

The New York Botanical Garden

Consolidated Financial Statements as of and
for the Years Ended June 30, 2019 and 2018, 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
Bronx, New York

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, 2019 and 2018, 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 audits 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the consolidated financial statements, in 2019, the Garden adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the consolidated financial statements, the Garden changed its method of accounting for real estate investments. Our opinion is not modified with respect to this matter.

Other Matters—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 2019 and 2018 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 supplementary 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 2019 and 2018 consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the 2019 and 2018 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 2019 consolidated financial statements or to the 2019 and 2018 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the 2019 and 2018 consolidated financial statements as a whole.

Deloitte & Touche LLP

December 23, 2019

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) AS OF JUNE 30, 2019

	Supplemental Consolidating Fund Information				Total
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 10,283,942	\$ 4,122	\$ 246,821	\$ 228	\$ 10,535,113
ACCOUNTS AND INVESTMENT INCOME RECEIVABLE	1,259,037	57,881	-	-	1,316,918
GRANTS AND CONTRACTS RECEIVABLE	1,829,516	795,610	-	6,095,391	8,720,517
PLEDGES RECEIVABLE	-	12,270,457	11,843,539	1,470,930	25,584,926
INVENTORIES	729,313	-	-	-	729,313
PREPAID EXPENSES AND OTHER CURRENT ASSETS	651,746	696,759	-	72,033	1,420,538
FIXED ASSETS—Net	1,542	-	-	209,699,818	209,701,360
INVESTMENTS	258,212	4,796,182	351,829,932	-	356,884,326
DUE TO/FROM OTHER FUNDS	<u>(4,031,108)</u>	<u>5,382,077</u>	<u>5,265,400</u>	<u>(6,616,369)</u>	<u>-</u>
TOTAL ASSETS	<u>\$10,982,200</u>	<u>\$24,003,088</u>	<u>\$369,185,692</u>	<u>\$210,722,031</u>	<u>\$614,893,011</u>
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable	\$ 4,415,005	\$ -	\$ -	\$ -	\$ 4,415,005
Accrued expenses and other liabilities	2,215,406	1,459,572	-	26,611	3,701,589
Deferred income and refundable advances	464,226	212,636	-	200,000	876,862
Accrued vacation liability	2,349,959	343,421	-	-	2,693,380
Conditional asset retirement obligation	-	-	-	2,808,378	2,808,378
Interest rate swap valuation liability	-	-	-	10,132,420	10,132,420
Loans payable	-	-	-	4,056,641	4,056,641
Capital lease obligation	-	-	-	2,476,671	2,476,671
Long-term debt	-	-	-	52,838,725	52,838,725
Total liabilities	<u>9,444,596</u>	<u>2,015,629</u>	<u>-</u>	<u>72,539,446</u>	<u>83,999,671</u>
COMMITMENTS AND CONTINGENCIES					
NET ASSETS:					
Without donor restrictions:					
General operations	<u>1,537,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,537,604</u>
Designated for special programs	<u>-</u>	<u>2,487,908</u>	<u>-</u>	<u>-</u>	<u>2,487,908</u>
Nonoperating:					
Funds functioning as endowment	-	-	114,357,410	-	114,357,410
Designated for land, buildings, and equipment	-	-	-	6,095,391	6,095,391
Net investment in land, buildings, and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,616,264</u>	<u>130,616,264</u>
Total nonoperating	<u>-</u>	<u>-</u>	<u>114,357,410</u>	<u>136,711,655</u>	<u>251,069,065</u>
Total without donor restrictions	<u>1,537,604</u>	<u>2,487,908</u>	<u>114,357,410</u>	<u>136,711,655</u>	<u>255,094,577</u>
With donor restrictions:					
Program activities	-	19,499,551	-	-	19,499,551
Unexpended endowment return	-	-	56,850,650	-	56,850,650
Land, buildings, and equipment	-	-	-	1,470,930	1,470,930
Permanently restricted	<u>-</u>	<u>-</u>	<u>197,977,632</u>	<u>-</u>	<u>197,977,632</u>
Total with donor restrictions	<u>-</u>	<u>19,499,551</u>	<u>254,828,282</u>	<u>1,470,930</u>	<u>275,798,763</u>
Total net assets	<u>1,537,604</u>	<u>21,987,459</u>	<u>369,185,692</u>	<u>138,182,585</u>	<u>530,893,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$10,982,200</u>	<u>\$24,003,088</u>	<u>\$369,185,692</u>	<u>\$210,722,031</u>	<u>\$614,893,011</u>

