

The New York Botanical Garden

Consolidated Financial Statements as of and for
the Years Ended June 30, 2020 and 2019, and
Independent Auditors' Report

THE NEW YORK BOTANICAL GARDEN

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019:	
Statements of Financial Position	3–4
Statements of Activities	5–6
Statements of Functional Expenses	7–8
Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10–31

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, 2020 and 2019, 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 financial position of the Garden as of June 30, 2020 and 2019, and the changes 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.

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 2020 and 2019 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 consolidated 2020 and 2019 financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2020 and 2019 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 2020 financial statements or to the consolidated 2020 and 2019 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 consolidated 2020 and 2019 financial statements as a whole.

Deloitte & Touche LLP

January 8, 2021

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) AS OF JUNE 30, 2020

	Supplemental Consolidating Fund Information				Total
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 16,450,826	\$ -	\$ 216,051	\$ -	\$ 16,666,877
ACCOUNTS AND INVESTMENT INCOME RECEIVABLE	980,871	188,702	-	-	1,169,573
GRANTS AND CONTRACTS RECEIVABLE	545,920	973,190	-	7,452,888	8,971,998
PLEDGES RECEIVABLE	-	7,576,016	9,059,342	1,616,785	18,252,143
INVENTORIES	1,101,428	-	-	-	1,101,428
PREPAID EXPENSES AND OTHER CURRENT ASSETS	207,931	632,332	-	144,065	984,328
FIXED ASSETS—Net	-	-	-	211,269,528	211,269,528
INVESTMENTS	259,389	4,948,738	341,949,706	-	347,157,833
DUE TO/FROM OTHER FUNDS	(11,928,872)	12,916,005	3,406,294	(4,393,427)	-
TOTAL ASSETS	\$ 7,617,493	\$27,234,983	\$354,631,393	\$216,089,839	\$605,573,708
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable	\$ 1,573,658	\$ 274,990	\$ -	\$ 1,467,817	\$ 3,316,465
Accrued expenses and other liabilities	1,717,788	1,573,085	-	-	3,290,873
Deferred income and refundable advances	269,372	447,240	-	2,740,551	3,457,163
Accrued vacation liability	2,433,565	580,231	-	-	3,013,796
Conditional asset retirement obligation	-	-	-	2,890,317	2,890,317
Interest rate swap valuation liability	-	-	-	13,493,825	13,493,825
Loans payable	-	-	-	3,409,627	3,409,627
Capital lease obligation	-	-	-	1,703,659	1,703,659
Long-term debt	-	-	-	49,626,900	49,626,900
Total liabilities	5,994,383	2,875,546	-	75,332,696	84,202,625
COMMITMENTS AND CONTINGENCIES					
NET ASSETS:					
Without donor restrictions:					
General operations	1,623,110	-	-	-	1,623,110
Designated for special programs	-	2,217,715	-	-	2,217,715
Nonoperating:					
Funds functioning as endowment	-	-	108,436,075	-	108,436,075
Designated for land, buildings, and equipment	-	-	-	7,452,888	7,452,888
Net investment in land, buildings, and equipment	-	-	-	131,687,470	131,687,470
Total nonoperating	-	-	108,436,075	139,140,358	247,576,433
Total without donor restrictions	1,623,110	2,217,715	108,436,075	139,140,358	251,417,258
With donor restrictions:					
Program activities	-	22,141,722	-	-	22,141,722
Unexpended endowment return	-	-	48,869,686	-	48,869,686
Land, buildings, and equipment	-	-	-	1,616,785	1,616,785
Permanently restricted	-	-	197,325,632	-	197,325,632
Total with donor restrictions	-	22,141,722	246,195,318	1,616,785	269,953,825
Total net assets	1,623,110	24,359,437	354,631,393	140,757,143	521,371,083
TOTAL LIABILITIES AND NET ASSETS	\$ 7,617,493	\$27,234,983	\$354,631,393	\$216,089,839	\$605,573,708

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, 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	-	-	-	130,616,264	130,616,264
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	-	-	197,977,632	-	197,977,632
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 ACTIVITIES (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) FOR THE YEAR ENDED JUNE 30, 2020

