

The New York Botanical Garden

Consolidated Financial Statements as of and
for the Years Ended June 30, 2023 and 2022,
Supplementary Information as of and for the
Year Ended June 30, 2023, and
Independent Auditor's Report

THE NEW YORK BOTANICAL GARDEN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The New York Botanical Garden
Bronx, New York

Opinion

We have audited the consolidated financial statements of The New York Botanical Garden (the "Garden"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Garden as of June 30, 2023 and 2022, and the changes in their net assets and in their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Garden and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Garden's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Garden's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplemental Consolidating Fund Information and Financial Responsibility Supplemental Schedule

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 2023 and 2022 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. The financial responsibility supplemental schedule as of and for the year ended June 30, 2023, is also presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplementary consolidating fund information and the financial responsibility supplemental schedule are the responsibility of the Garden's management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2023 and 2022 consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the 2023 and 2022 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 2023 and 2022 consolidated financial statements or to the 2023 and 2022 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is fairly stated in all material respects in relation to the 2023 and 2022 consolidated financial statements as a whole.

Deloitte & Touche LLP

December 20, 2023

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (WITH SUPPLEMENTAL CONSOLIDATING FUND INFORMATION) AS OF JUNE 30, 2023

| | Supplemental Consolidating Fund Information | | | | Total |
|--|---|---------------------|-----------------------------|------------------------|----------------------|
| | General Operations | Special Programs | Endowment and Similar Funds | Building and Equipment | |
| ASSETS | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 32,537,380 | \$ 709,337 | \$ 442,085 | \$ - | \$ 33,688,802 |
| ACCOUNTS AND INVESTMENT INCOME RECEIVABLE | 1,284,366 | 93,422 | - | - | 1,377,788 |
| GRANTS AND CONTRACTS RECEIVABLE | 3,477,054 | 956,153 | - | 1,516,294 | 5,949,501 |
| PLEDGES RECEIVABLE | - | 3,061,071 | 6,090,755 | 1,107,157 | 10,258,983 |
| INVENTORIES | 879,597 | - | - | - | 879,597 |
| PREPAID EXPENSES AND OTHER CURRENT ASSETS | 246,967 | 228,966 | - | 216,906 | 692,839 |
| FIXED ASSETS—Net | - | - | - | 184,459,515 | 184,459,515 |
| RIGHT-OF-USE ASSET | 383,610 | - | - | - | 383,610 |
| INVESTMENTS | 163,610 | 25,327,094 | 392,722,518 | - | 418,213,222 |
| DUE TO/FROM OTHER FUNDS | (27,745,775) | 23,610,088 | 4,755,234 | (619,547) | - |
| TOTAL ASSETS | <u>\$ 11,226,809</u> | <u>\$53,986,131</u> | <u>\$404,010,592</u> | <u>\$186,680,325</u> | <u>\$655,903,857</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 5,420,853 | \$ 213 | \$ - | \$ - | \$ 5,421,066 |
| Accrued expenses and other liabilities | 1,371,069 | 1,527,805 | - | 53,800 | 2,952,674 |
| Deferred income and refundable advances | 643,444 | 243,466 | - | - | 886,910 |
| Accrued vacation liability | 1,699,547 | 315,358 | - | - | 2,014,905 |
| Conditional asset retirement obligation | - | - | - | 3,169,611 | 3,169,611 |
| Interest rate swap valuation liability | - | - | - | 1,967,462 | 1,967,462 |
| Lease liability | 386,095 | - | - | - | 386,095 |
| Long-term debt | - | - | - | 38,896,425 | 38,896,425 |
| Total liabilities | <u>9,521,008</u> | <u>2,086,842</u> | <u>-</u> | <u>44,087,298</u> | <u>55,695,148</u> |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| NET ASSETS: | | | | | |
| Without donor restrictions: | | | | | |
| General operations | 1,705,801 | - | - | - | 1,705,801 |
| Designated for special programs | - | 27,858,986 | - | - | 27,858,986 |
| Nonoperating: | | | | | |
| Funds functioning as endowment | - | - | 120,191,023 | - | 120,191,023 |
| Designated for land, buildings, and equipment | - | - | - | 1,516,294 | 1,516,294 |
| Net investment in land, buildings, and equipment | - | - | - | 136,772,793 | 136,772,793 |
| Total nonoperating | - | - | 120,191,023 | 138,289,087 | 258,480,110 |
| Total without donor restrictions | <u>1,705,801</u> | <u>27,858,986</u> | <u>120,191,023</u> | <u>138,289,087</u> | <u>288,044,897</u> |
| With donor restrictions: | | | | | |
| Program activities | - | 24,040,303 | - | - | 24,040,303 |
| Unexpended endowment return | - | - | 79,157,757 | - | 79,157,757 |
| Land, buildings, and equipment | - | - | - | 4,303,940 | 4,303,940 |
| Permanently restricted | - | - | 204,661,812 | - | 204,661,812 |
| Total with donor restrictions | - | 24,040,303 | 283,819,569 | 4,303,940 | 312,163,812 |
| Total net assets | <u>1,705,801</u> | <u>51,899,289</u> | <u>404,010,592</u> | <u>142,593,027</u> | <u>600,208,709</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 11,226,809</u> | <u>\$53,986,131</u> | <u>\$404,010,592</u> | <u>\$186,680,325</u> | <u>\$655,903,857</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, 2022