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, 2018

	As Adjusted (See Note 2) Supplemental Consolidating Fund Information				Total
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 12,590,221	\$ 3,637	\$ 1,807	\$ 1,941	\$ 12,597,606
ACCOUNTS AND INVESTMENT INCOME RECEIVABLE	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	-	10,048,799	19,664,231	3,218,560	32,931,590
INVENTORIES	787,973	-	-	-	787,973
PREPAID EXPENSES AND OTHER CURRENT ASSETS	574,165	782,465	-	734,812	2,091,442
FIXED ASSETS—Net	-	-	-	214,029,980	214,029,980
INVESTMENTS	257,367	4,528,958	336,630,866	-	341,417,191
DUE TO/FROM OTHER FUNDS	<u>(6,127,275)</u>	<u>7,146,644</u>	<u>4,030,514</u>	<u>(5,049,883)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9,726,139</u>	<u>\$ 24,561,955</u>	<u>\$ 360,335,211</u>	<u>\$ 219,748,056</u>	<u>\$ 614,371,361</u>
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
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
Loans payable	-	-	-	4,896,646	4,896,646
Capital lease obligation	-	-	-	2,149,958	2,149,958
Long-term debt	-	-	-	56,655,000	56,655,000
Total liabilities	<u>8,273,092</u>	<u>2,283,443</u>	<u>-</u>	<u>75,384,781</u>	<u>85,941,316</u>
COMMITMENTS AND CONTINGENCIES					
NET ASSETS:					
Without donor restrictions:					
General operations	<u>1,453,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,453,047</u>
Designated for special programs	<u>-</u>	<u>4,218,482</u>	<u>-</u>	<u>-</u>	<u>4,218,482</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,332,069</u>	<u>134,332,069</u>
Total nonoperating	<u>-</u>	<u>-</u>	<u>110,974,456</u>	<u>141,144,715</u>	<u>252,119,171</u>
Total without donor restrictions	<u>1,453,047</u>	<u>4,218,482</u>	<u>110,974,456</u>	<u>141,144,715</u>	<u>257,790,700</u>
With donor restrictions:					
Program activities	-	18,060,030	-	-	18,060,030
Unexpended endowment return	-	-	53,739,050	-	53,739,050
Land, buildings, and equipment	-	-	-	3,218,560	3,218,560
Permanently restricted	<u>-</u>	<u>-</u>	<u>195,621,705</u>	<u>-</u>	<u>195,621,705</u>
Total with donor restrictions	<u>-</u>	<u>18,060,030</u>	<u>249,360,755</u>	<u>3,218,560</u>	<u>270,639,345</u>
Total net assets	<u>1,453,047</u>	<u>22,278,512</u>	<u>360,335,211</u>	<u>144,363,275</u>	<u>528,430,045</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,726,139</u>	<u>\$ 24,561,955</u>	<u>\$ 360,335,211</u>	<u>\$ 219,748,056</u>	<u>\$ 614,371,361</u>

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, 2019

	Supplemental Consolidating Fund Information					Total
	General Operations	Special Programs	Nonoperating	Total Without Donor Restrictions	Total With Donor Restrictions	
REVENUES, SUPPORT, AND GAINS:						
Appropriations—City of New York	\$ 8,250,336	\$ -	\$ 3,802,152	\$ 12,052,488	\$ 446,278	\$ 12,498,766
Grants and contracts:						
Federal	459,022	-	-	459,022	1,278,079	1,737,101
State	2,434,355	-	-	2,434,355	432,595	2,866,950
Private gifts, grants, and bequests	7,566,640	-	5,050,034	12,616,674	14,709,700	27,326,374
Special events	2,789,452	1,583,889	-	4,373,341	-	4,373,341
Less expenses incurred for special events	(2,176,524)	(680,022)	-	(2,856,546)	-	(2,856,546)
Special events—net	612,928	903,867	-	1,516,795	-	1,516,795
Net investment return and endowment return not used in operations	76,430	202,643	511,189	790,262	3,571,691	4,361,953
Endowment return used in operations	1,683,086	-	-	1,683,086	14,092,010	15,775,096
Tuition fees	2,278,109	486,340	-	2,764,449	-	2,764,449
Membership income	5,734,311	-	-	5,734,311	-	5,734,311
Scientific publications	206,580	51,252	-	257,832	-	257,832
Admissions and tours	11,427,564	-	-	11,427,564	-	11,427,564
Auxiliary enterprises	5,328,942	89,704	-	5,418,646	-	5,418,646
Other	586,030	272,109	-	858,139	-	858,139
Net assets released from restrictions	7,378,563	15,994,235	5,998,137	29,370,935	(29,370,935)	-
Total revenues, support, and gains	<u>54,022,896</u>	<u>18,000,150</u>	<u>15,361,512</u>	<u>87,384,558</u>	<u>5,159,418</u>	<u>92,543,976</u>
EXPENSES AND OTHER DEDUCTIONS:						
Program services	39,476,656	18,836,298	12,986,039	71,298,993	-	71,298,993
Management and general	9,107,671	467,624	752,040	10,327,335	-	10,327,335
Fundraising	5,124,746	20,715	704,196	5,849,657	-	5,849,657
Total expenses and other deductions	<u>53,709,073</u>	<u>19,324,637</u>	<u>14,442,275</u>	<u>87,475,985</u>	<u>-</u>	<u>87,475,985</u>
INCREASE (DECREASE) BEFORE TRANSFERS AND NONOPERATING GAINS (LOSSES)	313,823	(1,324,487)	919,237	(91,427)	5,159,418	5,067,991
TRANSFERS	(229,266)	(292,997)	522,263	-	-	-
INCREASE BEFORE DEFERRED TAX BENEFIT	84,557	(1,617,484)	1,441,500	(91,427)	5,159,418	5,067,991
DEFERRED TAX EXPENSE	-	(113,090)	-	(113,090)	-	(113,090)
NONOPERATING—Loss on valuation of interest rate swaps	-	-	(2,491,606)	(2,491,606)	-	(2,491,606)
CHANGES IN NET ASSETS	84,557	(1,730,574)	(1,050,106)	(2,696,123)	5,159,418	2,463,295
NET ASSETS—Beginning of year	<u>1,453,047</u>	<u>4,218,482</u>	<u>252,119,171</u>	<u>257,790,700</u>	<u>270,639,345</u>	<u>528,430,045</u>
NET ASSETS—End of year	<u>\$ 1,537,604</u>	<u>\$ 2,487,908</u>	<u>\$ 251,069,065</u>	<u>\$ 255,094,577</u>	<u>\$ 275,798,763</u>	<u>\$ 530,893,340</u>