	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	\$ 8,120,669	\$ -	\$ 10,254,222	\$ 18,374,891	\$ 464,584	\$ 18,839,475
Grants and contracts:						
Federal	6,267,490	-	-	6,267,490	1,167,372	7,434,862
State	2,571,756	-	-	2,571,756	736,621	3,308,377
Private gifts, grants, and bequests	9,974,734	-	2,085,855	12,060,589	9,663,627	21,724,216
Special events	906,910	1,679,481	-	2,586,391	-	2,586,391
Less expenses incurred for special events	(1,406,356)	(397,127)	-	(1,803,483)	-	(1,803,483)
Special events—net	(499,446)	1,282,354	-	782,908	-	782,908
Net investment return and endowment return not used in operations	53,928	154,026	(2,669,745)	(2,461,791)	(8,106,769)	(10,568,560)
Endowment return used in operations	1,959,567	-	-	1,959,567	14,697,728	16,657,295
Tuition fees	2,224,117	315,766	-	2,539,883	-	2,539,883
Membership income	4,955,140	-	-	4,955,140	-	4,955,140
Admissions and tours	7,858,094	-	-	7,858,094	-	7,858,094
Auxiliary enterprises	3,244,927	103,423	-	3,348,350	-	3,348,350
Other	135,984	86,426	-	222,410	-	222,410
Net assets released from restrictions	3,889,685	15,238,827	5,339,589	24,468,101	(24,468,101)	-
Total revenues, support, and gains	<u>50,756,645</u>	<u>17,180,822</u>	<u>15,009,921</u>	<u>82,947,388</u>	<u>(5,844,938)</u>	<u>77,102,450</u>
EXPENSES AND OTHER DEDUCTIONS:						
Program services	36,661,875	16,728,764	13,450,134	66,840,773	-	66,840,773
Management and general	9,027,375	543,093	1,250,638	10,821,106	-	10,821,106
Fundraising	4,874,302	10,863	734,697	5,619,862	-	5,619,862
Total expenses and other deductions	<u>50,563,552</u>	<u>17,282,720</u>	<u>15,435,469</u>	<u>83,281,741</u>	<u>-</u>	<u>83,281,741</u>
INCREASE (DECREASE) BEFORE TRANSFERS AND NONOPERATING GAINS (LOSSES)	193,093	(101,898)	(425,548)	(334,353)	(5,844,938)	(6,179,291)
TRANSFERS	(107,587)	(186,734)	294,321	-	-	-
INCREASE (DECREASE) BEFORE DEFERRED TAX BENEFIT	85,506	(288,632)	(131,227)	(334,353)	(5,844,938)	(6,179,291)
DEFERRED TAX BENEFIT	-	18,439	-	18,439	-	18,439
NONOPERATING—Loss on valuation of interest rate swaps	-	-	(3,361,405)	(3,361,405)	-	(3,361,405)
CHANGES IN NET ASSETS	85,506	(270,193)	(3,492,632)	(3,677,319)	(5,844,938)	(9,522,257)
NET ASSETS—Beginning of year	1,537,604	2,487,908	251,069,065	255,094,577	275,798,763	530,893,340
NET ASSETS—End of year	<u>\$ 1,623,110</u>	<u>\$ 2,217,715</u>	<u>\$ 247,576,433</u>	<u>\$ 251,417,258</u>	<u>\$ 269,953,825</u>	<u>\$ 521,371,083</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	<u>(2,176,524)</u>	<u>(680,022)</u>	<u>-</u>	<u>(2,856,546)</u>	<u>-</u>	<u>(2,856,546)</u>
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	<u>7,378,563</u>	<u>15,994,235</u>	<u>5,998,137</u>	<u>29,370,935</u>	<u>(29,370,935)</u>	<u>-</u>
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	<u>5,124,746</u>	<u>20,715</u>	<u>704,196</u>	<u>5,849,657</u>	<u>-</u>	<u>5,849,657</u>
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	<u>(229,266)</u>	<u>(292,997)</u>	<u>522,263</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) BEFORE DEFERRED TAX EXPENSE	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	<u>-</u>	<u>-</u>	<u>(2,491,606)</u>	<u>(2,491,606)</u>	<u>-</u>	<u>(2,491,606)</u>
