The New York Botanical Garden

Consolidated Financial Statements as of and for the Years Ended June 30, 2018 and 2017, and Independent Auditors’ Report

THE NEW YORK BOTANICAL GARDEN

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The New York Botanical Garden:

We have audited the accompanying consolidated financial statements of The New York Botanical Garden (the "Garden"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Garden's preparation and fair presentation of the consolidated 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 Garden'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Garden as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Consolidating Fund Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating fund information for 2018 and 2017 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual funds, and is not a required part of the consolidated financial statements. This supplemental consolidating fund information is the responsibility of the Garden's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated 2018 and 2017 financial statements. Such supplemental consolidating fund information has been subjected to the auditing procedures applied in our audit of the 2018 and 2017 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 2018 financial statements or to the consolidated 2018 and 2017 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such supplemental consolidating fund information is fairly stated in all material respects in relation to the consolidated 2018 and 2017 financial statements as a whole.

Deloitte & Touche LLP

February 22, 2019

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) AS OF JUNE 30, 2018

	Supplemental Consolidating Fund Information				
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	Total
ASSETS					
CASH AND CASH EQUIVALENTS	$ 12,590,221	$ 3,637	$ 1,807	$ 1,941	$ 12,597,606
ACCOUNTS RECEIVABLE AND INVESTMENT INCOME RECEIVABLE, NET	1,638,688	149,267	7,793	-	1,795,748
GRANTS AND CONTRACTS RECEIVABLE	5,000	1,902,185	-	6,812,646	8,719,831
PLEDGES RECEIVABLE NET OF ALLOWANCE	-	10,048,799	19,664,231	3,218,560	32,931,590
INVENTORIES	787,973	-	-	-	787,973
PREPAID EXPENSES AND OTHER ASSETS	574,165	782,465	-	734,812	2,091,442
INVESTMENTS	257,367	4,528,958	329,143,674	-	333,929,999
FIXED ASSETS, NET	-	-	-	214,029,980	214,029,980
DUE (TO) FROM OTHER FUNDS	(6,127,275)	7,146,644	4,030,514	(5,049,883)	-
TOTAL ASSETS	$ 9,726,139	$ 24,561,955	$ 352,848,019	$ 219,748,056	$ 606,884,169
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable	$ 3,410,563	$ 41,929	$ -	$ 902,212	$ 4,354,704
Accrued expenses and other liabilities	2,162,512	1,611,718	-	7,731	3,781,961
Loans payable	-	-	-	4,896,646	4,896,646
Capital leases	-	-	-	2,149,958	2,149,958
Deferred income and refundable advances	348,126	162,789	-	400,000	910,915
Accrued vacation liability	2,351,891	467,007	-	-	2,818,898
Conditional asset retirement obligation	-	-	-	2,732,420	2,732,420
Interest rate swap valuation liability	-	-	-	7,640,814	7,640,814
Long-term debt	-	-	-	56,655,000	56,655,000
Total liabilities	8,273,092	2,283,443	-	75,384,781	85,941,316
COMMITMENTS AND CONTINGENCIES					
NET ASSETS:					
Unrestricted:					
General operations	1,453,047	-	-	-	1,453,047
Designated for special programs	-	4,218,482	-	-	4,218,482
Nonoperating:					
Funds functioning as endowment	-	-	110,974,456	-	110,974,456
Designated for land, buildings, and equipment	-	-	-	6,812,646	6,812,646
Net investment in land, buildings, and equipment	-	-	-	134,332,069	134,332,069
Total nonoperating	-	-	110,974,456	141,144,715	252,119,171
Total unrestricted	1,453,047	4,218,482	110,974,456	141,144,715	257,790,700
Temporarily restricted for the use of:					
Program activities	-	18,060,030	-	-	18,060,030
Unexpended endowment return	-	-	46,251,858	-	46,251,858
Land, buildings, and equipment	-	-	-	3,218,560	3,218,560
Total temporarily restricted	-	18,060,030	46,251,858	3,218,560	67,530,448
Permanently restricted	-	-	195,621,705	-	195,621,705
Total net assets	1,453,047	22,278,512	352,848,019	144,363,275	520,942,853
TOTAL LIABILITIES AND NET ASSETS	$ 9,726,139	$ 24,561,955	$ 352,848,019	$ 219,748,056	$ 606,884,169

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) AS OF JUNE 30, 2017

	Supplemental Consolidating Fund Information				
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	Total
ASSETS					
CASH AND CASH EQUIVALENTS	$ 12,838,995	$ 300	$ -	$ -	$ 12,839,295
ACCOUNTS RECEIVABLE AND INVESTMENT INCOME RECEIVABLE	1,674,969	141,394	7,792	-	1,824,155
GRANTS AND CONTRACTS RECEIVABLE	-	1,494,148	-	5,088,143	6,582,291
PLEDGES RECEIVABLE	-	9,861,351	10,120,398	7,163,158	27,144,907
INVENTORIES	980,996	-	-	-	980,996
PREPAID EXPENSES AND OTHER ASSETS	447,571	220,048	-	722,625	1,390,244
INVESTMENTS	256,939	4,461,492	310,885,779	-	315,604,210
FIXED ASSETS	-	-	-	209,249,932	209,249,932
DUE (TO) FROM OTHER FUNDS	(9,029,408)	8,006,265	3,784,212	(2,761,069)	-
TOTAL ASSETS	$ 7,170,062	$ 24,184,998	$ 324,798,181	$ 219,462,789	$ 575,616,030
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable	$ 472,979	$ 258,627	$ -	$ 2,956,892	$ 3,688,498
Accrued expenses and other liabilities	2,668,609	1,667,184	-	67,885	4,403,678
Loans payable	-	-	-	5,764,983	5,764,983
Deferred income and refundable advances	392,600	98,703	-	600,000	1,091,303
Accrued vacation liability	2,225,668	452,030	-	-	2,677,698
Conditional asset retirement obligation	-	-	-	2,662,702	2,662,702
Interest rate swap valuation liability	-	-	-	11,186,335	11,186,335
Long-term debt	-	-	-	59,725,000	59,725,000
Total liabilities	5,759,856	2,476,544	-	82,963,797	91,200,197
COMMITMENTS AND CONTINGENCIES					
NET ASSETS:					
Unrestricted:					
General operations	1,410,206	-	-	-	1,410,206
Designated for special programs	-	3,696,744	-	-	3,696,744
Nonoperating:					
Funds functioning as endowment	-	-	109,242,887	-	109,242,887
Designated for land, buildings, and equipment	-	-	-	5,088,143	5,088,143
Net investment in land, buildings, and equipment	-	-	-	124,247,691	124,247,691
Total nonoperating	-	-	109,242,887	129,335,834	238,578,721
Total unrestricted	1,410,206	3,696,744	109,242,887	129,335,834	243,685,671
Temporarily restricted for the use of:					
Program activities	-	18,011,710	-	-	18,011,710
Unexpended endowment return	-	-	33,943,035	-	33,943,035
Land, buildings, and equipment	-	-	-	7,163,158	7,163,158
Total temporarily restricted	-	18,011,710	33,943,035	7,163,158	59,117,903
Permanently restricted	-	-	181,612,259	-	181,612,259
Total net assets	1,410,206	21,708,454	324,798,181	136,498,992	484,415,833
TOTAL LIABILITIES AND NET ASSETS	$ 7,170,062	$ 24,184,998	$ 324,798,181	$ 219,462,789	$ 575,616,030

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF ACTIVITIES (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION)
FOR THE YEAR ENDED JUNE 30, 2018

