



Certified Public Accountants  
and Financial Advisors

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

Financial Statements

June 30, 2019

## 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, 2019, 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, 2019, 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, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **SQUAR MILNER LLP**

San Francisco, California  
November 25, 2019

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

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

**(With Comparative Totals for June 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,464,913	\$ 1,134,197
Investment in marketable securities	-	4,075,601
Accounts receivable	96,808	69,895
Contributions and grants receivable	16,115	3,490
Promises to give - net	98,070	587,075
Inventory	13,643	13,742
Prepaid expenses	201,783	134,249
Total current assets	<u>4,891,332</u>	<u>6,018,249</u>
<b>Property and Equipment - net</b>	780,556	773,804
<b>Other Assets</b>		
Deposits	7,644	7,644
Promises to give - long term	105,237	132,992
Investments held in perpetuity	-	42,500
Total assets	<u>\$ 5,784,769</u>	<u>\$ 6,975,189</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 257,812	\$ 139,493
Accrued liabilities	261,118	237,847
Deferred revenue	65,160	56,335
Due to City and County of San Francisco	127,427	118,787
Total liabilities	<u>711,517</u>	<u>552,462</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	1,220,935	2,239,990
Board designated	1,907,739	1,907,739
Total net assets without donor restrictions	<u>3,128,674</u>	<u>4,147,729</u>
With donor restrictions		
Purpose and time restrictions	1,902,078	2,232,498
Perpetual in nature	42,500	42,500
Total net assets with donor restrictions	<u>1,944,578</u>	<u>2,274,998</u>
Total net assets	<u>5,073,252</u>	<u>6,422,727</u>
Total liabilities and net assets	<u>\$ 5,784,769</u>	<u>\$ 6,975,189</u>

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

	<b>2019</b>			<b>2018</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Grants and contributions	\$ 803,924	\$ 881,770	\$ 1,685,694	\$ 1,070,499
In-kind contributions	278,147	-	278,147	315,474
Bequests	64,866	-	64,866	152,756
Non-resident admissions - allocated to San Francisco Botanical Garden Society	742,200	-	742,200	642,879
Nursery and store sales - net of cost of sales of \$119,573 in 2019 and \$126,030 in 2018	371,763	-	371,763	319,446
Annual fundraising luncheon - net of direct expenses of \$124,020 in 2019 and \$112,729 in 2018	314,568	-	314,568	400,742
Flower Piano at Night ticket sales	306,117	-	306,117	116,320
Memberships	247,816	-	247,816	270,613
Public programming	88,610	-	88,610	39,861
Realized and unrealized gain (loss) from investments	14,084	-	14,084	(46,173)
Interest and dividends	18,399	934	19,333	299,059
Other income	53,061	-	53,061	32,299
Net assets released from program restrictions	1,213,124	(1,213,124)	-	-
<b>Total revenue and support</b>	<b>4,516,679</b>	<b>(330,420)</b>	<b>4,186,259</b>	<b>3,613,775</b>
<b>EXPENSES</b>				
Programs and activities	4,474,530	-	4,474,530	3,348,072
Fundraising and development	596,834	-	596,834	750,055
Management and general	464,370	-	464,370	460,994
<b>Total expenses</b>	<b>5,535,734</b>	<b>-</b>	<b>5,535,734</b>	<b>4,559,121</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,019,055)</b>	<b>(330,420)</b>	<b>(1,349,475)</b>	<b>(945,346)</b>
<b>Net assets - beginning of the year</b>	<b>4,147,729</b>	<b>2,274,998</b>	<b>6,422,727</b>	<b>7,368,073</b>
<b>Net assets - end of year</b>	<b>\$ 3,128,674</b>	<b>\$ 1,944,578</b>	<b>\$ 5,073,252</b>	<b>\$ 6,422,727</b>

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

	2019			2018	
	Programs and Activities	Fundraising and Development	Management and General	Total	Total
Salaries	\$ 1,576,611	\$ 372,911	\$ 302,439	\$ 2,251,961	\$ 2,079,792
Employee benefits	168,605	11,015	19,615	199,235	143,042
Payroll taxes	129,370	29,293	23,014	181,677	170,116
Garden projects and maintenance	1,097,852	-	-	1,097,852	203,675
Outside services	457,203	51,992	35,050	544,245	640,063
In-kind gifts - media	217,667	-	-	217,667	279,000
In-kind gifts - fundraising	-	43,527	-	43,527	27,009
In-kind gifts - other	16,953	-	-	16,953	9,465
Program supplies and other purchases	222,175	30,959	138	253,272	201,086
Information technology and systems maintenance	143,465	13,411	14,416	171,292	146,224
Promotions and publications	138,677	-	-	138,677	133,056
Occupancy and security	111,128	3,478	10,703	125,309	118,669
Cost of special events	-	124,020	-	124,020	112,729
Cost of sales	119,573	-	-	119,573	126,030
Office expense	62,116	3,622	6,709	72,447	71,947
Depreciation	-	-	34,504	34,504	31,718
Telephone	24,630	803	2,482	27,915	23,475
Insurance	17,059	452	3,920	21,431	20,126
Dues and subscriptions	10,139	6,500	775	17,414	14,540
Postage	5,746	7,700	744	14,190	11,288
Travel	9,780	1,259	165	11,204	5,133
Recruitment and staff development	7,779	363	701	8,843	75,059
Conferences and meetings	4,810	2,234	393	7,437	14,769
Bad debts	-	900	-	900	49,295
Consultants	-	-	-	-	16,644
Other	52,765	16,415	8,602	77,782	73,930
<b>Total expenses by function</b>	<b>4,594,103</b>	<b>720,854</b>	<b>464,370</b>	<b>5,779,327</b>	<b>4,797,880</b>
Less expenses with revenues on the statement of activities					
Cost of special events	-	(124,020)	-	(124,020)	(112,729)
Cost of sales	(119,573)	-	-	(119,573)	(126,030)
<b>Total expenses</b>	<b>\$ 4,474,530</b>	<b>\$ 596,834</b>	<b>\$ 464,370</b>	<b>\$ 5,535,734</b>	<b>\$ 4,559,121</b>