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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	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	\$ 5,073,539	\$ 4,730,589	\$4,209,767	\$3,272,779	\$4,368,408	\$ 4,386,800	\$26,041,882	\$ 5,863,453	\$2,941,635	\$34,846,970
Fringe benefits	2,081,197	1,985,233	1,450,205	1,347,735	1,549,118	1,626,325	10,039,813	1,961,400	1,187,103	13,188,316
Professional fees	109,656	1,002,169	344,922	655,862	81,026	779,980	2,973,615	332,196	244,645	3,550,456
Supplies and materials	205,154	728,412	317,774	101,364	81,818	76,581	1,511,103	83,743	12,222	1,607,068
Telecommunications	22,928	23,533	13,956	162,515	3,390	21,169	247,491	118,203	5,743	371,437
Postage and shipping	19,324	197,074	2,122	103,597	151,965	-	474,082	10,688	11,301	496,071
Utilities and occupancy	-	28,313	148,578	831	45,158	2,293,238	2,516,118	-	592	2,516,710
Equipment operating costs	90,402	151,522	73,891	38,224	9,291	157,078	520,408	296,279	30,311	846,998
Equipment purchases	27,821	33,517	18,304	29,860	32,681	38,272	180,455	75,497	12,735	268,687
Printing and publications	295,500	71,054	12,906	292,443	260,969	7,722	940,594	175,758	38,425	1,154,777
Travel and fieldwork	466,119	45,277	47,064	10,624	41,561	4,457	615,102	5,629	11,721	632,452
Conferences and meetings	18,084	14,398	27,387	86,423	-	7,587	153,879	16,601	76,376	246,856
Bank and investment fees	1,123	6,205	67,284	217,400	121,541	33,725	447,278	206,392	11,519	665,189
Insurance	891	144,501	134,120	134,120	-	134,120	547,752	268,240	268,240	1,084,232
Cost of goods sold	13,912	1,200	-	2,218	1,135,123	-	1,152,453	-	-	1,152,453
Advertising and marketing	-	-	-	2,119,848	42,559	23	2,162,430	-	-	2,162,430
Miscellaneous	<u>268,359</u>	<u>1,293,192</u>	<u>50,060</u>	<u>202,662</u>	<u>430,330</u>	<u>621,581</u>	<u>2,866,184</u>	<u>156,389</u>	<u>32,597</u>	<u>3,055,170</u>
Total operating expenses	<u>8,694,009</u>	<u>10,456,189</u>	<u>6,918,340</u>	<u>8,778,505</u>	<u>8,354,938</u>	<u>10,188,658</u>	<u>53,390,639</u>	<u>9,570,468</u>	<u>4,885,165</u>	<u>67,846,272</u>
NONOPERATING EXPENSES:										
Noncapitalized expenditures for land, buildings, and equipment	15,138	-	-	-	15,096	31,953	62,187	148,593	-	210,780
Interest, fees, and amortization	1,255,240	908,496	173,593	-	642,418	-	2,979,747	-	-	2,979,747
Depreciation	<u>2,124,177</u>	<u>2,530,218</u>	<u>2,558,354</u>	<u>-</u>	<u>607,337</u>	<u>2,588,114</u>	<u>10,408,200</u>	<u>1,102,045</u>	<u>734,697</u>	<u>12,244,942</u>
Total nonoperating expenses	<u>3,394,555</u>	<u>3,438,714</u>	<u>2,731,947</u>	<u>-</u>	<u>1,264,851</u>	<u>2,620,067</u>	<u>13,450,134</u>	<u>1,250,638</u>	<u>734,697</u>	<u>15,435,469</u>
TOTAL EXPENSES	<u>\$12,088,564</u>	<u>\$13,894,903</u>	<u>\$9,650,287</u>	<u>\$8,778,505</u>	<u>\$9,619,789</u>	<u>\$12,808,725</u>	<u>\$66,840,773</u>	<u>\$10,821,106</u>	<u>\$5,619,862</u>	<u>\$83,281,741</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	10,058,101	10,276,928	7,219,870	10,938,398	9,354,715	10,772,971	58,620,983	9,267,323	5,146,295	73,034,601
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	3,311,696	3,074,317	2,768,441	1,670	1,156,312	2,365,574	12,678,010	1,060,012	703,362	14,441,384
TOTAL EXPENSES	\$13,369,797	\$13,351,245	\$9,988,311	\$10,940,068	\$10,511,027	\$13,138,545	\$71,298,993	\$10,327,335	\$5,849,657	\$87,475,985