	Supplemental Consolidating Fund Information						
	General Operations	Special Programs	Non-Operating	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, SUPPORT, AND GAINS:							
Appropriations—City of New York	$ 7,717,432	$ -	$ 8,572,185	$ 16,289,617	$ 643,050	$ -	$ 16,932,667
Grants and contracts:							
Federal	590,951	-	-	590,951	1,696,354	-	2,287,305
State	2,469,355	-	-	2,469,355	1,394,402	-	3,863,757
Private gifts, grants, and bequests	6,130,155	-	2,847,433	8,977,588	13,155,791	14,009,446	36,142,825
Special events	2,947,970	1,959,571	-	4,907,541	-	-	4,907,541
Less expenses incurred for special events	(2,187,092)	(747,923)	-	(2,935,015)	-	-	(2,935,015)
Special events—net	760,878	1,211,648	-	1,972,526	-	-	1,972,526
Net investment (loss) return and endowment return not used in operations	26,029	(55,928)	1,745,010	1,715,111	9,774,554	-	11,489,665
Endowment return used in operations	1,364,462	-	-	1,364,462	13,635,538	-	15,000,000
Tuition fees	2,281,279	472,678	-	2,753,957	-	-	2,753,957
Membership income	6,197,804	-	-	6,197,804	-	-	6,197,804
Scientific publications	277,687	23,210	-	300,897	-	-	300,897
Admissions and tours	17,397,479	-	-	17,397,479	-	-	17,397,479
Auxiliary enterprises	6,475,047	36,490	-	6,511,537	-	-	6,511,537
Other income	128,899	274,866	270,994	674,759	-	-	674,759
Net assets released from restrictions	1,677,305	20,110,270	10,099,569	31,887,144	(31,887,144)	-	-
Total revenues, support, and gains	53,494,762	22,073,234	23,535,191	99,103,187	8,412,545	14,009,446	121,525,178
EXPENSES AND OTHER DEDUCTIONS:							
Program services	39,249,841	21,510,064	12,246,331	73,006,236	-	-	73,006,236
Management and general	8,665,537	550,958	1,002,343	10,218,838	-	-	10,218,838
Fundraising	5,329,011	29,909	665,466	6,024,386	-	-	6,024,386
Total expenses and other deductions	53,244,389	22,090,931	13,914,140	89,249,460	-	-	89,249,460
INCREASE (DECREASE) BEFORE TRANSFERS AND NONOPERATING LOSSES	250,373	(17,697)	9,621,051	9,853,727	8,412,545	14,009,446	32,275,718
TRANSFERS	(207,532)	(166,342)	373,874	-	-	-	-
INCREASE BEFORE DEFERRED TAX BENEFIT	42,841	(184,039)	9,994,925	9,853,727	8,412,545	14,009,446	32,275,718
Forgiveness of loan payable							
DEFERRED TAX BENEFIT	-	705,777	-	705,777	-	-	705,777
NONOPERATING—Gain on valuation of interest rate swaps	-	-	3,545,525	3,545,525	-	-	3,545,525
CHANGES IN NET ASSETS	42,841	521,738	13,540,450	14,105,029	8,412,545	14,009,446	36,527,020
NET ASSETS—Beginning of year	1,410,206	3,696,744	238,578,721	243,685,671	59,117,903	181,612,259	484,415,833
NET ASSETS—End of year	$ 1,453,047	$ 4,218,482	$ 252,119,171	$ 257,790,700	$ 67,530,448	$ 195,621,705	$ 520,942,853

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF ACTIVITIES (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) FOR THE YEAR ENDED JUNE 30, 2017

	Supplemental Consolidating Fund Information						
	General Operations	Special Programs	Non-Operating	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, SUPPORT, AND GAINS:							
Appropriations—City of New York	$ 7,660,794	$ -	$ 4,109,066	$ 11,769,860	$ 201,554	$ -	$ 11,971,414
Grants and contracts:							
Federal	891,933	-	-	891,933	2,155,020	-	3,046,953
State	2,439,355	-	-	2,439,355	2,058,878	-	4,498,233
Private gifts, grants, and bequests	6,315,690	-	10,523,818	16,839,508	7,553,078	2,362,962	26,755,548
Special events	2,672,599	1,860,686	-	4,533,285	-	-	4,533,285
Less expenses incurred for special events	(2,170,739)	(719,158)	-	(2,889,897)	-	-	(2,889,897)
Special events—net	501,860	1,141,528	-	1,643,388	-	-	1,643,388
Net investment (loss) return and endowment return not used in operations	5,866	(53,169)	14,401,280	14,353,977	13,065,572	-	27,419,549
Endowment return used in operations	1,453,426	-	-	1,453,426	14,130,138	-	15,583,564
Tuition fees	2,190,550	479,872	-	2,670,422	-	-	2,670,422
Membership income	5,700,168	-	-	5,700,168	-	-	5,700,168
Scientific publications	297,296	56,752	-	354,048	-	-	354,048
Admissions and tours	11,571,643	-	-	11,571,643	-	-	11,571,643
Auxiliary enterprises	5,250,848	48,012	-	5,298,860	-	-	5,298,860
Other income	88,734	213,984	-	302,718	-	-	302,718
Net assets released from restrictions	5,950,465	19,526,702	-	25,477,167	(25,477,167)	-	-
Total revenues, support, and gains	50,318,628	21,413,681	29,034,164	100,766,473	13,687,073	2,362,962	116,816,508
EXPENSES AND OTHER DEDUCTIONS:							
Program services	37,106,245	21,099,077	12,193,858	70,399,180	-	-	70,399,180
Management and general	8,116,182	508,303	899,373	9,523,858	-	-	9,523,858
Fundraising	4,939,632	41,944	627,677	5,609,253	-	-	5,609,253
Total expenses and other deductions	50,162,059	21,649,324	13,720,908	85,532,291	-	-	85,532,291
INCREASE (DECREASE) BEFORE TRANSFERS AND NONOPERATING LOSSES	156,569	(235,643)	15,313,256	15,234,182	13,687,073	2,362,962	31,284,217
TRANSFERS	(153,366)	(121,819)	275,185	-	2,000,000	(2,000,000)	-
NONOPERATING—Gain on valuation of interest rate swaps	-	-	5,502,480	5,502,480	-	-	5,502,480
CHANGES IN NET ASSETS	3,203	(357,462)	21,090,921	20,736,662	15,687,073	362,962	36,786,697
NET ASSETS—Beginning of year	1,407,003	4,054,206	217,487,800	222,949,009	43,430,830	181,249,297	447,629,136
NET ASSETS—End of year	$ 1,410,206	$ 3,696,744	$ 238,578,721	$ 243,685,671	$ 59,117,903	$ 181,612,259	$ 484,415,833