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					Total
	General Operations	Special Programs	Non-Operating	Total Without Donor Restrictions	As Adjusted Total With Donor Restrictions	
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	27,165,237	36,142,825
Special events	2,947,970	1,959,571	-	4,907,541	-	4,907,541
Less expenses incurred for special events	<u>(2,187,092)</u>	<u>(747,923)</u>	<u>-</u>	<u>(2,935,015)</u>	<u>-</u>	<u>(2,935,015)</u>
Special events—net	760,878	1,211,648	-	1,972,526	-	1,972,526
Net investment 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	128,899	274,866	270,994	674,759	-	674,759
Net assets released from restrictions	<u>1,677,305</u>	<u>20,110,270</u>	<u>10,099,569</u>	<u>31,887,144</u>	<u>(31,887,144)</u>	<u>-</u>
Total revenues, support, and gains	<u>53,494,762</u>	<u>22,073,234</u>	<u>23,535,191</u>	<u>99,103,187</u>	<u>22,421,991</u>	<u>121,525,178</u>
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	<u>5,329,011</u>	<u>29,909</u>	<u>665,466</u>	<u>6,024,386</u>	<u>-</u>	<u>6,024,386</u>
Total expenses and other deductions	<u>53,244,389</u>	<u>22,090,931</u>	<u>13,914,140</u>	<u>89,249,460</u>	<u>-</u>	<u>89,249,460</u>
INCREASE (DECREASE) BEFORE TRANSFERS AND NONOPERATING GAINS (LOSSES)	250,373	(17,697)	9,621,051	9,853,727	22,421,991	32,275,718
TRANSFERS	<u>(207,532)</u>	<u>(166,342)</u>	<u>373,874</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) BEFORE DEFERRED TAX BENEFIT	42,841	(184,039)	9,994,925	9,853,727	22,421,991	32,275,718
DEFERRED TAX BENEFIT	-	705,777	-	705,777	-	705,777
NONOPERATING—Gain on valuation of interest rate swaps	<u>-</u>	<u>-</u>	<u>3,545,525</u>	<u>3,545,525</u>	<u>-</u>	<u>3,545,525</u>
CHANGES IN NET ASSETS	42,841	521,738	13,540,450	14,105,029	22,421,991	36,527,020
NET ASSETS—Beginning of year	<u>1,410,206</u>	<u>3,696,744</u>	<u>238,578,721</u>	<u>243,685,671</u>	<u>240,730,162</u>	<u>484,415,833</u>
CHANGE IN ACCOUNTING POLICY (see Note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,487,192</u>	<u>7,487,192</u>
NET ASSETS—Beginning of year as adjusted	<u>1,410,206</u>	<u>3,696,744</u>	<u>238,578,721</u>	<u>243,685,671</u>	<u>248,217,354</u>	<u>491,903,025</u>
NET ASSETS—End of year as adjusted	<u>\$ 1,453,047</u>	<u>\$ 4,218,482</u>	<u>\$ 252,119,171</u>	<u>\$ 257,790,700</u>	<u>\$ 270,639,345</u>	<u>\$ 528,430,045</u>

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 5,782,153	\$ 4,630,933	\$ 4,320,840	\$ 3,984,586	\$ 4,456,407	\$ 4,348,294	\$ 27,523,213	\$ 5,757,429	\$ 2,819,028	\$ 36,099,670
Fringe benefits	2,336,188	1,959,502	1,454,016	1,543,914	1,547,768	1,610,907	10,452,295	1,560,705	1,184,752	13,197,752
Professional fees	184,229	1,178,135	390,834	736,216	98,665	803,287	3,391,366	288,291	429,104	4,108,761
Supplies and materials	386,882	633,207	411,972	183,213	111,186	199,134	1,925,594	99,175	93,843	2,118,612
Telecommunications	19,524	25,596	10,658	516,517	5,047	24,831	602,173	57,986	8,219	668,378
Postage and shipping	46,101	70,913	3,564	97,326	150,709	1,981	370,594	11,828	16,642	399,064
Utilities and occupancy	-	10,289	131,051	507	85,010	2,665,496	2,892,353	-	2,140	2,894,493
Equipment operating costs	160,418	156,090	61,594	79,460	37,072	350,755	845,389	285,203	21,498	1,152,090
Equipment purchases	55,555	101,363	12,475	36,074	28,321	73,741	307,529	93,298	29,215	430,042
Printing and publications	289,772	127,300	12,217	379,107	228,701	8,829	1,045,926	202,712	78,187	1,326,825
Travel and fieldwork	573,732	32,829	114,419	26,500	84,530	10,579	842,589	9,259	20,580	872,428
Conferences and meetings	28,675	20,480	52,893	163,919	1,873	18,891	286,731	42,278	169,635	498,644
Miscellaneous	84,466	1,217,535	65,296	117,214	528,650	514,524	2,527,685	472,476	50,694	3,050,855
Advertising and marketing	335	14	4,085	2,725,114	37,771	-	2,767,319	-	-	2,767,319
Cost of goods sold	79,384	-	-	-	1,786,086	-	1,865,470	-	-	1,865,470
Insurance	27,845	108,316	108,316	108,316	-	108,316	461,109	216,632	216,632	894,373
Bank and investment fees	2,842	4,426	65,640	240,415	166,919	33,406	513,648	170,051	6,126	689,825
Total operating expenses	<u>10,058,101</u>	<u>10,276,928</u>	<u>7,219,870</u>	<u>10,938,398</u>	<u>9,354,715</u>	<u>10,772,971</u>	<u>58,620,983</u>	<u>9,267,323</u>	<u>5,146,295</u>	<u>73,034,601</u>
NONOPERATING EXPENSES:										
Noncapitalized expenditures for land, buildings, and equipment	-	5,000	-	1,670	-	32,828	39,498	3,719	-	43,217
Interest, fees, and amortization	1,121,208	811,488	155,057	-	573,822	-	2,661,575	-	-	2,661,575
Depreciation	2,190,488	2,257,829	2,613,384	-	582,490	2,332,746	9,976,937	1,056,293	703,362	11,736,592
Total nonoperating expenses	<u>3,311,696</u>	<u>3,074,317</u>	<u>2,768,441</u>	<u>1,670</u>	<u>1,156,312</u>	<u>2,365,574</u>	<u>12,678,010</u>	<u>1,060,012</u>	<u>703,362</u>	<u>14,441,384</u>
TOTAL EXPENSES	<u>\$13,369,797</u>	<u>\$13,351,245</u>	<u>\$9,988,311</u>	<u>\$10,940,068</u>	<u>\$10,511,027</u>	<u>\$13,138,545</u>	<u>\$71,298,993</u>	<u>\$10,327,335</u>	<u>\$5,849,657</u>	<u>\$87,475,985</u>