| | Supplemental Consolidating Fund Information | | | | Total |
|--|---|---------------------|-----------------------------|------------------------|----------------------|
| | General Operations | Special Programs | Endowment and Similar Funds | Building and Equipment | |
| ASSETS | | | | | |
| CASH AND CASH EQUIVALENTS | \$ 38,980,843 | \$ 1,349,517 | \$ 234,470 | \$ - | \$ 40,564,830 |
| ACCOUNTS AND INVESTMENT INCOME RECEIVABLE | 1,455,693 | 78,023 | - | - | 1,533,716 |
| GRANTS AND CONTRACTS RECEIVABLE | 2,861,915 | 715,476 | - | 4,127,789 | 7,705,180 |
| PLEDGES RECEIVABLE | - | 4,313,346 | 6,439,814 | 175,000 | 10,928,160 |
| INVENTORIES | 777,212 | - | - | - | 777,212 |
| PREPAID EXPENSES AND OTHER CURRENT ASSETS | 890,037 | 389,654 | - | 39,259 | 1,318,950 |
| FIXED ASSETS—Net | - | - | - | 193,842,791 | 193,842,791 |
| INVESTMENTS | 266,694 | 31,119,520 | 376,656,913 | - | 408,043,127 |
| DUE TO/FROM OTHER FUNDS | <u>(35,248,427)</u> | <u>31,454,014</u> | <u>4,665,611</u> | <u>(871,198)</u> | <u>-</u> |
| TOTAL ASSETS | \$ 9,983,967 | \$69,419,550 | \$387,996,808 | \$197,313,641 | \$664,713,966 |
| LIABILITIES AND NET ASSETS | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 4,970,756 | \$ 3,889 | \$ - | \$ - | \$ 4,974,645 |
| Accrued expenses and other liabilities | 1,213,335 | 1,655,910 | - | 41,735 | 2,910,980 |
| Deferred income and refundable advances | 684,089 | 37,638 | - | - | 721,727 |
| Accrued vacation liability | 1,463,015 | 447,271 | - | - | 1,910,286 |
| Conditional asset retirement obligation | - | - | - | 3,071,165 | 3,071,165 |
| Interest rate swap valuation liability | - | - | - | 4,263,553 | 4,263,553 |
| Capital lease obligation | - | - | - | 188,133 | 188,133 |
| Long-term debt | - | - | - | 42,638,250 | 42,638,250 |
| Total liabilities | <u>8,331,195</u> | <u>2,144,708</u> | <u>-</u> | <u>50,202,836</u> | <u>60,678,739</u> |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| NET ASSETS: | | | | | |
| Without donor restrictions: | | | | | |
| General operations | <u>1,652,772</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,652,772</u> |
| Designated for special programs | <u>-</u> | <u>32,245,382</u> | <u>-</u> | <u>-</u> | <u>32,245,382</u> |
| Nonoperating: | | | | | |
| Funds functioning as endowment | - | - | 115,879,577 | - | 115,879,577 |
| Designated for land, buildings, and equipment | - | - | - | 4,127,790 | 4,127,790 |
| Net investment in land, buildings, and equipment | - | - | - | 138,488,156 | 138,488,156 |
| Total nonoperating | <u>-</u> | <u>-</u> | <u>115,879,577</u> | <u>142,615,946</u> | <u>258,495,523</u> |
| Total without donor restrictions | <u>1,652,772</u> | <u>32,245,382</u> | <u>115,879,577</u> | <u>142,615,946</u> | <u>292,393,677</u> |
| With donor restrictions: | | | | | |
| Program activities | - | 35,029,460 | - | - | 35,029,460 |
| Unexpended endowment return | - | - | 67,990,599 | - | 67,990,599 |
| Land, buildings, and equipment | - | - | - | 4,494,859 | 4,494,859 |
| Permanently restricted | - | - | 204,126,632 | - | 204,126,632 |
| Total with donor restrictions | <u>-</u> | <u>35,029,460</u> | <u>272,117,231</u> | <u>4,494,859</u> | <u>311,641,550</u> |
| Total net assets | <u>1,652,772</u> | <u>67,274,842</u> | <u>387,996,808</u> | <u>147,110,805</u> | <u>604,035,227</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 9,983,967 | \$69,419,550 | \$387,996,808 | \$197,313,641 | \$664,713,966 |