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Saving the Plants of the World	Urban Oasis	Education and Outreach	Exhibitions	Earned Income Activities	Maintenance Security and Energy	Total Program Services	Management and General	Fundraising	Total
OPERATING EXPENSES:										
Salaries and wages	$ 5,870,670	$ 4,455,548	$ 4,313,756	$ 3,833,063	$ 4,467,911	$ 4,341,521	$ 27,282,469	$ 5,852,465	$ 3,156,358	$ 36,291,292
Fringe benefits	2,319,111	1,785,234	1,507,986	1,217,657	1,643,438	1,669,761	10,143,187	1,683,685	1,249,184	13,076,056
Professional fees	178,220	1,902,506	356,128	814,140	92,185	869,571	4,212,750	362,907	202,631	4,778,288
Supplies and materials	450,609	666,706	437,661	298,012	98,830	560,843	2,512,661	75,267	27,803	2,615,731
Telecommunications	38,198	21,496	15,318	494,216	4,322	20,478	594,028	177,207	9,789	781,024
Postage and shipping	54,046	111,279	1,506	125,068	203,665	1,308	496,872	27,507	21,389	545,768
Utilities and occupancy	-	53,935	133,095	1,057	73,210	2,387,765	2,649,062	1,727	2,660	2,653,449
Equipment operating costs	175,254	181,859	58,215	81,677	21,058	199,095	717,158	130,548	26,344	874,050
Equipment purchases	54,569	56,940	16,288	57,353	34,734	56,774	276,658	110,178	59,184	446,020
Printing and publications	395,074	259,791	50,766	385,085	257,468	13,341	1,361,525	201,826	121,173	1,684,524
Travel and field work	700,381	29,327	262,983	155,015	78,351	14,612	1,240,669	14,993	20,385	1,276,047
Conferences and meetings	82,733	18,355	60,843	173,683	-	13,954	349,568	37,331	133,149	520,048
Miscellaneous	182,128	965,279	48,423	150,178	504,570	465,010	2,315,588	71,489	73,092	2,460,169
Advertising and marketing	65	-	-	2,854,871	48,737	-	2,903,673	12	-	2,903,685
Cost of goods sold	-	-	-	-	2,422,233	-	2,422,233	-	-	2,422,233
Insurance	21,452	130,749	124,593	124,593	-	124,593	525,980	249,185	249,186	1,024,351
Bank and investment fees	2,934	4,204	66,430	364,395	206,581	32,480	677,024	224,424	6,668	908,116
Total operating expenses	10,525,444	10,643,208	7,453,991	11,130,063	10,157,293	10,771,106	60,681,105	9,220,751	5,358,995	75,260,851
NONOPERATING EXPENSES:										
Noncapitalized expenditures for land, buildings, and equipment	-	-	-	-	-	93,798	93,798	-	-	93,798
Interest, fees, and amortization	1,181,607	855,204	163,410	-	604,734	-	2,804,955	-	-	2,804,955
Depreciation	2,132,980	2,060,195	2,464,965	-	551,261	2,216,977	9,426,378	998,087	665,391	11,089,856
Total nonoperating expenses	3,314,587	2,915,399	2,628,375	-	1,155,995	2,310,775	12,325,131	998,087	665,391	13,988,609
TOTAL EXPENSES	$ 13,840,031	$ 13,558,607	$ 10,082,366	$ 11,130,063	$ 11,313,288	$ 13,081,881	$ 73,006,236	$ 10,218,838	$ 6,024,386	$ 89,249,460

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Saving the Plants of the World	Urban Oasis	Education and Outreach	Exhibitions	Earned Income Activities	Maintenance Security and Energy	Total Program Services	Management and General	Fundraising	Total
OPERATING EXPENSES:										
Salaries and wages	$ 6,097,311	$ 4,211,078	$ 4,099,852	$ 3,408,652	$ 4,276,603	$ 4,101,741	$ 26,195,237	$ 5,336,884	$ 2,811,552	$ 34,343,673
Fringe benefits	2,417,840	1,756,869	1,420,700	1,332,015	1,493,527	1,521,032	9,941,983	1,387,845	1,160,936	12,490,764
Professional fees	346,000	1,679,153	381,568	809,712	36,508	825,672	4,078,613	364,860	219,702	4,663,175
Supplies and materials	307,385	658,786	398,085	141,354	74,263	40,618	1,620,491	34,992	25,927	1,681,410
Telecommunications	24,598	19,254	17,776	497,927	(138)	25,470	584,887	90,020	14,137	689,044
Postage and shipping	59,604	87,206	27,101	95,774	201,966	(459)	471,192	5,370	17,909	494,471
Utilities and occupancy	-	67,614	131,196	963	88,075	2,441,393	2,729,241	6,600	1,346	2,737,187
Equipment operating costs	152,844	125,223	67,365	182,730	14,843	178,143	721,148	123,226	35,842	880,216
Equipment purchases	49,758	43,869	19,854	66,924	19,071	84,200	283,676	39,333	16,535	339,544
Printing and publications	452,195	157,258	196,614	288,962	251,396	21,087	1,367,512	216,756	125,456	1,709,724
Travel and field work	869,678	21,392	116,336	100,097	115,558	9,634	1,232,695	8,376	16,612	1,257,683
Conferences and meetings	306,451	20,282	67,225	161,539	-	16,381	571,878	38,517	154,810	765,205
Miscellaneous	108,365	1,185,972	103,318	109,340	555,245	589,734	2,651,974	344,224	90,596	3,086,794
Advertising and marketing	2,426	-	103,172	2,634,813	61,391	-	2,801,802	-	-	2,801,802
Cost of goods sold	22,700	264	9,278	6,039	1,798,584	-	1,836,865	3,888	1,885	1,842,638
Insurance	54,966	142,242	137,558	137,558	-	192,553	664,877	275,116	275,116	1,215,109
Bank and investment fees	7,433	6,243	65,431	224,059	170,115	30,503	503,784	295,945	13,215	812,944
Total operating expenses	11,279,554	10,182,705	7,362,429	10,198,458	9,157,007	10,077,702	58,257,855	8,571,952	4,981,576	71,811,383
NONOPERATING EXPENSES:										
Noncapitalized expenditures for land, buildings, and equipment	31,071	-	-	-	-	96,728	127,799	10,391	-	138,190
Interest, fees, and amortization	1,314,928	951,696	181,848	-	672,966	-	3,121,438	-	-	3,121,438
Depreciation	2,144,671	1,915,941	2,243,982	-	522,638	2,064,856	8,892,088	941,515	627,677	10,461,280
Total nonoperating expenses	3,490,670	2,867,637	2,425,830	-	1,195,604	2,161,584	12,141,325	951,906	627,677	13,720,908
TOTAL EXPENSES	$ 14,770,224	$ 13,050,342	$ 9,788,259	$ 10,198,458	$ 10,352,611	$ 12,239,286	$ 70,399,180	$ 9,523,858	$ 5,609,253	$ 85,532,291

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 36,527,020	$ 36,786,697
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	11,089,856	10,461,279
Amortization of discount on conditional asset retirement obligation	69,718	63,211
Actuarial loss on annuity obligations	3,266	5,664
(Gain)Loss on valuation of interest rate swaps	(3,545,525)	(5,502,480)
Write-off of obsolete inventory and other assets	-	5,005
Deferred tax benefit	(705,777)	-
Amortization of bond issue costs and bond discount	48,175	48,175
(Amortization) accretion of discount on pledges receivable	(167,528)	(278,207)
Contributions designated for permanently restricted endowment	(14,009,446)	(2,362,962)
Grants and contributions designated for land, buildings, and equipment	(9,853,507)	(16,325,834)
Stock gifts	(2,623,655)	(3,046,518)
Net realized and unrealized losses (gains) on investments	(24,690,348)	(42,045,275)
Decrease (increase) in operating assets:		
Accounts receivable and investment income receivable	28,407	(520,948)
Grants and contracts receivable	(413,037)	(516,830)
Pledges receivable	(19,920)	586,695
Inventories	193,023	(84,073)
Prepaid expenses and other assets	(43,596)	211,181
Increase (decrease) in operating liabilities :		
Accounts payable	666,207	1,737,087
Accrued expenses and other liabilities	(543,710)	472,450
Deferred income and refundable advances	(180,388)	(482,910)
Accrued vacation liability	141,200	110,537
Net cash and cash equivalents used in operating activities	(8,029,565)	(20,678,056)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities/sales of investments	81,996,433	149,165,809
Purchases of investments	(73,008,222)	(134,178,699)
Purchase of fixed assets	(15,869,901)	(14,673,367)
Net cash and cash equivalents (used in) provided by investing activities	(6,881,690)	313,743
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for endowment	4,465,615	7,895,961
Grants and contributions received for fixed assets	12,073,602	7,681,699
Payment of annuity obligations	(111,309)	(126,204)
Issuance of annuity obligations	30,035	63,269
Proceeds of capital lease	2,307,098	-
Repayment of long term debt	(3,070,000)	(2,905,000)
Repayments of credit line, bank term loan payable and capital lease	(1,025,475)	(840,004)
Net cash and cash equivalents provided by financing activities	14,669,566	11,769,721
NET CHANGE IN CASH AND CASH EQUIVALENTS	(241,689)	(8,594,592)
CASH AND CASH EQUIVALENTS—Beginning of year	12,839,295	21,433,887
CASH AND CASH EQUIVALENTS—End of year	$ 12,597,606	$ 12,839,295
SUPPLEMENTARY INFORMATION:		
Interest paid	$ 2,659,023	$ 2,932,569
Purchase of fixed assets included in accounts payable	$ 392,890	$ 606,686

See notes to consolidated financial statements.