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 fieldwork	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	<u>10,525,444</u>	<u>10,643,208</u>	<u>7,453,991</u>	<u>11,130,063</u>	<u>10,157,293</u>	<u>10,771,106</u>	<u>60,681,105</u>	<u>9,220,751</u>	<u>5,358,995</u>	<u>75,260,851</u>
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	<u>3,314,587</u>	<u>2,915,399</u>	<u>2,628,375</u>	<u>-</u>	<u>1,155,995</u>	<u>2,310,775</u>	<u>12,325,131</u>	<u>998,087</u>	<u>665,391</u>	<u>13,988,609</u>
TOTAL EXPENSES	<u>\$13,840,031</u>	<u>\$13,558,607</u>	<u>\$10,082,366</u>	<u>\$11,130,063</u>	<u>\$11,313,288</u>	<u>\$13,081,881</u>	<u>\$73,006,236</u>	<u>\$10,218,838</u>	<u>\$6,024,386</u>	<u>\$89,249,460</u>

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018 As Adjusted (See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,463,295	\$ 36,527,020
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	11,736,592	11,089,856
Amortization of discount on conditional asset retirement obligation	75,958	69,718
Actuarial (loss) gain on annuity obligations	(39,555)	3,266
Loss (gain) on valuation of interest rate swaps	2,491,606	(3,545,525)
Deferred tax expense (benefit)	113,090	(705,777)
Amortization of bond issue costs and bond discount	48,175	48,175
Amortization of discount on pledges receivable	(758,748)	(167,528)
Contributions designated for permanently restricted endowment	(13,520,248)	(14,009,446)
Grants and contributions designated for land, buildings, and equipment	(6,434,131)	(9,853,507)
Stock gifts	(847,612)	(2,623,655)
Net realized and unrealized losses (gains) on investments	(20,084,858)	(32,177,540)
Decrease (increase) in operating assets:		
Accounts receivable and investment income receivable	478,830	28,407
Grants and contracts receivable	(686)	(413,037)
Pledges receivable	8,105,412	(19,920)
Inventories	58,660	193,023
Prepaid expenses and other assets	(116,640)	(43,596)
Increase (decrease) in operating liabilities:		
Accounts payable	60,302	666,207
Accrued expenses and other liabilities	37,970	(543,710)
Deferred income and refundable advances	(34,053)	(180,388)
Accrued vacation liability	(125,518)	141,200
Net cash and cash equivalents used in operating activities	<u>(16,292,159)</u>	<u>(15,516,757)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities/sales of investments	541,631,478	81,996,433
Purchases of investments	(536,166,139)	(65,521,030)
Purchase of fixed assets	<u>(7,407,972)</u>	<u>(15,869,901)</u>
Net cash and cash equivalents used in investing activities	<u>(1,942,633)</u>	<u>605,502</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for endowment	13,520,248	4,465,615
Grants and contributions received for fixed assets	6,434,131	12,073,602
Payment of annuity obligations	(100,930)	(111,309)
Issuance of annuity obligations	22,142	30,035
Proceeds of capital lease	871,911	2,307,098
Repayment of long-term debt	(3,190,000)	(3,070,000)
Repayments of credit line, bank term loan payable, and capital lease	<u>(1,385,203)</u>	<u>(1,025,475)</u>
Net cash and cash equivalents provided by financing activities	<u>16,172,299</u>	<u>14,669,566</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,062,493)	(241,689)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>12,597,606</u>	<u>12,839,295</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 10,535,113</u>	<u>\$ 12,597,606</u>
SUPPLEMENTARY INFORMATION:		
Interest paid	<u>\$ 2,389,024</u>	<u>\$ 2,659,023</u>
Purchase of fixed assets included in accounts payable	<u>\$ -</u>	<u>\$ 392,890</u>

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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. 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 of the Garden have been prepared on an accrual basis to conform with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, the Garden classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include all resources which are not subject to donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

Net assets with donor restrictions include all resources which are subject to donor-imposed restrictions that will be met either by actions of the Garden or the passage of time. These net assets include donor-restricted endowments, unconditional pledges, split interest agreements, and interest in perpetual trustees held by others. Generally, the donor-imposed restrictions of these assets permit the Garden to use all or part of the income earned on related investments only for certain general or specific purposes.

Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities. Contributions, including unconditional promises to give, are recognized as revenue in the period received at their net present value.

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 fund-raising 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 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 46.13% and 55.4% for the years ended June 30, 2019 and 2018, respectively.

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 private equity 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. Certain amounts temporarily due from and held by fund managers are reported within investments at fair value together with the related holding.

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 (NAVs) 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 (Note 2). Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions, unless their use is 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 consolidated 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 20 years. Buildings are depreciated over 45 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 the fair value. During the years ended June 30, 2019 and 2018, 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. The value of assets in the fund was \$4,796,182 and \$4,528,958 at June 30, 2019 and 2018 respectively. The liability for the present value of deferred gifts was \$1,450,430 and \$1,568,773 at June 30, 2019 and 2018 respectively.

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 FASB ASC 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 consolidated 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.

In-Kind Contributions—The Garden receives in-kind contributions of advertising, food, and supplies relating to its fund-raising events. The Garden received approximately \$2,400 for the year ended June 30, 2019. No in-kind contributions were received for the year ended June 30, 2018. In-kind contributions were recorded at fair value as gift revenue and as miscellaneous expenses.