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, 2023

| | 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 | \$ 9,966,375 | \$ - | \$ 97,068 | \$ 10,063,443 | \$ 926,867 | \$ 10,990,310 |
| Grants and contracts: | | | | | | |
| Federal | 1,232,532 | - | - | 1,232,532 | 1,317,455 | 2,549,987 |
| State | 3,212,252 | - | - | 3,212,252 | 20,294 | 3,232,546 |
| Private gifts, grants, and bequests | 9,118,016 | - | 2,203,657 | 11,321,673 | 7,718,083 | 19,039,756 |
| Special events | 1,501,806 | 1,440,016 | - | 2,941,822 | - | 2,941,822 |
| Less expenses incurred for special events | (1,494,813) | (615,026) | - | (2,109,839) | - | (2,109,839) |
| Special events—net | 6,993 | 824,990 | - | 831,983 | - | 831,983 |
| Net investment return and endowment return not used in operations | 600,815 | 436,152 | 2,049,655 | 3,086,622 | 11,319,697 | 14,406,319 |
| Endowment return used in operations | 2,503,036 | - | - | 2,503,036 | 15,696,966 | 18,200,002 |
| Tuition fees | 2,613,700 | 374,756 | - | 2,988,456 | - | 2,988,456 |
| Membership income | 6,392,385 | - | - | 6,392,385 | - | 6,392,385 |
| Admissions and tours | 13,695,526 | - | - | 13,695,526 | - | 13,695,526 |
| Auxiliary enterprises | 5,630,178 | 264,843 | - | 5,895,021 | - | 5,895,021 |
| Other | 486,171 | 2,693,671 | 4,160 | 3,184,002 | - | 3,184,002 |
| Net assets released from restrictions | 768,831 | 18,784,753 | 10,283,392 | 29,836,976 | (29,836,976) | - |
| Total revenues, support, and gains | 56,226,810 | 23,379,165 | 14,637,932 | 94,243,907 | 7,162,386 | 101,406,293 |
| EXPENSES AND OTHER DEDUCTIONS: | | | | | | |
| Program services | 45,205,595 | 19,449,741 | 14,101,359 | 78,756,695 | - | 78,756,695 |
| Management and general | 11,851,996 | 976,234 | 2,616,179 | 15,444,409 | - | 15,444,409 |
| Fundraising | 5,644,720 | 13,951 | 771,901 | 6,430,572 | - | 6,430,572 |
| Total expenses and other deductions | 62,702,311 | 20,439,926 | 17,489,439 | 100,631,676 | - | 100,631,676 |
| (DECREASE) INCREASE BEFORE TRANSFERS AND NONOPERATING GAINS (LOSSES) | (6,475,501) | 2,939,239 | (2,851,507) | (6,387,769) | 7,162,386 | 774,617 |
| TRANSFERS | (257,868) | (282,135) | 540,003 | - | - | - |
| (DECREASE) INCREASE BEFORE DEFERRED TAX BENEFIT | (6,733,369) | 2,657,104 | (2,311,504) | (6,387,769) | 7,162,386 | 774,617 |
| DEFERRED TAX EXPENSE | - | (257,102) | - | (257,102) | - | (257,102) |
| TRANSFER FROM SPECIAL PROGRAMS | 6,786,398 | (6,786,398) | - | - | - | - |
| ACTIVITY IN THE LEGACY TRUST | - | - | - | - | (6,640,124) | (6,640,124) |
| GAIN ON VALUATION OF INTEREST RATE SWAPS AND ACTUARIAL LOSSES | - | - | 2,296,091 | 2,296,091 | - | 2,296,091 |
| CHANGES IN NET ASSETS | 53,029 | (4,386,396) | (15,413) | (4,348,780) | 522,262 | (3,826,518) |
| NET ASSETS—Beginning of year | 1,652,772 | 32,245,382 | 258,495,523 | 292,393,677 | 311,641,550 | 604,035,227 |
| NET ASSETS—End of year | \$ 1,705,801 | \$27,858,986 | \$258,480,110 | \$288,044,897 | \$312,163,812 | \$600,208,709 |