---

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM****STATEMENT OF CASH FLOWS****For the Year Ended June 30, 2019****(With Comparative Totals for June 30, 2018)**

---

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,349,475)	\$ (945,346)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	34,504	31,718
Net realized and unrealized (gain) loss from investments	(14,084)	40,722
Changes in operating assets and liabilities:		
Accounts receivable	(26,913)	(17,921)
Grants receivable	(12,625)	10,591
Promises to give - net	516,760	553,816
Inventory	99	1,583
Prepaid expenses	(67,534)	(32,390)
Deposits	-	5,858
Accounts payable	118,319	9,482
Accrued liabilities	23,271	84,977
Deferred revenue	8,825	56,335
Due to City and County of San Francisco	8,640	47,117
<b>Net cash used in operating activities</b>	<u>(760,213)</u>	<u>(153,458)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(19,333)	(302,154)
Proceeds from sale of investments	4,151,518	900,771
Purchases of property and equipment	(41,256)	(28,952)
<b>Net cash provided by investing activities</b>	<u>4,090,929</u>	<u>569,665</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,330,716	416,207
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>1,134,197</u>	<u>717,990</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 4,464,913</u>	<u>\$ 1,134,197</u>

---

# SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### 1. NATURE OF ACTIVITIES

#### *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, 2019**

---

**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 expenditures 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.

***Fair Value Measurements***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Society determines the fair values of its assets and liabilities based on a three level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- *Level 1* inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.
- *Level 2* inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3* inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

---

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

---

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

***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.

***Investments***

Investments consist of debt and equity funds and are measured at fair value 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. During the year June 30, 2019, the Society liquidated its investments.

***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, 2019, 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.

Library books and related materials are not depreciated because the library collection is considered to be inexhaustible.

---

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

---

**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, which approximates stated value at June 30, 2019. 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, 2019, 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, 2019 are as follows:

Media	\$ 217,667
Fundraising	43,527
Other	<u>16,953</u>
	<u>\$ 278,147</u>

---

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

---

**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, 2019, the Society collected \$1,239,182 in non-resident admission fees. Under its Lease and Management Agreement with the City (see Note 10), a portion of the admissions revenue is allocated to the Society to reimburse its authorized collection expenses and to fund \$287,573 per year (subject to CPI increases every five years) for education and community outreach. Revenue allocated to the Society totaled \$742,200 for the year ended June 30, 2019. At June 30, 2019, non-resident admissions fees collected by the Society and due to the City and County of San Francisco amounted to \$127,427.

***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, 2019**

---

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

***Recently Issued Accounting Standards***

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-19”). 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, 2020. The Society is currently evaluation its impact on its financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The amendments should assist 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. The new ASU does not apply to transfers of assets from governments to businesses.

ASU 2018-08 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for entities that serve as a resource recipient, and years beginning after December 15, 2019 for entities that serve as a resource provider. The Society is currently evaluating the impact of adopting the new standard on its financial statements.

Although there are several other new accounting pronouncements issued or proposed by FASB, which the Society, will adopt, as applicable, the Foundation does not believe any of these accounting pronouncements will have a material impact on its financial position or operating results.

***Subsequent Events***

Management has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, which represents the date the financial statements were available to be issued.

**3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Society has changed the presentation of its financial statements accordingly, applying the changes retrospectively to the summarized comparative period presented. The new standards change the following aspects of the Society’s financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net assets have been combined into a single net assets class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 4).

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS** (continued)

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 4,147,729	\$ —
Temporarily restricted net assets	2,232,498	—
Permanently restricted net assets	42,500	—
Net assets without donor restrictions	—	4,147,729
Net assets with donor restrictions	—	2,227,998
	<u>\$ 6,422,727</u>	<u>\$ 6,422,727</u>

**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. On December 1, 2018, financial assets in excess of daily cash requirements were removed from previously held investment accounts and are currently being held as cash in order to assist with funding operations.