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (9,522,257)	\$ 2,463,295
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	12,244,942	11,736,592
Amortization of discount on conditional asset retirement obligation	81,939	75,958
Actuarial (loss) gain on annuity obligations	(10,868)	(39,555)
Loss (gain) on valuation of interest rate swaps	3,361,405	2,491,606
Deferred tax (benefit) expense	(18,439)	113,090
Amortization of bond issue costs and bond discount	48,175	48,175
Amortization of discount on pledges receivable	(90,885)	(758,748)
Contributions designated for permanently restricted endowment	(2,208,000)	(13,520,248)
Grants and contributions designated for land, buildings, and equipment	(16,111,246)	(6,434,131)
Stock gifts	(1,035,317)	(847,612)
Net realized and unrealized losses (gains) on investments	(6,158,537)	(20,084,858)
Decrease (increase) in operating assets:		
Accounts receivable and investment income receivable	147,345	478,830
Grants and contracts receivable	(251,481)	(686)
Pledges receivable	7,423,668	8,105,412
Inventories	(372,115)	58,660
Prepaid expenses and other assets	454,649	(116,640)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,098,540)	60,302
Accrued expenses and other liabilities	(524,428)	37,970
Deferred income and refundable advances	2,580,301	(34,053)
Accrued vacation liability	320,416	(125,518)
Net cash and cash equivalents used in operating activities	<u>(10,739,273)</u>	<u>(16,292,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities/sales of investments	80,957,219	541,631,478
Purchases of investments	(64,036,868)	(536,166,139)
Purchase of fixed assets	<u>(13,813,110)</u>	<u>(7,407,972)</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>3,107,241</u>	<u>(1,942,633)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for endowment	2,208,000	13,520,248
Grants and contributions received for fixed assets	16,111,246	6,434,131
Payment of annuity obligations	(98,055)	(100,930)
Issuance of annuity obligations	222,635	22,142
Proceeds of capital lease and credit line	5,000,000	871,911
Repayment of long-term debt	(3,260,000)	(3,190,000)
Repayments of credit line, bank term loan payable, and capital lease	<u>(6,420,030)</u>	<u>(1,385,203)</u>
Net cash and cash equivalents provided by financing activities	<u>13,763,796</u>	<u>16,172,299</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,131,764	(2,062,493)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>10,535,113</u>	<u>12,597,606</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 16,666,877</u>	<u>\$ 10,535,113</u>
SUPPLEMENTARY INFORMATION:		
Interest paid	<u>\$ 2,827,183</u>	<u>\$ 2,389,024</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, 2020 AND 2019