1. ORGANIZATION

The New York Botanical Garden (the "Garden") (located in the Bronx, New York), a not-for-profit organization, is a museum of plants and a scientific research center devoted to the study of plants and their uses. It is the Garden's mission to improve public understanding of the natural world, horticulture, and the relationships between plants and people. It is also the Garden's mission to expand humanity's knowledge of plants and how they are utilized.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements represent the accounts of the Garden, a private not-for-profit corporation, formed in 1891 by the State of New York (the "State"), and its wholly owned limited liability company, North Central Bronx Real Estate, LLC. All intercompany balances and transactions have been eliminated in consolidation. North Central Bronx Real Estate, LLC was formed during the year ended June 30, 2013, to conduct acquisition of real property investments for the Garden, and to perform management services incidental to ownership of those investments.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under these principles, contributions or unconditional promises to give are recognized as revenues in the period received at their net present value, less an allowance for uncollectible pledges. Net assets, revenues, gains, expenses, and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets include all resources that are not subject to donor-imposed restrictions. These include unrestricted contributions designated by management for specific program or capital purposes, and unrestricted funds designated to function as endowment funds.

- Temporarily restricted net assets include all resources for which donor-imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. These also include unexpended income from endowment funds restricted for donor-intended purposes and accumulated unexpended endowment gains subject to appropriation under the Garden's spending policy.

- Permanently restricted net assets include contributions and pledges, which require, by donor restriction, that the corpus be invested in perpetuity and only the investment return be made available for operations or other purposes in accordance with donor restrictions.

Significant Accounting Policies:

Cash Equivalents**—**Cash equivalents consist of money market funds with underlying securities maturing in less than 90 days at the date of acquisition.

Accounts Receivable**—**Accounts receivable consist of fund-raising receivables for special fundraising events that are collectible within one year, receivables for accrued income on long-term investments, and other sundry receivables related to earned income activities. Accounts receivable are carried at cost, less allowance for doubtful accounts.

Grants and Contracts**—**The Garden receives a substantial amount of its operating support from federal, state, and local governments. The Garden records as unrestricted revenue the reimbursement of indirect costs for applicable government-sponsored programs at negotiated rates each year. Indirect cost recovery revenue is recognized when reimbursements are billed to the sponsoring agency. The Garden's indirect cost recovery rate was 55.4% for the years ended June 30, 2018 and 2017.

Pledges Receivable**—**The Garden recognizes promises to give contributions in the year in which such promises are made or become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of future cash flows. Pledges are discounted to approximate present value using the applicable US Treasury note rate in effect on June 30 of the year in which the pledges are received. Pledges are recorded net of an allowance for uncollectible amounts.

Inventories**—**Inventories consist of goods held for sale by the Garden's retail shop and scientific publications managed by the New York Botanical Garden Press. The Garden records its inventories using an average cost method of inventory valuation.

Investments**—**Investments consist of cash equivalents whose maturity exceeds 90 days at the date of acquisition, common stocks, fixed-income securities, fixed income and equity mutual funds, and limited partnership interests in alternative investments and hedge funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Alternative investments and hedge funds invest and trade in various securities that are unlisted or thinly traded. The fair value of these holdings is determined by management based on the net asset values (NAV) provided by the external investment managers of the alternative investment or hedge fund. Real estate held for investment purposes is recorded at fair value and assessed annually for impairment. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets, unless their use is temporarily restricted or permanently restricted by explicit donor restrictions or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

Fixed Assets**—**Fixed assets are recorded at cost. Expenditures in excess of $5,000 and having at least a two-year expected useful life are capitalized. Expenditures that do not meet these criteria are expensed as incurred. Assets are depreciated on a straight-line basis using the half-year convention. Equipment, furniture, and fixtures are depreciated over lives ranging from 5 to 10 years. Land and building improvements are depreciated over twenty years. Buildings are depreciated over forty-five years.

Impairment of Long-Lived Assets—Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Garden compares the carrying amounts of the assets to the undiscounted expected future cash flows. If this comparison indicates that there may be an impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. During the years ended June 30, 2018 and 2017, no impairments have occurred.

Collections—The Garden's collections include living plants, herbarium specimens, art objects, books, prints, and ephemera. The Garden has not capitalized the collections. The Garden's collections are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain. Collections are among the most valuable assets of the Garden and are protected, kept unencumbered, cared for, and preserved.

Gift Annuities—The Garden manages a segregated gift annuity fund and records gifts at the fair value of the assets received and liabilities for the payments to be made to the beneficiaries during the donor's life. The liabilities are based on the present value of the payments expected to be made as determined using Internal Revenue Service mortality tables and commensurate discount rates. The investments related to the gift annuities are classified in the special programs fund as long-term investments and the liability for beneficiary payments is included in accrued expenses and other liabilities.

Conditional Asset Retirement Obligation—The Garden has recorded estimates for its conditional asset retirement obligations associated with constructed facilities and equipment. Equivalent amounts have been capitalized and included in fixed assets.

Derivative Instruments—The Garden records derivative instruments (e.g., interest rate swap agreements) at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 815, *Disclosures about Derivative Instruments and Hedging Activities*. The change in fair value during the reporting period is recognized below the operating measure in the consolidated statements of activities.

Revenue Recognition—The Garden reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of those assets. When expenditures are incurred that fulfill a donor restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Revenues from earned income sources are recognized when delivery of goods or services has been rendered.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fair Value of Financial Instruments—The fair value of the Garden's financial instruments is discussed in Note 5.

In-Kind Contributions—The Garden receives in-kind contributions of advertising, food, and supplies relating to its fundraising events. No in-kind contributions were received for the year ended June 30, 2018. The Garden received approximately $31,000 for the year ended June 30, 2017. In-kind contributions were recorded at fair value as gift revenue and as miscellaneous expenses.

Donated Services—Volunteers donated approximately 99,000 hours and 112,000 hours during the years ended June 30, 2018 and 2017, respectively, providing various levels of service in almost all areas, including research, horticulture, education, the library, other support, and special events. The value of the contributed time has not been recorded in the Garden's consolidated statements of activities because the contributed time does not meet the recognition criteria under ASC No. 958-605, *Accounting for Contributions Received and Contributions Made*.

Expenses and Other Deductions:

Program Services—Program services are those activities of the Garden committed to the research and study of plants and the related activities in disseminating the information to the public. Program services include science (research), horticulture, education, library services, scientific publications, operations, security, audience development, and auxiliary enterprises.

Management and General—Management and general expenses include finance and administration, institutional services (printing and graphics, business services, computerization, and capital projects), government relations, and executive management.

Fundraising—Fundraising expenses include development expenses.

Supplemental Fund Information:

General Operations—General operations include all program and support and auxiliary enterprises activities that are funded by unrestricted revenue.

Special Programs—Special programs include program and support services that are funded primarily with donor-restricted funds and designated unrestricted funds.

Nonoperating—Nonoperating includes all activity related to the land, building, and equipment fund, changes in the fair value of derivatives and unrestricted activity related to endowment and similar funds.

