1,495,001 |

During the year ended June 30, 2020, the Society received authorization from certain donors whose original contributions were restricted to the Center for Sustainable Gardening to reclassify those restrictions to the New Nursery or the Exhibition Garden. Accordingly, the above table reflects the authorized reclassifications.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Perpetual in Nature

At June 30, 2020, net assets held in perpetuity consist of the following:

| | | |
|-----------------------------|----|---------------|
| Cookson Endowment | \$ | 20,000 |
| Barnard Endowment | | 10,000 |
| Boesch and Hudson Endowment | | 5,000 |
| Kennedy Endowment | | 5,000 |
| McDonald Endowment | | 2,500 |
| | | <hr/> |
| | \$ | <u>42,500</u> |

9. ENDOWMENTS

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

The Society is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Society 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.

Under this interpretation, the Society 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 Society in a manner consistent with the standards of prudence prescribed by the UPMIFA. In accordance with the UPMIFA, the Society 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 Society 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 Society.
7. The investment policy of the Society.
8. The limitation under California state law of appropriations to seven percent of the fair value of the endowment funds.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

9. ENDOWMENTS (continued)

Endowment net asset composition by type of fund at June 30, 2020 follows:

| | Endowment Unappropriated Earnings | Perpetual in Nature | Total |
|---------------|---|------------------------|-----------|
| June 30, 2020 | \$ 11,437 | \$ 42,500 | \$ 53,937 |

The Society has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of earnings to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets.

The main investment objectives of the Society are to preserve capital, have an adequately balanced portfolio and distribute income. To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which endowment assets achieve investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation including cash and cash equivalents maturing in less than one year, fixed income investments and equities. During the year ended June 30, 2019, the Society liquidated its investments in anticipation of re-evaluating an appropriate portfolio for the size and purpose of these endowments. As of June 30, 2020, the funds are held in cash and cash equivalents.

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 Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. At June 30, 2020, the Society did not have any underwater funds.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

10. COMMITMENTS

The Society has various agreements as follows:

Lease Agreements

The Lease and Management Agreement between the City and County of San Francisco and the Society, 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 Society'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 Society 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 Society 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 Society with offices in the County Fair Building and Library Building, and operating facilities elsewhere in the Garden at an annual base rent of \$100.

In December 2015, the Society 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, 2020, rent expense totaled \$80,074, including in-kind rent expense of \$8,401.

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

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2021 | \$ 80,508 |
| 2022 | 82,923 |
| 2023 | 85,411 |
| 2024 | 87,973 |
| Thereafter | 128,831 |
| | <u>\$ 465,646</u> |

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

11. 403(B) RETIREMENT PLAN

The Society 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 Society has the option of making additional contributions to the plan. The Society made \$3,458 in contributions to the plan in the year ended June 30, 2020.

12. RISK AND UNCERTAINTIES

Contributions and Grants Receivable

At June 30, 2020, two donors accounted for 88% of contributions and grants receivable.

Uncertainties

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, in March 2020, the California State Governor ordered the closure of the physical location of every business, except those identified in the "critical infrastructure sectors", for a limited period of time. With the onset of COVID-19 and the prohibition on public gatherings in San Francisco beginning March 2020, the Garden was closed. The Society cancelled a number of the Garden's signature events and programs, and reduced operating expenses accordingly. In addition, the Society obtained a PPP loan in the amount of \$462,500 (refer to Note 7). In June 2020, the Garden reopened to the public and the Society was able to reestablish some of its previously cancelled programming. The duration and economic impact of the outbreak is uncertain. The Society will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the financial statements.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

13. SUBSEQUENT EVENTS

On July 14, 2020, the Society entered into a Lease and Management Agreement with the Rec and Park of the City of San Francisco to extend management of admissions at the Japanese Tea Garden to the Society, effective August 1, 2020 through June 30, 2021, subject to renewal.

In August 2020, the Society entered into a gift agreement with a donor to receive money or property valued at \$20.0 million for the purpose of forming an endowment. The payments are to be made in approximately four payments with the first payment on or before December 31, 2020 and the full amount of the gift paid out no later than December 31, 2023.

The Society has evaluated subsequent events through November 18, 2020, the date the financial statements were available to be issued.