The following table reflects the Society's financial assets as of June 30, 2019, 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	\$ 4,464,913
Accounts receivable	96,808
Contributions and grants receivable	16,115
Promises to give - net (current)	<u>98,070</u>
Total financial assets at year-end	4,675,906
Board designated special projects	(1,907,739)
Net assets with donor restrictions -	
Purpose and time restrictions	(1,902,078)
Perpetual in nature	(42,500)
Due to City and County of San Francisco	<u>(127,427)</u>
Financial assets available for general expenses over the next 12 months	<u><u>\$ 696,162</u></u>

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**5. PROMISES TO GIVE - NET**

Promises to give include annual pledges and pledges restricted by the donors for various purposes. At June 30, 2019, promises to give are restricted for the following purposes:

	Due within 1 year	Due within 2 to 5 years	Total
Nursery: Center for Sustainable Gardening Fund	\$ 20,370	\$ 96,800	\$ 117,170
New Nursery	51,550	20,000	71,550
Exhibition Garden	20,000	40,000	60,000
Garden Feast	6,150	-	6,150
	<u>98,070</u>	<u>156,800</u>	<u>254,870</u>
Less: allowance for uncollectible pledges	-	(47,800)	(47,800)
Less: discounts	-	(3,763)	(3,763)
	<u>\$ 98,070</u>	<u>\$ 105,237</u>	<u>\$ 203,307</u>

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

**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2019 follows:

Furniture and equipment	\$ 600,432
Leasehold improvements	85,841
Software	5,000
	<u>691,273</u>
Less: accumulated depreciation	<u>(568,902)</u>
Total depreciable assets	122,371
Library books and related collection materials	658,185
	<u>\$ 780,556</u>

Depreciation expense amounted to \$34,504 for the year ended June 30, 2019.

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**7. BOARD DESIGNATIONS OF NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Board of Directors has designated certain amounts of the net assets without donor restrictions at June 30, 2019 for the following purposes:

Library	\$ 343,182
Long-term maintenance	<u>1,564,557</u>
	<u><u>\$ 1,907,739</u></u>

The Board of Directors has the authority to re-designate unrestricted funds based on the needs of the Society.

**8. NET ASSETS WITH DONOR RESTRICTIONS**

***Purpose and Time Restricted***

Net assets with purpose and time restrictions at June 30, 2019, consist of:

	Balance at June 30, 2018	Additions	Releases	Reclassifications	Balance at June 30, 2019
Capital Campaign					
Nursery: Center for Sustainable Gardening	\$ 1,759,584	\$ -	\$ (52,468)	\$ (1,178,800)	\$ 528,316
CSG or Other Development Plans	100,000	-	-	(100,000)	-
Undesignated	816	-	-	-	816
New Nursery	-	143,805	(200,000)	1,078,800	1,022,605
Exhibition Garden	10,271	445,000	(655,271)	200,000	-
Subtotal Capital Campaign	1,870,671	588,805	(907,739)	-	1,551,737
Flower Piano	129,550	148,260	(129,550)	-	148,260
Gardens	166,389	20,200	(51,374)	-	135,215
Plant Collections	2,042	20,000	-	-	22,042
Library	16,043	3,060	(6,787)	-	12,316
Youth Education	25,000	98,315	(113,849)	-	9,466
Docent Council	10,020	2,245	(2,940)	-	9,325
Other	2,280	885	(885)	-	2,280
Endowment unappropriated earnings	10,503	934	-	-	11,437
	\$ 2,232,498	\$ 882,704	\$ (1,213,124)	\$ -	\$ 1,902,078

During the year ended June 30, 2019, 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, 2019**

---

**8. NET ASSETS WITH DONOR RESTRICTIONS** (continued)

***Perpetual in Nature***

At June 30, 2019, 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, 2019**

**9. ENDOWMENTS** (continued)

Endowment net asset composition by type of fund at June 30, 2019 follows:

	Endowment Unappropriated Earnings	Perpetual in Nature	Total
June 30, 2019	\$ 11,437	\$ 42,500	\$ 53,937

During the year ended June 30, 2019, changes in endowment funds are as follows:

	Endowment Unappropriated Earnings	Perpetual in Nature	Total
Endowment net assets - June 30, 2018	\$ 10,503	\$ 42,500	\$ 53,003
Investment return:			
Net unrealized and realized gains	934	-	934
Endowment net assets - June 30, 2019	\$ 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. Under these policies, the Society invests the endowment assets in a manner intended to provide reasonable and stable returns.

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.

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, 2019, the Society did not have any underwater funds.

---

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

---

**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, 2019, rent expense totaled \$75,886.

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

<u>Year ending June 30,</u>		
2020	\$	78,163
2021		80,508
2022		82,923
2023		85,411
2024		87,973
Thereafter		<u>128,831</u>
	\$	<u><u>543,809</u></u>

**12. 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 no contributions to the plan in the years ended June 30, 2019.