Tax Status—The Garden is a Section 501(c)(3) charitable organization exempt from federal income taxes under Section 501(a) of the US Internal Revenue Code (IRC). It has been classified as a publicly supported charitable organization under Section 509 (a)(1) and qualifies for the maximum charitable contribution deduction by donors. In addition, the State and City of New York (the "City") have classified the Garden as nonprofit in character and, as such, the Garden is exempt from payment of income taxes to the State and City. ASC No. 740-10-05-6, *Accounting for Uncertainty in Income Taxes*, prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, before being measured and recognized in the financial statements. The Garden has reported no potential liabilities for uncertain tax positions at June 30, 2018 or 2017. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into legislation. The Act includes numerous changes in tax law related to tax exempt organizations, including but not limited to, a 21% excise tax assessed against executive compensation of covered individuals, unrelated business income taxes on qualified transportation fringe benefits, and a reduction in the federal income tax rate for corporations from 35% to 21%, which took effect for taxable years beginning on or after January 1, 2018. The Garden recorded a Deferred Tax Asset (DTA) because it was determined that the DTA will be fully utilized prior to the expiration of its net operating losses. These provisions were considered and none were identified that would impact the tax exempt status of the Garden as of June 30, 2018.

New Accounting Standards—In May 2014, the FASB issued Accounting Standards Codification (ASU) No. 2014-09, *Revenue from Contracts with Customers,* amending the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new guidance will be effective for the Garden in 2019. The Garden is evaluating the method of adoption and the impact the new standard might have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases,* impacting the accounting for leases intending to increase transparency and comparability of organizations by requiring balance sheet presentation of leased assets and increased financial statement disclosure of leasing arrangements. The revised standard will require entities to recognize a liability for their lease obligations and a corresponding asset representing the right to use the underlying asset over the lease term. Lease obligations are to be measured at the present value of lease payments and accounted for using the effective interest method. The accounting for the leased asset will differ slightly depending on whether the agreement is deemed to be a financing or operating lease. For finance leases, the leased asset is depreciated on a straight-line basis and recorded separately from the interest expense in the consolidated statements of activities, resulting in higher expense in the earlier part of the lease term. For operating leases, the depreciation and interest expense components are combined, recognized evenly over the term of the lease, and presented as a reduction to operating income. The ASU requires that assets and liabilities be presented or disclosed separately and classified appropriately as current and noncurrent. The ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. The ASU is effective for the Garden for 2020, at which time we expect to adopt the new standard. We are currently assessing our existing lease agreements and related financial disclosures to evaluate the impact of these amendments on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* that significantly impacts not-for-profit financial reporting. The goal of the ASU is to enhance the usefulness of the financial statements of not-for-profit organizations. The ASU requires improved presentation and disclosures to help not for profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The ASU changes the current net asset classification categories, reducing the number of net asset classes presented from three to two, and expands required information about an organization’s liquidity, financial performance, and cash flows. The new classifications would convey net assets with, and without, donor-imposed restrictions. The ASU also requires all not for profits to report expenses by both nature and function. The ASU is effective for annual financial statements issued for years beginning after December 15, 2017. Management is evaluating the impact this ASU will have on the Garden's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and for determining whether a contribution is conditional or unconditional. The ASU is effective for fiscal years beginning after December 15, 2017. We are currently assessing the impact these amendments might have on our consolidated financial statements.

3. INVESTMENTS

The carrying value of investments as of June 30, 2018 and 2017, is as follows:

	2018			
	General Operations	**Special Programs**	**Endowment and Similar Funds**	**Total**
Cash and cash equivalents	$ 257,367	$ 138,300	$ 22,169,802	$ 22,565,469
Fixed-income securities—US Treasuries	-	4,390,658	-	4,390,658
Fixed-income mutual funds	-	-	38,942,549	38,942,549
Equity mutual funds	-	-	78,074,245	78,074,245
Alternative investment and hedge funds:				
Cash and cash equivalents	-	-	35,468,678	35,468,678
Equity	-	-	53,898,867	53,898,867
Absolute return and equity hedge	-	-	71,467,431	71,467,431
Private	-	-	14,159,294	14,159,294
Real estate	-	-	14,962,808	14,962,808
Total	$ 257,367	$ 4,528,958	$ 329,143,674	$ 333,929,999

	2017			
	General Operations	**Special Programs**	**Endowment and Similar Funds**	**Total**
Cash and cash equivalents	$ 256,939	$ 274,978	$ 12,593,955	$ 13,125,872
Fixed-income securities—US Treasuries	-	4,186,514	-	4,186,514
Fixed-income mutual funds	-	-	35,831,203	35,831,203
Equity mutual funds	-	-	76,727,083	76,727,083
Alternative investment and hedge funds:				
Equity	-	-	92,427,288	92,427,288
Absolute return and equity hedge	-	-	67,046,196	67,046,196
Private	-	-	11,297,246	11,297,246
Real estate	-	-	14,962,808	14,962,808
Total	$ 256,939	$ 4,461,492	$ 310,885,779	$ 315,604,210

State law allows the Board to appropriate as much of the net appreciation as is prudent considering the Garden's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investment, price-level trends, and general economic conditions.

The Garden has adopted investment and spending policies for endowment assets to provide long-term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given. The time horizon for the endowment is perpetuity. The assets of the Garden are managed accordingly by external professional investment managers or invested in professionally managed funds. The appointment of managers is the responsibility of the Investment Committee, a standing committee of the Board of Trustees. Investment managers have discretion over their investment programs, subject to appropriate constraints reflected in the Garden's Investment Policy Statement or in the applicable investment management contracts.

The long-term objective of the Garden is to stabilize annual spending levels to preserve the real value of the endowment portfolio over time. The expected return on endowment assets is the sum of the annual spending rate, the long-term inflation rate, and any growth factor, which the Investment Committee may deem appropriate.

The Board of Trustees approved a $15 million drawdown to support operations for 2018. In 2017, the Garden's policy was a variation of a formula commonly referred to as the "Yale Method," which was used to determine the amount to be used for operations. Under this method, the amount used to support current operations was composed of two components. The first was an inflation component of 80% of the previous year's endowment draw, adjusted for inflation. The second was a market value component of 20% of the average market value of the endowment as of the prior three calendar years, to which an allocation rate authorized by the Garden's Board of Trustees was applied. The total of the two components were the amount drawn down to support current operations. The effective rates for the years ended June 30, 2018 and 2017, were 5.3% and 5.5%, respectively.

The investment return and its classification in the consolidated statements of activities for the years ended June 30, 2018 and 2017, is summarized as follows:

	2018		
	Unrestricted	**Temporarily Restricted**	**Total**
Dividends and interest income	$ 484,804	$ 2,782,984	$ 3,267,788
Less investment fees	(82,961)	(1,385,510)	(1,468,471)
Net realized and unrealized gains	2,677,730	22,012,618	24,690,348
Total gain on investments—net of investment fees	3,079,573	23,410,092	26,489,665
Endowment return used in operations	(1,364,462)	(13,635,538)	(15,000,000)
Net investment return	$ 1,715,111	$ 9,774,554	$ 11,489,665

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest income	$ 330,888	$ 1,884,942	$ 2,215,830
Less investment fees	(81,693)	(1,176,299)	(1,257,992)
Net realized and unrealized gains	15,558,208	26,487,067	42,045,275
Total gain on investments—net of investment fees	15,807,403	27,195,710	43,003,113
Endowment return used in operations	(1,453,426)	(14,130,138)	(15,583,564)
Net investment return	$14,353,977	$ 13,065,572	$ 27,419,549

4. DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENT AND SIMILAR FUNDS

Donor-restricted and board-designated endowment and similar funds by net asset class as of June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ 110,974,456	$ -	$ 195,621,705	$ 306,596,161
Board-designated funds	-	-	-	-
Net appreciation of permanently restricted net assets available for appropriation	-	46,251,858	-	46,251,858
Total	$ 110,974,456	$ 46,251,858	$ 195,621,705	$ 352,848,019

Changes in donor-restricted and board-designated endowment and similar funds for the year ended June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance—beginning of year	$ 109,242,887	$ 33,943,035	$ 181,612,259	$ 324,798,181
Contributions	2,594,131	2,534,273	14,009,446	19,137,850
Investment income—net of fees	401,694	1,397,474	-	1,799,168
Net investment return	2,707,931	22,012,614	-	24,720,545
Amounts appropriated for expenditure and other changes	(3,972,187)	(13,635,538)	-	(17,607,725)
Balance—end of year	$ 110,974,456	$ 46,251,858	$ 195,621,705	$ 352,848,019