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 trusts 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— The Garden considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for such assets held as part of the long-term

investment strategy of the endowment funds. A substantial portion of the Garden's cash is maintained at two financial institutions. From time to time, the Garden could be exposed to credit risk related to cash deposited with financial institutions in excess of federally insured limits. However, management does not believe that the Garden is exposed to any significant credit risk related to its cash and cash equivalents.

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 51.32% and 46.13% for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, no impairments were recorded.

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 \$4,948,738 and \$4,796,182 at June 30, 2020 and 2019, respectively. The liability for the present value of deferred gifts was \$1,564,143 and \$1,450,430 at June 30, 2020 and 2019, 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.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases are as related costs are incurred. Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange

transactions are recognized when the barrier is satisfied. Funds received in advance (for an exchange transaction prior to the performance obligation being satisfied; or for a contribution non-exchange transaction, prior to the condition being achieved) are recorded as deferred revenue in the consolidated statements of financial position.

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 and disclosure of contingent assets and liabilities at the date of the consolidated 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 \$214,000 of botanical books for the year ended June 30, 2020 and other contributions of approximately \$2,400 for the year ended June 30, 2019. In-kind contributions were recorded at fair value as gift revenue and as miscellaneous expenses.

Donated Services—Volunteers donated approximately 41,900 hours and 98,700 hours during the years ended June 30, 2020 and 2019, 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*. The reduction in volunteer hours is attributed to the closure of the Garden from March 16, 2020 through July 21, 2020.

Expenses and Other Deductions

The Garden's basis for allocating functional expenses is determined by the organization's chart of accounts structure, which includes a segment for organizational division. Functional expenses are allocated principally by the divisional segment code.

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, 2020 or 2019. 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, 2020.

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. This ASU is effective for the Garden’s fiscal year ending June 30, 2021, at which time it expects to adopt the new standard. 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's fiscal year ending June 30, 2023, 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 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 adopted this ASU on July 1, 2019 and the adoption did not have a material impact on its consolidated financial statements.

In August 2018, the FASB issues ASU No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance eliminates, modifies, and adds certain disclosures on fair value measurements. This ASU is effective for the Garden's fiscal year ending June 30, 2021. The Garden is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind, in an effort to improve transparency in reporting nonprofit gifts-in-kind. This ASU is effective for the Garden's fiscal year ending June 30, 2022. The Garden is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

COVID-19 Pandemic—On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in financial markets and the overall global economy. The resolution and impact of these ongoing events is highly uncertain.

In New York, measures were put in place to control the spread of COVID-19 in March 2020. Such measures included quarantines, shelter-in-place orders, school closings, travel restrictions and the closure of non-essential businesses. The Garden was required to close its doors to the public during the period from March 16, 2020 through July 21, 2020 in order to comply with these measures. Revenue streams such as Membership, Admissions and tours as well as Auxiliary enterprises were significantly impacted by the closure of the Garden.

In response to the aforementioned pandemic, the Cares Act was enacted on March 27, 2020. The Cares Act provided additional avenues of relief to the Garden through the Paycheck Protection Program which is administered by the Small Business Administration. Prior to June 30, 2020, the Garden applied for and received \$8,535,542 in funding from this program (\$5,994,991 of which is included in the Federal grants line of the consolidated statement of activities for the year ended June 30, 2020).

3. INVESTMENTS

The carrying value of investments as of June 30, 2020 and 2019, is as follows:

	2020			
	General Operations	Special Programs	Endowment and Similar Funds	Total
Cash and cash equivalents	\$259,389	\$ 756,085	\$ 28,611,841	\$ 29,627,315
Futures contracts	-	-	6,009	6,009
Fixed-income securities—				
U.S. Treasuries	-	4,192,653	-	4,192,653
Fixed-income mutual funds	-	-	3,441,175	3,441,175
Equity mutual funds	-	-	42,917,620	42,917,620
Alternative investment and hedge funds:				
Equity	-	-	3,892,515	3,892,515
Absolute return and equity hedge	-	-	210,732,874	210,732,874
Private	-	-	27,897,672	27,897,672
Real estate	-	-	24,450,000	24,450,000
Total	<u>\$259,389</u>	<u>\$4,948,738</u>	<u>\$341,949,706</u>	<u>\$347,157,833</u>
	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>

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 investments, 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 investment 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 \$16,657,295 and \$15,775,096 drawdowns to support operations for 2020 and 2019, respectively. The effective rates for the years ended June 30, 2020 and 2019, were 5.02% and 5.1%, respectively.