Donated Services—Volunteers donated approximately 98,700 hours and 99,000 hours during the years ended June 30, 2019 and 2018, 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 FASB ASC 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, information technology, human resources, and capital projects), government relations, and executive management.

Fund-Raising—Fund-raising expenses include development expenses.

Supplemental Fund Information

General Operations—General operations include all program and support and auxiliary enterprises activities that are funded by revenue without donor restrictions.

Special Programs—Special programs include program and support services that are funded primarily with donor-restricted funds and designated funds without donor restrictions.

Nonoperating—Nonoperating includes all activities related to the land, building, and equipment fund; changes in the fair value of derivatives; and activity related to endowment and similar funds without donor restrictions.

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 the 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 the City. FASB ASC 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, 2019 or 2018. 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 affect the tax-exempt status of the Garden as of June 30, 2019.

New Accounting Standards—In May 2014, the FASB issued Accounting Standards Update (ASU) ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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 Garden is currently assessing ASU No. 2014-09 to evaluate the impact of these amendments on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, affecting 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 have 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. This ASU requires that assets and liabilities be presented or disclosed separately and classified appropriately as current and noncurrent. This ASU further requires additional disclosure of certain qualitative and quantitative information related to lease agreements. This ASU is effective for the Garden for 2022, at which time it expects to adopt the new standard. The Garden is currently assessing its existing lease agreements and related financial disclosures to evaluate the impact of these amendments on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, that significantly affects not-for-profit financial reporting. The goal of this ASU is to enhance the usefulness of the financial statements of not-for-profit

organizations. This 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. This ASU changed the prior 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 convey net assets with and without donor-imposed restrictions. This ASU also requires all not-for-profits to report expenses by both nature and function. The Garden adopted ASU No. 2016-14 in fiscal 2019 and applied the changes retrospectively.

The effect on the Garden's net assets as July 1, 2018, as a result of this change in accounting policy is as follows:

Balance at June 30, 2018	ASU No. 2016-14 Classifications		Total
	Without Donor Restrictions	With Donor Restrictions	
As previously presented:			
Unrestricted	\$257,790,700	\$ -	\$257,790,700
Temporarily restricted	-	75,017,640	75,017,640
Permanently restricted	-	195,621,705	195,621,705
Net assets, as reclassified	<u>\$257,790,700</u>	<u>\$270,639,345</u>	<u>\$528,430,045</u>

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*. This 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 Garden does not believe the adoption of ASU 2018-08 will have a material impact on its consolidated financial statements.

Change in Accounting Policy—During fiscal 2019, the Garden elected to change its method of valuing real estate within its investment portfolio to fair value, whereas in all prior years, investments in real estate were carried at cost. The Garden believes that fair value is preferable because (1) the fair value method results in a valuation of real estate investments that is current, which provides a more meaningful presentation to users of the consolidated financial statements; (2) the change conforms to a single method of accounting for all of the Garden's portfolio investments; and (3) the fair value method for real estate investments is a widely recognized practice in the not-for-profit industry.

The effect of this change in accounting policy resulted in an increase in investments and an increase in beginning-of-year net assets of \$7,487,192 as reported in the consolidated statement of financial position as of June 30, 2018.

The effect on the Garden's net assets at July 1, 2018, as a result of this change in accounting policy is as follows:

Net assets as previously presented, June 30, 2018	\$520,942,853
Effect of change in accounting policy	<u>7,487,192</u>
Net assets as currently presented, June 30, 2018	<u>\$528,430,045</u>

3. INVESTMENTS

The carrying value of investments as of June 30, 2019 and 2018, is as follows:

	2019			
	General Operations	Special Programs	Endowment and Similar Funds	Total
Cash and cash equivalents	\$ 258,212	\$ 661,856	\$ 31,381,511	\$ 32,301,579
Futures contracts			463,307	463,307
Fixed-income securities—				
U.S. Treasuries	-	4,134,326	-	4,134,326
Fixed-income mutual funds	-	-	15,765,531	15,765,531
Equity mutual funds	-	-	35,815,672	35,815,672
Alternative investment and hedge funds:				
Cash and cash equivalents	-	-	243,456	243,456
Equity	-	-	9,252,089	9,252,089
Absolute return and equity hedge	-	-	208,711,508	208,711,508
Private	-	-	26,646,858	26,646,858
Real estate	-	-	23,550,000	23,550,000
Total	<u>\$ 258,212</u>	<u>\$ 4,796,182</u>	<u>\$ 351,829,932</u>	<u>\$ 356,884,326</u>
	2018			
	General Operations	Special Programs	Endowment and Similar Funds	As Adjusted (See Note 2) Total
Cash and cash equivalents	\$ 257,367	\$ 138,300	\$ 22,169,802	\$ 22,565,469
Fixed-income securities—				
U.S. 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	-	-	22,450,000	22,450,000
Total	<u>\$ 257,367</u>	<u>\$ 4,528,958</u>	<u>\$ 336,630,866</u>	<u>\$ 341,417,191</u>

State law allows the Garden's board of trustees (the "Board of Trustees") 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 fully outsourced on a discretionary basis to an external professional investment management firm. The investment committee of the Board of Trustees has responsibility for setting the Garden's investment policy statement.

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 \$15,775,096 and \$15,000,000 drawdowns to support operations for 2019 and 2018, respectively. The effective rates for the years ended June 30, 2019 and 2018, were 5.1% and 5.3%, respectively.