Donor-restricted and board-designated endowment and similar funds by net asset class as of June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ -	$ 181,612,259	$ 181,612,259
Board-designated funds	109,242,887	-	-	109,242,887
Net appreciation of permanently restricted net assets available for appropriation	-	33,943,035	-	33,943,035
Total	$ 109,242,887	$ 33,943,035	$ 181,612,259	$ 324,798,181

Changes in donor-restricted and board-designated endowment and similar funds for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance—beginning of year	$ 98,406,810	$ 22,777,248	$ 181,249,297	$ 302,433,355
Contributions	339,627	-	2,362,962	2,702,589
Investment income—net of fees	249,195	708,643	-	957,838
Net investment return	17,505,294	24,587,282	-	42,092,576
Amounts appropriated for expenditure and other changes	(7,258,039)	(14,130,138)	(2,000,000)	(23,388,177)
Balance—end of year	$ 109,242,887	$ 33,943,035	$ 181,612,259	$ 324,798,181

5. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a 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 under ASC 820 are described below:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Garden has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

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

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

- Inputs are obtained from various sources, including market participants, dealers, and brokers

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the Garden believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Following is a description of the valuation methodologies used for items measured at fair value.

Fixed-Income Securities and Mutual Funds—Valued at the closing price reported on the active market on which the individual securities are traded.

Equity Securities and Mutual Funds—Valued at the closing price reported on the active market on which the individual securities are traded.

Alternative Investment and Hedge Funds—Valued at the NAV of shares held by the fund as reported by the fund managers.

Cash Equivalents—The fair value approximates the carrying amount because of the short maturity of these instruments.

Interest Rate Swaps—Valued at discounted future cash flows under proprietary financial models developed by the counterparty.

	Classification as of June 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 22,565,469	$ -	$ -	$ 22,565,469
Fixed-income securities—US Treasuries	4,390,658	-	-	4,390,658
Fixed-income mutual funds	38,942,549	-	-	38,942,549
Equity mutual funds	78,074,245	-	-	78,074,245
Alternative investment and hedge funds:				
Cash and cash equivalents	35,468,678	-	-	35,468,678
Equity [a]	-	-	53,898,867	53,898,867
Absolute Return and equity hedge [b]	-	-	71,467,431	71,467,431
Private [c]	-	-	14,159,294	14,159,294
Interest rate swap valuation liability	-	-	(7,640,814)	(7,640,814)

	Classification as of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 13,125,873	$ -	$ -	$ 13,125,873
Fixed-income securities—US Treasuries	4,186,514	-	-	4,186,514
Fixed-income mutual funds	35,831,203	-	-	35,831,203
Equity mutual funds	76,727,083	-	-	76,727,083
Alternative investment and hedge funds:				
Equity [(a)]	-	-	92,427,288	92,427,288
Absolute Return and equity hedge [(b)]	-	-	67,046,196	67,046,196
Private [(c)]	-	-	11,297,246	11,297,246
Interest rate swap valuation liability	-	-	(11,186,335)	(11,186,335)

(a) The purpose of the allocation to equities is to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns higher than the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE, and MSCI World), net of fees, over full market cycles (5 to 10 years). Funds are locked up for periods ranging from one year to 30 months. As of December 31, 2017 and 2016, the percentage of fair value of the investments owned and classified as Level 1 by equity investment funds was 91% and 84%, respectively.

(b) The alternative asset allocation may include both "absolute return strategies" and long/short "equity hedge" strategies. Absolute return strategies typically involve event driven, stressed and distressed credit, and spread-based arbitrage investments. Absolute return strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns, which exhibit relatively low correlation to broad market indices over longer time horizons. Equity hedge managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional "long only" equity managers. Investments in alternative assets are generally subject to an initial lock-up of 12 to 24 months or longer and thereafter investors can typically withdraw quarterly or annually with advance notice. Over time, alternative assets should generate returns comparable to long-term equity markets, but with lower volatility than equity markets. Funds are locked up for periods ranging from one year to 25 months.

(c) Private equity investments encompass diverse strategies, including buyout, growth, venture capital, and control-oriented distressed. These illiquid investments generally have four- to six-year investment periods and approximately 10-year fund lives. Given their illiquidity, private investments are expected to generate higher returns than public market strategies. The performance of funds raised and managed by the same team following similar strategies can vary significantly from one period to the next. Thus, investment in this asset class requires diversification across not only manager, strategies, and geographies but also "vintage years." Funds are locked up for a period of 10 years.

Except for interest rate swaps, the Garden does not directly invest in derivative instruments; however, its external investment managers do invest directly in such instruments, as their investment strategy may dictate.

Under the terms of certain investment agreements, the Garden had funding commitments outstanding of approximately $5.4 million and $11.6 million at June 30, 2018 and 2017, respectively. The Garden maintains sufficient liquidity in its investment portfolio to cover such commitments.

The changes in the fair value of the Garden's Level 3 assets for the years ended June 30, 2018 and 2017, are summarized as follows:

	Level 3 Assets Year Ended June 30, 2018			
	Equity	**Absolute Return and Equity Hedge**	**Private**	**Interest Rate Swap**
Balance—beginning of year	$ 92,427,288	$67,046,196	$11,297,246	$(11,186,335)
Purchases	8,000,000	7,996,712	2,604,640	-
Redemptions	(60,104,281)	(8,844,779)	(1,888,355)	-
Change in fair value	13,575,860	5,269,302	2,145,763	3,545,521
Balance—end of year	$ 53,898,867	$71,467,431	$14,159,294	$ (7,640,814)

	Level 3 Assets Year Ended June 30, 2017			
	Equity	**Absolute Return and Equity Hedge**	**Private**	**Interest Rate Swap**
Balance—beginning of year	$78,707,880	$ 83,560,451	$ 8,544,820	$(16,688,815)
Purchases	-	10,560,505	2,057,651	-
Redemptions	(6,469,078)	(34,423,530)	(553,317)	-
Change in fair value	20,188,486	7,348,770	1,248,092	5,502,480
Balance—end of year	$92,427,288	$ 67,046,196	$11,297,246	$(11,186,335)

In accordance with ASU No. 2009-12, *Fair Value Measurements and Disclosures*, disclosures regarding the category, fair value, unfunded commitments, redemption frequency, and redemption notice period for those assets whose fair value is estimated using NAV per share as of June 30, 2018 and 2017, are summarized as follows:

June 30, 2018

Category/Objective	**Fair Value Determined Using NAV**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Alternative investments: equity [a]	$ 53,898,867	$ -	bi-monthly, quarterly, semi-annually	30–90 days
Alternative investments: absolute return and equity hedge [b]	71,467,431	87,144	bi-monthly, quarterly, semi-annually, annually	30–90 days
Alternative investments: private [c]	14,159,294	5,362,226	N/A	N/A
Total	$ 139,525,592	$ 5,449,370		

June 30, 2017

Category/Objective	**Fair Value Determined Using NAV**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Alternative investments: equity [a]	$ 92,427,288	$ -	bi-monthly, quarterly, semi-annually	30–90 days
Alternative investments: absolute return and equity hedge [b]	67,046,196	3,607,644	bi-monthly, quarterly, semi-annually, annually	30–90 days
Alternative investments: private [c]	11,297,246	7,966,866	N/A	N/A
Total	$ 170,770,730	$ 11,574,510		

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Gross contributions:		
Within one year	$ 12,476,387	$ 11,469,424
1 to 5 years	16,919,131	11,515,932
Over 5 years	8,150,000	8,500,000
Total	37,545,518	31,485,356
Allowance for uncollectible amounts	(2,216,009)	(1,775,000)
Discount to present value (applied discount rates range from 0.1% to 2.9%)	(2,397,919)	(2,565,449)
Net pledges receivable	$ 32,931,590	$ 27,144,907

Included in pledges receivable, at June 30, 2017, was $437,250 from a charitable lead trust. There were no such items at June 30, 2018. The assets of the trust were held by third-party trustees.