The investment return (loss) and its classification in the consolidated statements of activities for the years ended June 30, 2020 and 2019, are summarized as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest income	\$ 189,595	\$ 1,405,659	\$ 1,595,254
Less investment fees	(29,676)	(1,635,380)	(1,665,056)
Net realized and unrealized gains	<u>(662,143)</u>	<u>6,820,680</u>	<u>6,158,537</u>
 Total gain on investments—net of investment fees	 (502,224)	 6,590,959	 6,088,735
Endowment return used in operations	<u>(1,959,567)</u>	<u>(14,697,728)</u>	<u>(16,657,295)</u>
Net investment loss	<u>\$ (2,461,791)</u>	<u>\$ (8,106,769)</u>	<u>\$ (10,568,560)</u>
	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>

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, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ -	\$ 197,325,632	\$ 197,325,632
Board-designated funds	108,436,075	-	108,436,075
Net appreciation of donor-restricted net assets available for appropriation	<u>-</u>	<u>48,869,686</u>	<u>48,869,686</u>
Total	<u>\$ 108,436,075</u>	<u>\$ 246,195,318</u>	<u>\$ 354,631,393</u>

Changes in donor-restricted and board-designated endowment and similar funds for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance—beginning of the year	\$ 114,357,410	\$ 254,828,282	\$ 369,185,692
Contributions	650,000	448,000	1,098,000
Net investment return	(710,177)	6,590,959	5,880,782
Amounts appropriated for expenditure and other changes	<u>(5,861,158)</u>	<u>(15,671,923)</u>	<u>(21,533,081)</u>
Balance—end of year	<u>\$ 108,436,075</u>	<u>\$ 246,195,318</u>	<u>\$ 354,631,393</u>

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>

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, 2020				
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash and cash equivalents	\$29,627,315	\$ -	\$ -	\$ -	\$ 29,627,315
Futures contracts	6,009	-	-	-	6,009
Fixed-income securities—U.S. Treasuries	4,192,653	-	-	-	4,192,653
Fixed-income mutual funds	3,441,175	-	-	-	3,441,175
Equity mutual funds	42,917,620	-	-	-	42,917,620
Alternative investment and hedge funds:					
Cash and cash equivalents	-	-	-	-	-
Equity ^(a)	-	-	-	3,892,515	3,892,515
Absolute return and equity hedge ^(b)	-	-	-	210,732,874	210,732,874
Private ^(c)	-	-	-	27,897,672	27,897,672
Real estate	-	-	24,450,000	-	24,450,000
Interest rate swap valuation liability	-	(13,493,825)	-	-	(13,493,825)

	Classification as of June 30, 2019				
	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
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)

^(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, 2020, and 2019, the percentage of fair value of the investments owned and classified as Level 1 by equity investment funds was 90% and 86%, 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.

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 \$26,569,287 and \$21,911,621 at June 30, 2020 and 2019, 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, 2020 and 2019, are summarized as follows:

	Real Estate Holdings	
	2020	2019
Balance—beginning of year	\$ 23,550,000	\$ 22,450,000
Purchases	-	-
Redemptions	-	-
Change in fair value	<u>900,000</u>	<u>1,100,000</u>
Balance—end of year	<u>\$ 24,450,000</u>	<u>\$ 23,550,000</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, 2020 and 2019, are summarized as follows:

	June 30, 2020			
Category/Objective	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments—Equity ^(a)	\$ 3,892,511	\$ -	Monthly, semi-annually	30–90 days
Alternative investments—Absolute return and Equity hedge ^(b)	210,732,874	5,729,399	Daily, monthly, bimonthly, quarterly, semiannually, annually	Daily–90 days
Alternative investments—Private ^(c)	<u>27,897,672</u>	<u>20,839,888</u>	N/A	N/A
Total	<u>\$242,523,057</u>	<u>\$26,569,287</u>		

Category/Objective	June 30, 2019			
	Fair Value Determined Using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments—Equity ^(a)	\$ 9,252,089	\$ -	Monthly, quarterly annually	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>		