The investment return (loss) and its classification in the consolidated statements of activities for the years ended June 30, 2019 and 2018, are summarized as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	\$ 177,327	\$ 1,462,142	\$ 1,639,469
Less investment fees	(36,657)	(1,550,625)	(1,587,282)
Net realized and unrealized gains	<u>2,332,678</u>	<u>17,752,184</u>	<u>20,084,862</u>
Total gain on investments—net of investment fees	2,473,348	17,663,701	20,137,049
Endowment return used in operations	<u>(1,683,086)</u>	<u>(14,092,010)</u>	<u>(15,775,096)</u>
Net investment return	<u>\$ 790,262</u>	<u>\$ 3,571,691</u>	<u>\$ 4,361,953</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	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	<u>2,677,730</u>	<u>22,012,618</u>	<u>24,690,348</u>
Total gain on investments—net of investment fees	3,079,573	23,410,092	26,489,665
Endowment return used in operations	<u>(1,364,462)</u>	<u>(13,635,538)</u>	<u>(15,000,000)</u>
Net investment return	<u>\$ 1,715,111</u>	<u>\$ 9,774,554</u>	<u>\$ 11,489,665</u>

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, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 197,977,632	\$ 197,977,632
Board-designated funds	114,357,410	-	114,357,410
Net appreciation of donor-restricted net assets available for appropriation	<u>-</u>	<u>56,850,650</u>	<u>56,850,650</u>
Total	<u>\$ 114,357,410</u>	<u>\$ 254,828,282</u>	<u>\$ 369,185,692</u>

Changes in donor-restricted and board-designated endowment and similar funds for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance—beginning of year	\$ 110,974,456	\$ 249,360,755	\$ 360,335,211
Contributions	4,503,925	1,897,585	6,401,510
Net investment return	2,252,115	17,661,952	19,914,067
Amounts appropriated for expenditure and other changes	<u>(3,373,086)</u>	<u>(14,092,010)</u>	<u>(17,465,096)</u>
Balance—end of year	<u>\$ 114,357,410</u>	<u>\$ 254,828,282</u>	<u>\$ 369,185,692</u>

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

	Without Donor Restrictions	With Donor Restrictions	As Adjusted (See Note 2) Total
Donor-restricted funds	\$ -	\$ 195,621,705	\$ 195,621,705
Board-designated funds	110,974,456	-	110,974,456
Net appreciation of donor-restricted net assets available for appropriation	<u>-</u>	<u>53,739,050</u>	<u>53,739,050</u>
Total	<u>\$ 110,974,456</u>	<u>\$ 249,360,755</u>	<u>\$ 360,335,211</u>

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

	Without Donor Restrictions	Without Donor Restrictions	As Adjusted (See Note 2) Total
Balance—beginning of year	\$109,242,887	\$215,555,294	\$324,798,181
Contributions	2,594,131	16,543,719	19,137,850
Net investment return	3,109,625	30,897,280	34,006,905
Amounts appropriated for expenditure and other change	<u>(3,972,187)</u>	<u>(13,635,538)</u>	<u>(17,607,725)</u>
Balance—end of year	<u>\$110,974,456</u>	<u>\$249,360,755</u>	<u>\$360,335,211</u>

5. FAIR VALUE MEASUREMENTS

FASB 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 and investments measured at NAV). The levels of the fair value hierarchy under FASB 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 that 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.

NAV—Interests in alternative investment funds, such as fixed income, equities, hedged strategies, private capital, and real assets, are generally reported at the NAV reported by the fund managers. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, management has concluded, as a practical expedient, that the NAV approximates fair value.

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 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.

Futures Contracts—Fund managers may invest in short term futures contracts. The Garden employs futures contracts for the purpose of hedging its risks and rebalancing its market exposure. Futures are reflected at fair value.

Real Estate—The Garden holds direct real estate investments that are valued using the Sales Comparison Approach, a generally accepted appraisal methodology. Evaluations are carried out by independent appraisers and the investments are categorized as Level 3 within the fair value hierarchy.

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

	Classification as of June 30, 2019				Total
	Level 1	Level 2	Level 3	Investments Measured at NAV	
Cash and cash equivalents	\$32,301,579	\$ -	\$ -	\$ -	\$ 32,301,579
Futures contracts	463,307	-	-	-	463,307
Fixed-income securities—U.S. Treasuries	4,134,326	-	-	-	4,134,326
Fixed-income mutual funds	15,765,531	-	-	-	15,765,531
Equity mutual funds	35,815,672	-	-	-	35,815,672
Alternative investment and hedge funds:					
Cash and cash equivalents	243,456	-	-	-	243,456
Equity ^(a)	-	-	-	9,252,089	9,252,089
Absolute return and equity hedge ^(b)	-	-	-	208,711,508	208,711,508
Private ^(c)	-	-	-	26,646,858	26,646,858
Real estate	-	-	23,550,000	-	23,550,000
Interest rate swap valuation liability	-	(10,132,420)	-	-	(10,132,420)

Classification as of June 30, 2018

	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash and cash equivalents	\$22,565,469	\$ -	\$ -	\$ -	\$22,565,469
Fixed-income securities—U.S. 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
Real estate	-	-	22,450,000	-	22,450,000
Interest rate swap valuation liability	-	(7,640,814)	-	-	(7,640,814)

- ^(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 (5–10 years). Funds are locked up for periods ranging from one year to 30 months. As of June 30, 2019 and 2018, the percentage of fair value of the investments owned and classified as Level 1 by equity investment funds was 86% and 91%, 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 lockup of 12–24 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 extended periods.

In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position. Subsequent to the issuance of the 2018 financial statements, a correction in the amount of \$139,525,592 was made to the amount of alternative investment and hedge funds previously classified as Level 3, to classify, such as investments measured at NAV in the table. Additionally, a correction in the amount of \$7,640,814 was made to the interest rate swap valuation liability previously classified as Level 3, to classify, such as Level 2, as the inputs to the valuation methodology include inputs that are principally from, or corroborated by, observable market data by correlation or other means. These classification changes had no effect on the reported fair values or on the Garden’s consolidated financial statements.