7. LONG-TERM DEBT

Land, Building, and Equipment Fund—The Garden is constructing, expanding, and renovating a number of facilities. A portion of the costs of these projects has been financed by the sale of revenue bonds issued in fiscal year 2010 by The Trust for Cultural Resources of the City of New York (the "Trust").

Series 2009A Bond—On August 14, 2009, the Garden entered into a loan agreement with The Trust (the "Series 2009A bonds"). The Trust loaned to the Garden the proceeds of a $68.1 million Series 2009A refunding revenue bond issued for the purpose of refunding an outstanding bridge loan with JPMorgan Chase and to cover the costs of issuance. The borrowings under the bridge loan were repaid.

The loan agreement obligates the Garden to make payments equal to the debt service requirements of the Series 2009A bonds. The Series 2009A bonds bear variable rates of interest, determined weekly by the designated remarketing agent, Morgan Stanley & Co., pursuant to a remarketing agreement. The bonds are supported by an irrevocable transferable letter of credit (the "Letter") issued by JPMorgan Chase (the "Bank") to Wells Fargo (the "bond trustee"). The Letter permits the bond trustee to draw upon the funds of the Bank for payment of interest and principal in the event the remarketing agent is unable to remarket the bonds. The interest rate was 0.4% and 0.8% at June 30, 2018 and 2017 respectively. The Series 2009A bonds loan agreement requires monthly interest payments, which commenced on September 1, 2009, and annual principal payments, which commenced on July 1, 2015, with the final payment due on July 1, 2032. Issuance costs and discount on the bonds are being amortized over the term of the bond issue.

The Series 2009A bondholders have the option to put the bonds back to the Trust. The bonds are subject to remarketing efforts by the remarketing agent. To the extent that such remarketing efforts were unsuccessful, the non-marketable bonds would be purchased from the proceeds of the letter of credit agreement with the Bank, which expires on February 28, 2019.

If the letter of credit agreement is not extended or replaced, the bonds must be tendered. If tendered, the bonds would be purchased from the proceeds of the expiring letter of credit agreement. Bonds purchased from the proceeds of the letter of credit agreement would be converted to a term loan and become payable over three years. The Series 2009A bonds have been reported in accordance with the scheduled maturities contained in the bond agreements in the table of annual principal payments below.

If all the Series 2009A bonds were put back to the Trust on June 30, 2018, and not remarketed, the required repayments of the outstanding bond principal, after giving effect to the terms of the related letter of credit agreement, would be as follows:

Year Ending June 30	**Total**
2018	$ 18,885,000
2019	18,885,000
2020	18,885,000
Total	$ 56,655,000

JPMorgan Chase Credit Line—The Garden is party to an unsecured revolving credit line agreement with JPMorgan Chase. The agreement allows the Garden to borrow up to $5,000,000, with variable interest at London InterBank Offered Rate (LIBOR), plus 75 basis points. The interest rate on the credit line was LIBOR, plus 75 basis points, at June 30, 2018 and 2017, respectively. The current agreement expires on February 28, 2019. At June 30, 2018 and 2017, there were $2,521,667 and $2,890,000 borrowings outstanding, respectively.

JPMorgan Chase Term Loan—The Garden is party to a secured five-year term loan with JPMorgan Chase, bearing interest at LIBOR, plus 125-basis points, and maturing in November 2019. The repayment terms of the loan require monthly equal principal payments assuming a 10-year maturity, which commenced in April 2013, with the remaining principal amount due and payable on the maturity date. $500,004 of loan principal was repaid during the years ended June 30, 2018 and 2017. At June 30, 2018 and 2017, there were $2,374,979 and $2,874,983 borrowings outstanding, respectively.

The aggregate principal payments due on long-term debt, bank loan, and credit line are as follows:

Year Ending June 30	Series 2009A Bond	JPMorganChase Term Loan	JPMorganChase Credit Line	Total
2019	$ 3,190,000	$ 500,004	$ 311,667	$ 4,001,671
2020	3,260,000	1,874,975	340,000	5,474,975
2021	3,480,000	-	340,000	3,820,000
2022	3,605,000	-	340,000	3,945,000
2023	3,790,000	-	340,000	4,130,000
Thereafter	39,330,000	-	850,000	40,180,000
Total	$56,655,000	$2,374,979	$2,521,667	$61,551,646

Interest Rate Swap Agreements—In February of 2005, the Garden entered into two interest rate swap agreements and a swaption agreement with a counterparty. The interest rate swap agreements are for notional amounts of $40,000,000 and $27,900,000, wherein the Garden agrees to pay the counterparty a fixed rate of interest equal to 3.63% and 3.61%, respectively. The counterparty pays a floating rate based on 70% of USD LIBOR. The notional amounts of the interest rate swap agreements decrease based on the Series 2009A bond amortization schedule and expire in 2032 and 2026, respectively. The swaption agreement has a notional amount of $15,000,000 and was exercised on May 26, 2006. The underlying interest rate swap agreement requires the Garden to pay a fixed rate of 3.61% on a $15,000,000 notional amount that decreases through 2035 based on an amortization schedule. The counterparty pays a floating rate based on 70% of USD LIBOR.

The Garden's net benefit or obligation under these agreements is accounted for on the Garden's consolidated statements of financial position as an asset or liability. The estimated fair value of the swap agreements is $(7,640,814) and $(11,186,335) at June 30, 2018 and 2017, respectively. Gains and losses on valuation are reported on the consolidated statements of activities as nonoperating gains or losses.

Capital Leases—The Garden has entered into capital leases for the purpose of financing upgrades to its computer network, enterprise resource planning system, and other administrative software applications. Funds borrowed under the leases are payable over terms of 48 months. During the fiscal year ended June 30, 2018, equipment totaling $2,307,098 were financed by a capital lease.

Fiscal Year	
Computer software	$2,307,098
Less accumulated depreciation	(547,543)
Total	$1,759,555

The following is a schedule, by years, of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

Fiscal Year	
2019	$ 576,436
2020	628,840
2021	628,840
2022	495,505
	2,329,621
Less: Interest	(179,663)
Present value of minimum lease payments	$ 2,149,958

8. PENSION PLAN AND POSTRETIREMENT BENEFITS

Pension benefits are provided to eligible employees through the Cultural Institutions Retirement System (CIRS), a multiemployer retirement system funded by City of New York not-for-profit cultural organizations.

Participation in a multiemployer defined benefit pension plan includes the following risks:

- Assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan may be borne by the remaining participating employers.

- If the Garden were to withdraw from the plan, the Garden may be required to pay the plan an amount based on the underfunded status of the plan and on the history of the Garden's participation in the plan prior to withdrawal. This is referred to as a withdrawal liability.

The CIRS plan has a certified zone status as currently defined by the Pension Protection Act of 2006. The zone status is based on information provided to the Garden and other participating employers by CIRS and is certified by the plan's actuary. The following are descriptions of the zone status types based on criteria established under the IRC:

- "Red" Zone—Plan has been determined to be in "critical status" and is generally less than 65% funded. A rehabilitation plan, as required under the IRC, must be adopted by plans in the "red" zone. Plan participants may be responsible for the payment of surcharges, in addition to the contribution rate specified in the applicable collective bargaining agreement, for a plan in "critical status," in accordance with the requirements of the IRC.

- "Yellow" Zone—Plan has been determined to be in "endangered status" and is generally less than 80% funded. A funding improvement plan, as required under the IRC, must be adopted.

- "Green" Zone—Plan has been determined to be neither in "critical status" nor in "endangered status," and is generally at least 80% funded.