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Gross contributions:		
Within one year	\$ 8,088,234	\$ 11,762,431
One to five years	6,887,196	10,536,666
More than five years	<u>6,600,000</u>	<u>6,700,000</u>
Total gross contributions	21,575,430	28,999,097
Allowance for uncollectible amounts	(1,775,000)	(1,775,000)
Discount to present value (applied discount rates range from 0.1% to 2.9%)	<u>(1,548,287)</u>	<u>(1,639,171)</u>
Net pledges receivable	<u>\$ 18,252,143</u>	<u>\$ 25,584,926</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 1.00% and 0.85% at June 30, 2020 and 2019, 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, 2021. 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, 2020, 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
2021	\$ 16,735,000
2022	16,735,000
2023	16,735,000
Less unamortized discount and debt issuance costs	<u>(578,100)</u>
 Total	 <u>\$ 49,626,900</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 \$10,000,000, with variable interest at London InterBank Offered Rate (LIBOR), plus 80 basis points. The interest rate on the credit line was LIBOR, plus 80 and 75 basis points, at June 30, 2020 and 2019, respectively. The current agreement expires on February 28, 2021. At June 30, 2020 and 2019, there were \$1,841,666 and \$2,181,666 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 100-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 amounts of \$307,014 and \$500,004 were repaid during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, there were \$1,567,961 and \$1,874,975 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
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
2025	4,075,000	289,470	340,000	4,704,470
Thereafter	<u>31,305,000</u>	<u>120,611</u>	<u>141,666</u>	<u>31,567,277</u>
Total	<u>\$ 50,205,000</u>	<u>\$ 1,567,961</u>	<u>\$ 1,841,666</u>	<u>\$ 53,614,627</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 (\$13,493,825) and (\$10,132,420) at June 30, 2020 and 2019, respectively. Gains and losses on valuation are reported in the 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 years ended June 30, 2020 and 2019, equipment totaling \$0 and \$871,911, were financed by a capital lease.

Fiscal Year	2020	2019
Computer software	\$ 3,179,009	\$ 3,179,009
Less accumulated depreciation	<u>(1,531,604)</u>	<u>(623,501)</u>
	<u>\$ 1,647,405</u>	<u>\$ 2,555,508</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, 2020:

Fiscal Year

2021	\$ 864,371
2022	731,057
2023	191,743
2024	<u>-</u>
	1,787,171
Less interest	<u>(83,512)</u>
Present value of minimum lease payments	<u>\$ 1,703,659</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, 2020 and 2019, 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	
	<u>Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Pension Protection Act Zone Status (certified by plan actuary)	Green	Green
Contributions made to the plan by the Garden	\$ 3,782,523	\$ 3,767,782
Contributions made by the Garden were in excess of 5% of total contributions to the plan?	Yes	Yes

In 2020, pension expense was \$3,984,966, including \$614,608 paid by the City. In 2019, pension expense was \$4,061,745, including \$641,712 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, 2019 the date of the last actuarial valuation, the market value of CIRS plan assets was \$1.26 billion. Accumulated benefit liabilities of the plan were \$2.34 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 \$696,518 and \$668,592 to the plan in the years ended June 30, 2020 and 2019, respectively.

The Garden has a supplemental key executive deferred compensation agreements. Under the terms of the agreements, the obligations outstanding at June 30, 2020 and 2019, were \$235,000 and \$150,000, respectively, and are included in accrued expenses and other liabilities on the consolidated statements of financial position. Expenses incurred under the agreements during the years ended June 30, 2020 and 2019, were \$359,000 and \$319,000, respectively.

9. FIXED ASSETS

Title to substantially all of the land, buildings, and improvements 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 2020 and 2019, the City allocated \$10,254,222 and \$3,802,152, respectively, for appropriations relating to capital projects. From 1990 to 2020, the City has contributed \$158,887,000 toward the Garden's capital expenses. The Garden also receives funding for capital projects from private and other sources which have contributed approximately \$159,357,000.