Except for interest rate swaps and futures contracts, 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 \$21,911,621 and \$5,449,370 at June 30, 2019 and 2018, 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, 2019 and 2018, are summarized as follows:

	2019 Real Estate Holdings	2018 Real Estate Holdings
Balance—beginning of year	\$22,450,000	\$14,962,808
Purchases	-	-
Redemptions	-	-
Change in fair value (see Note 2)	<u>1,100,000</u>	<u>7,487,192</u>
Balance—end of year	<u>\$23,550,000</u>	<u>\$22,450,000</u>

In accordance with ASU No. 2009-12, *Fair Value Measurements and Disclosures*, disclosures regarding the category, fair value, unfunded commitments, frequency, for assets measured at NAV whose fair value is estimated using NAV per share as of June 30, 2019 and 2018, are summarized as follows:

June 30, 2019				
Category/Objective	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments— Equity ^(a)	\$ 9,252,089	\$ -	Daily	Daily
Alternative investments— Absolute return and Equity hedge ^(b)	208,711,508	416,654	Daily, monthly, bimonthly, quarterly, semiannually, annually	Daily – 90 days
Alternative investments— Private ^(c)	<u>26,646,858</u>	<u>21,494,967</u>	N/A	N/A
Total	<u>\$ 244,610,455</u>	<u>\$ 21,911,621</u>		

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	Bimonthly, quarterly, semiannually, annually	30-90 days
Alternative investments— Private ^(c)	<u>14,159,294</u>	<u>5,362,226</u>	N/A	N/A
Total	<u>\$ 139,525,592</u>	<u>\$ 5,449,370</u>		

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Gross contributions:		
Within one year	\$11,762,431	\$12,476,387
One to five years	10,536,666	16,919,131
More than five years	<u>6,700,000</u>	<u>8,150,000</u>
Total gross contributions	28,999,097	37,545,518
Allowance for uncollectible amounts	(1,775,000)	(2,216,009)
Discount to present value (applied discount rates range from 0.1% to 2.9%)	<u>(1,639,171)</u>	<u>(2,397,919)</u>
Net pledges receivable	<u>\$25,584,926</u>	<u>\$32,931,590</u>

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 bonds refunding revenue bond issued for the purpose of refunding an outstanding bridge loan with JPMorgan Chase (the “Bank”) 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 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 0.85% and 0.35% at June 30, 2019 and 2018, respectively. The Series 2009A bonds loan agreement requires monthly interest payments, which commenced on September 1, 2009, and annual principal payments that commenced July 1, 2015, with the final payment due 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 nonmarketable bonds would be purchased from the proceeds of the letter of credit agreement with the Bank, which expires on February 28, 2020. The agreement is renewed on an annual basis.

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, 2019, 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:

Years Ending June 30	Total
2020	\$17,821,667
2021	17,821,667
2022	17,821,666
Less unamortized discount and debt issuance costs	<u>(626,275)</u>
Total	<u>\$52,838,725</u>

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 125 basis points, at both June 30, 2019 and 2018. The current agreement expires on February 28, 2020. At June 30, 2019 and 2018, there were \$2,181,666 and \$2,521,667 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 2025. 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. Loan principal of \$500,004 was repaid during the years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, there were \$1,874,975 and \$2,374,979 borrowings outstanding, respectively.

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

Years Ending June 30	Series 2009A Bond	JPMorgan Chase Term Loan	JPMorgan Chase Credit Line	Total
2020	\$ 3,260,000	\$ 307,014	\$ 311,666	\$ 3,878,680
2021	3,480,000	289,470	340,000	4,109,470
2022	3,605,000	289,470	340,000	4,234,470
2023	3,790,000	289,470	340,000	4,419,470
2024	3,950,000	289,470	340,000	4,579,470
Thereafter	<u>35,380,000</u>	<u>410,081</u>	<u>510,000</u>	<u>36,300,081</u>
Total	<u>\$ 53,465,000</u>	<u>\$ 1,874,975</u>	<u>\$ 2,181,666</u>	<u>\$ 57,521,641</u>

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. 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 statements of financial position as an asset or (liability). The estimated fair value of the swap agreements is (\$10,132,420) and (\$7,640,814) at June 30, 2019 and 2018, respectively. Gains and losses on valuation are reported in the statement 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 years ended June 30, 2019 and 2018, equipment totaling \$871,911 and \$2,307,098, respectively, were financed by a capital lease.

Fiscal Year	2019	2018
Computer software	\$3,179,009	\$2,307,098
Less accumulated depreciation	<u>(623,501)</u>	<u>(547,543)</u>
	<u>\$2,555,508</u>	<u>\$1,759,555</u>

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, 2019:

Fiscal Year	
2020	\$ 864,391
2021	864,371
2022	731,057
2023	<u>191,548</u>
	2,651,367
Less interest	<u>(174,696)</u>
Present value of minimum lease payments	<u>\$2,476,671</u>

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 the City's 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, 2019 and 2018, 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,	
	2019	2018
Pension Protection Act Zone Status (certified by plan actuary)	Green	Green
Contributions made to the plan by the Garden	\$3,767,782	\$3,794,274
Contributions made by the Garden were in excess of 5% of total contributions to the plan?	Yes	Yes

In 2019, pension expense was \$4,061,745, including \$641,712 paid by the City. In 2018, pension expense was \$4,088,850, including \$608,379 paid by the City. 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, 2018, the date of the last actuarial valuation, the market value of CIRS plan assets was \$1.25 billion. Accumulated benefit liabilities of the plan were \$2.09 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 \$668,592 and \$605,091 to the plan in the years ended June 30, 2019 and 2018, respectively.

The Garden has a supplemental key executive deferred compensation agreements. Under the terms of the agreements, the obligations outstanding at June 30, 2019 and 2018, were \$150,000 and \$101,625, respectively, and are included in accrued expenses and other liabilities on the consolidated statement of financial position. Expenses incurred under the agreements during the years ended June 30, 2019 and 2018, were \$319,000 and \$385,000, respectively.