The CIRS plan was in the "green" zone for the two most recent benefit plan years that have been certified.

Information about the CIRS retirement plan and its financial condition at June 30, 2018 and 2017, is summarized as follows:

Legal plan name	The Cultural Institutions Pension Plan
Plan taxpayer ID number	11–2001170
Plan number	001
Expiration date of collective bargaining agreement	June 30, 2020

	Year Ended June 30,	
	2018	**2017**
Pension Protection Act Zone Status (certified by plan actuary)	Green	Green
Contributions made to the plan by NYBG	$ 3,794,274	$ 3,535,717
Contributions made by NYBG were in excess of 5% of total contributions to the plan?	Yes	Yes

In 2018, pension expense was $4,088,850 including $608,379 paid by the City of New York. In 2017, pension expense was $3,821,370, including $609,342 paid by the City of New York. The Garden makes annual contributions to the CIRS plan equal to amounts accrued for expense, including amortization of past services cost over 30 years. On July 1, 2017, the date of the last actuarial valuation, the market value of CIRS plan assets was $1.19 billion. Accumulated benefit liabilities of the plan were $2.1 billion.

Under the terms of its collective bargaining agreement, the Garden also contributes to a multiemployer postretirement health care plan covering retired union employees. Postretirement benefit costs equal to the amount of the required contributions are recorded as expense. The Garden contributed approximately $605,091 and $481,000 to the plan in the years ended June 30, 2018 and 2017.

The Garden has a supplemental key executive deferred compensation plan. The plan is partially funded by certain long-term investments (included in General Operations—Long-Term Investments on the consolidated statements of financial position) and represents a general obligation of the Garden. Under the terms of the plan, the obligations outstanding at June 30, 2018 and 2017, were $101,625 and $111,500, respectively, and are included in accrued expenses and other liabilities on the balance sheets. Benefits accrued under the plan during the years ended June 30, 2018 and 2017, were $385,000 and $256,250, respectively.

9. FIXED ASSETS

Title to substantially all of the land, and improvements, and buildings operated by the Garden is held by the City of New York (the "City"); however, use of the properties is dedicated exclusively to the Garden in accordance with the original 1891 Act of Incorporation of The New York Botanical Garden. All such assets are recorded on the books of the Garden.

The Garden is responsible for the facility's management and operation, and for maintaining certain insurance coverage. The City may provide gas, electricity, and water; funding for improvement and new construction; funding for the salaries and medical benefits of certain employees, including those employed in the maintenance and care of the property; and pension expense of certain employees.

In addition, the City, from time to time, has made improvements to the existing facility on behalf of the Garden. Title to such improvements remains with the City. The Garden has adopted the policy of capitalizing such expenditures and recorded such amounts as temporarily restricted contributions in accordance with the City's instructions. The Garden amortizes these costs over a 20-year period.

In 2018 and 2017, the City allocated approximately $8.5 million and $4.1 million, respectively, for appropriations relating to capital projects. From 1990 to 2018, the City has contributed approximately $144.8 million toward the Garden's capital expenses. The Garden also receives funding for capital projects from private and other sources. From 1990 to 2018, private and other sources have contributed approximately $157.6 million toward the Garden's capital expenses.

Fixed assets as of June 30, 2018 and 2017, are summarized as follows:

	2018	**2017**
Land	$ 9,053,130	$ 9,053,130
Land improvements	79,124,386	62,650,291
Buildings	164,857,934	155,147,686
Building improvements	89,341,399	89,113,089
Equipment, furniture, and fixtures	21,835,908	19,540,375
Construction in progress	1,607,510	14,445,792
Conditional asset retirement costs	4,200,000	4,200,000
	370,020,267	354,150,363
Less accumulated depreciation	(155,990,287)	(144,900,431)
Total	$ 214,029,980	$ 209,249,932

Outstanding commitments for construction in progress were $3.2 million and $7.9 million at June 30, 2018 and 2017, respectively.

Depreciation expense for the year ended June 30, 2018, was $11,089,856 (Program Services, $9,426,378; Management and General, $998,087; and Fund-raising, $665,391). Depreciation expense for the year ended June 30, 2017, was $10,461,279 (Program Services, $8,892,088; Management and General, $941,515; and Fund-raising, $627,677).

The changes in the carrying value of the Garden's conditional asset retirement obligation for the years ended June 30, 2018 and 2017, are summarized as follows:

	2018	2017
Balance—beginning of year	$ 2,662,702	$ 2,599,491
Amortization of discount	69,718	63,211
Balance—end of year	$ 2,732,420	$ 2,662,702

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017, are available for the following purposes or periods:

	2018	2017
Investment earnings accumulated for program and other operating activities	$ 54,263,089	$ 42,093,394
Buildings and equipment	3,218,560	7,163,158
Pledges due in future years for program activities	10,048,799	9,861,351
Total	$ 67,530,448	$ 59,117,903

During the years ended June 30, 2018 and 2017, net assets were released from donor restrictions by incurring expenses or expenditures satisfying the restricted purposes specified by donors. Restricted sources of revenue include government support, private gifts, grants and bequests, and endowment income. Restricted purposes included $32,668,612 and $25,477,167 for operating purposes in 2018 and 2017, respectively. Purpose and time restrictions, met by program category, for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Purpose restrictions accomplished:		
Science	$ 12,181,740	$ 10,315,504
Horticulture	13,970,494	10,559,705
Education and outreach	5,734,910	4,601,958
Total restrictions released	$ 31,887,144	$ 25,477,167

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investments in perpetuity, the total return from which is expendable to support:

	2018	2017
Program activities	$ 192,712,246	$ 178,702,800
Building operations	1,238,829	1,238,829
Any activity of the organization	1,670,630	1,670,630
Total	$ 195,621,705	$ 181,612,259

Permanently restricted net assets include contributions and pledges, which require, by donor restriction, that the corpus be invested in perpetuity and that only investment return be made available for operations or other purposes in accordance with donor restrictions.

12. APPROPRIATIONS—CITY OF NEW YORK

Appropriations from the City of New York for the years ended June 30, 2018 and 2017, are summarized as follows:

	2018	2017
General operating support	$ 4,987,918	$ 5,057,342
Energy appropriation	1,959,538	1,851,628
Pension contribution	608,379	609,342
Restricted program support	804,647	344,037
Capital support	8,572,185	4,109,065
Total	$ 16,932,667	$ 11,971,414

13. TUITION FEES REVENUE—SCHOOL OF PROFESSIONAL HORTICULTURE

Tuition fees revenue includes tuition and fees earned by the Garden's School of Professional Horticulture. Student financial assistance received on behalf of students enrolled in the program (e.g., loans and grants funded by government and private sources) are included in tuition fees revenue in the consolidated statements of activities. Gross and net tuition and fees earned by the School of Professional Horticulture for the years ended June 30, 2018 and 2017, were $150,000 and $142,500 respectively. There were no student refunds in 2018 or 2017.

The School of Professional Horticulture incurred operating expenses of $309,252 and $301,216, for the years ended June 30, 2018 and 2017, respectively.

14. TUITION FEES REVENUE- SCHOOL OF HORTICULTURE AND LANDSCAPE DESIGN

Tuition fees revenue earned by the Garden's School of Horticulture and Landscape Design were $42,844 (net of refunds of $455) and $3,568 for 2018 and 2017, respectively.

15. RISKS AND UNCERTAINTIES

During the years ended June 30, 2018 and 2017, conditions in global debt and equity markets continued to remain volatile. The financial performance of the Garden's investment portfolios is affected commensurately with changes in market conditions.

The Garden receives grants and awards from the federal government. Entitlements to the resources are generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially, all federal grants and awards are subject to financial and compliance audits. Any disallowances become liabilities of the Garden.

16. SUBSEQUENT EVENTS

The Garden has evaluated subsequent events as of February 22, 2019, and determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

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