Fixed assets as of June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Land	\$ 9,053,130	\$ 9,053,130
Land improvements	80,127,729	80,087,946
Buildings	164,857,935	164,857,935
Building improvements	108,092,881	91,151,640
Equipment, furniture, and fixtures	23,697,963	22,448,060
Construction in progress	1,211,712	5,629,528
Conditional asset retirement costs	<u>4,200,000</u>	<u>4,200,000</u>
	391,241,350	377,428,239
Less accumulated depreciation	<u>(179,971,822)</u>	<u>(167,726,879)</u>
Total	<u>\$ 211,269,528</u>	<u>\$ 209,701,360</u>

Outstanding commitments for construction in progress were \$3,856,467 and \$9,488,000 at June 30, 2020 and 2019, respectively.

Depreciation expense for the year ended June 30, 2020, was \$12,244,942 (Program Services, \$10,408,200; Management and General, \$1,102,045; and Fundraising, \$734,697). 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).

The changes in the carrying value of the Garden's Conditional Asset Retirement Obligation for the years ended June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Balance—beginning of year	\$ 2,808,378	\$ 2,732,420
Amortization of discount	<u>81,939</u>	<u>75,958</u>
Balance—end of year	<u>\$ 2,890,317</u>	<u>\$ 2,808,378</u>

10. DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets that are temporarily restricted as of June 30, 2020 and 2019, are available for the following purposes or periods:

	2020	2019
Investment earnings accumulated for program and other operating activities	\$ 63,435,392	\$ 64,079,744
Buildings and equipment	1,616,785	1,470,930
Pledges due in future years for program activities	<u>7,576,016</u>	<u>12,270,457</u>
Total	<u>\$ 72,628,193</u>	<u>\$ 77,821,131</u>

During the years ended June 30, 2020 and 2019, 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. Purpose and time restrictions, met by program category, for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Purpose restrictions accomplished:		
Science	\$ 8,523,014	\$ 11,144,780
Horticulture	11,713,609	13,062,735
Education and outreach	<u>4,231,478</u>	<u>5,163,420</u>
Total restrictions released	<u>\$ 24,468,101</u>	<u>\$ 29,370,935</u>

For the years ended June 30, 2020 and 2019, net assets with donor restrictions that are permanently restricted include investments that are held in perpetuity, the total return from which is expendable to support:

	2020	2019
Program activities	\$ 194,416,173	\$ 195,068,173
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>\$ 197,325,632</u>	<u>\$ 197,977,632</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 OF NEW YORK

Appropriations from the City of New York for the years ended June 30, 2020 and 2019, are summarized as follows:

	2020	2019
General operating support	\$ 5,657,008	\$ 5,439,749
Energy appropriation	1,849,053	1,989,284
Pension contribution	614,608	641,712
Restricted program support	464,584	625,869
Capital support	<u>10,254,222</u>	<u>3,802,152</u>
Total	<u>\$ 18,839,475</u>	<u>\$ 12,498,766</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, 2020 and 2019, were \$155,800 and \$147,032, respectively. Student refunds for 2019 were \$6,447. There were no refunds in 2020.

The School of Professional Horticulture incurred operating expenses of \$317,165 and \$379,865, for the years ended June 30, 2020 and 2019, respectively.

School of Horticulture and Landscape Design—Tuition fees revenue earned by the Garden’s School of Horticulture and Landscape Design were \$52,336 (net of refunds of \$8,200) and \$100,640 (net of refunds of \$2,884) for 2020 and 2019, 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:

	2020
Cash and cash equivalents	\$ 16,666,877
Pledges receivable (due within one year)	8,088,234
Other receivables (due within one year)	1,169,633
Recoverable government-funded program expenditures (due within one year)	8,971,998
Other current assets	2,085,756
Investments designated for current use	<u>20,000,000</u>
 Total financial assets available to management for general expenditures within one year	 <u><u>\$ 56,982,498</u></u>

To help manage unanticipated liquidity needs the Garden has a committed line of credit of \$10,000,000 million which it could draw upon (see Note 7). Additionally, at June 30, 2020, the Garden has Endowment and Similar Funds of \$354,631,393 which include \$108,436,075 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 which could reduce the total investments that could be made available.

14. RISKS AND UNCERTAINTIES

During the years ended June 30, 2020 and 2019, 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 through January 8, 2021, the date the consolidated financial statements were available to be issued, and determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

* * * * *