9. FIXED ASSETS

Title to substantially all of the land, and improvements, and buildings operated by the Garden is held by 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 2019 and 2018, the City allocated \$3,802,152 and \$8,572,185, respectively, for appropriations relating to capital projects. From 1990 to 2019, the City has contributed \$148,633,000 toward the Garden's capital expenses. The Garden also receives funding for capital projects from private and other sources have contributed approximately \$157,921,000.

Fixed assets as of June 30, 2019 and 2018, are summarized as follows:

	2019	2018
Land	\$ 9,053,130	\$ 9,053,130
Land improvements	80,087,946	79,124,386
Buildings	164,857,935	164,857,934
Building improvements	91,151,640	89,341,399
Equipment, furniture, and fixtures	22,448,060	21,835,908
Construction in progress	5,629,528	1,607,510
Conditional asset retirement costs	<u>4,200,000</u>	<u>4,200,000</u>
	377,428,239	370,020,267
Less accumulated depreciation	<u>(167,726,879)</u>	<u>(155,990,287)</u>
Total	<u>\$ 209,701,360</u>	<u>\$ 214,029,980</u>

Outstanding commitments for construction in progress were \$9,488,000 and \$3,290,000 at June 30, 2019 and 2018, respectively.

Depreciation expense for the year ended June 30, 2019, was \$11,736,592 (Program Services, \$9,976,937; Management and General, \$1,056,293; and Fundraising, \$703,362). Depreciation expense for the year ended June 30, 2018, was \$11,089,856 (Program Services, \$9,426,378; Management and General, \$998,087; and Fundraising, \$665,391).

The changes in the carrying value of the Garden's Conditional Asset Retirement Obligation for the years ended June 30, 2019 and 2018, are summarized as follows:

	2019	2018
Balance—beginning of year	\$2,732,420	\$2,662,702
Amortization of discount	<u>75,958</u>	<u>69,718</u>
Balance—end of year	<u><u>\$2,808,378</u></u>	<u><u>\$2,732,420</u></u>

10. DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets that are temporarily restricted as of June 30, 2019 and 2018, are available for the following purposes or periods:

	2019	2018 As Adjusted (See Note 2)
Investment earnings accumulated for program and other operating activities	\$64,079,744	\$61,750,281
Buildings and equipment	1,470,930	3,218,560
Pledges due in future years for program activities	<u>12,270,457</u>	<u>10,048,799</u>
Total	<u><u>\$77,821,131</u></u>	<u><u>\$75,017,640</u></u>

During the years ended June 30, 2019 and 2018, 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 \$32,636,882 and \$32,668,612 for operating purposes in 2019 and 2018, respectively. Purpose and time restrictions, met by program category, for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Purpose restrictions accomplished:		
Science	\$11,144,780	\$12,181,740
Horticulture	13,062,735	13,970,494
Education and outreach	<u>5,163,420</u>	<u>5,734,910</u>
Total restrictions released	<u><u>\$29,370,935</u></u>	<u><u>\$31,887,144</u></u>

Net assets with donor restrictions that are permanently restricted include investments that are held in perpetuity, the total return from which it is expendable to support, for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Program activities	\$195,068,173	\$192,712,246
Building operations	1,238,829	1,238,829
Any activity of the organization	<u>1,670,630</u>	<u>1,670,630</u>
 Total	 <u>\$197,977,632</u>	 <u>\$195,621,705</u>

Net assets with donor restrictions that are permanently restricted 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.

11. APPROPRIATIONS—CITY

Appropriations from the City for the years ended June 30, 2019 and 2018, are summarized as follows:

	2019	2018
General operating support	\$ 5,439,749	\$ 4,987,918
Energy appropriation	1,989,284	1,959,538
Pension contribution	641,712	608,379
Restricted program support	625,869	804,647
Capital support	<u>3,802,152</u>	<u>8,572,185</u>
 Total	 <u>\$12,498,766</u>	 <u>\$16,932,667</u>

12. TUITION FEES REVENUE

School of Professional Horticulture

Tuition fees revenue includes tuition and fees earned by the Garden's School of Professional Horticulture (the "School"). Student financial assistance received on behalf of students enrolled in the program (e.g., loans and grants funded by government and private sources) is reported as tuition fees 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, 2019 and 2018, were \$147,032 and \$151,425, respectively. Student refunds for 2019 were \$6,447. There were no student refunds in 2018.

The School of Professional Horticulture incurred operating expenses of \$379,865 and \$309,252, for the years ended June 30, 2019 and 2018, respectively.

School of Horticulture and Landscape Design

Tuition fees revenue earned by the Garden's School of Horticulture and Landscape Design were \$100,640 (net of refunds of \$2,884) and \$42,844 (net of refunds of \$455) for 2019 and 2018, respectively.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Garden structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. In the normal course of operations, the Garden expects to withdraw approximately \$15 million from its endowments annually.

The Garden's financial assets available to meet general expenditures within one year of June 30 are as follows

	2019
Cash and cash equivalents	\$10,535,113
Pledges receivable (due within one year)	11,762,431
Other receivables (due within one year)	1,316,918
Recoverable government-funded program expenditures (due within one year)	8,720,517
Other current assets	2,149,851
Investments designated for current use	<u>16,657,291</u>
Total financial assets available to management for general expenditures within one year	<u>\$51,142,121</u>

To help manage unanticipated liquidity needs the Garden has a committed line of credit of \$5,000,000 million which it could draw upon. Additionally, at June 30, 2019, the Garden has Endowment and Similar Funds of \$369,185,692 which included \$114,357,410 of Board designated funds. Although the Garden does not intend to spend its Board designated funds amounts from these funds could be made available if necessary. However both Board designated and donor restricted funds contain investments with lock-up provisions could reduce the total investments that could be made available.

14. RISKS AND UNCERTAINTIES

During the years ended June 30, 2019 and 2018, 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.

15. SUBSEQUENT EVENTS

The Garden has evaluated subsequent events as of December 23, 2019, and determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

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