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, 2022

| | 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 | \$ 8,885,551 | \$ - | \$ 90,580 | \$ 8,976,131 | \$ 401,805 | \$ 9,377,936 |
| Grants and contracts: | | | | | | |
| Federal | 10,564,488 | - | - | 10,564,488 | 878,009 | 11,442,497 |
| State | 2,729,514 | - | - | 2,729,514 | 25,810 | 2,755,324 |
| Private gifts, grants, and bequests | 10,113,753 | - | 7,141,839 | 17,255,592 | 7,023,459 | 24,279,051 |
| Special events | 1,369,031 | 1,037,292 | - | 2,406,323 | - | 2,406,323 |
| Less expenses incurred for special events | (1,302,739) | (518,243) | - | (1,820,982) | - | (1,820,982) |
| Special events—net | 66,292 | 519,049 | - | 585,341 | - | 585,341 |
| Net investment return and endowment return not used in operations | (778) | (816,576) | (5,604,505) | (6,421,859) | (52,439,549) | (58,861,408) |
| Endowment return used in operations | 2,538,355 | - | - | 2,538,355 | 16,461,645 | 19,000,000 |
| Tuition fees | 2,454,383 | 196,891 | - | 2,651,274 | - | 2,651,274 |
| Membership income | 6,498,921 | - | - | 6,498,921 | - | 6,498,921 |
| Admissions and tours | 17,005,759 | - | - | 17,005,759 | - | 17,005,759 |
| Auxiliary enterprises | 6,750,514 | 237,348 | - | 6,987,862 | - | 6,987,862 |
| Other | 1,251,878 | 81,526 | 98,366 | 1,431,770 | - | 1,431,770 |
| Net assets released from restrictions | - | 18,796,737 | 7,927,579 | 26,724,316 | (26,724,316) | - |
| Total revenues, support, and gains | 68,858,630 | 19,014,975 | 9,653,859 | 97,527,464 | (54,373,137) | 43,154,327 |
| EXPENSES AND OTHER DEDUCTIONS: | | | | | | |
| Program services | 43,243,706 | 17,560,174 | 15,404,550 | 76,208,430 | - | 76,208,430 |
| Management and general | 10,676,809 | 610,699 | 1,184,390 | 12,471,898 | - | 12,471,898 |
| Fundraising | 5,867,572 | 17,926 | 782,341 | 6,667,839 | - | 6,667,839 |
| Total expenses and other deductions | 59,788,087 | 18,188,799 | 17,371,281 | 95,348,167 | - | 95,348,167 |
| INCREASE (DECREASE) BEFORE TRANSFERS AND NONOPERATING GAINS (LOSSES) | 9,070,543 | 826,176 | (7,717,422) | 2,179,297 | (54,373,137) | (52,193,840) |
| TRANSFERS | (1,384,299) | (247,233) | 1,631,532 | - | - | - |
| INCREASE (DECREASE) BEFORE DEFERRED TAX BENEFIT | 7,686,244 | 578,943 | (6,085,890) | 2,179,297 | (54,373,137) | (52,193,840) |
| DEFERRED TAX EXPENSE | - | (222,283) | - | (222,283) | - | (222,283) |
| TRANSFER TO SPECIAL PROGRAMS | (7,656,582) | 7,656,582 | - | - | - | - |
| ACTIVITY IN THE LEGACY TRUST | - | - | - | - | (6,060,539) | (6,060,539) |
| (LOSS) GAIN ON VALUATION OF INTEREST RATE SWAPS AND ACTUARIAL LOSSES | - | (226,507) | 5,375,250 | 5,148,743 | - | 5,148,743 |
| CHANGES IN NET ASSETS | 29,662 | 7,786,735 | (710,640) | 7,105,757 | (60,433,676) | (53,327,919) |
| NET ASSETS—Beginning of year | 1,623,110 | 24,458,647 | 259,206,163 | 285,287,920 | 372,075,226 | 657,363,146 |
| NET ASSETS—End of year | \$ 1,652,772 | \$32,245,382 | \$258,495,523 | \$292,393,677 | \$311,641,550 | \$604,035,227 |

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

| | 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 | \$ 5,002,576 | \$ 5,044,935 | \$ 5,643,282 | \$ 4,070,398 | \$ 4,848,970 | \$ 4,721,376 | \$29,331,537 | \$ 7,219,819 | \$2,913,758 | \$ 39,465,114 |
| Fringe benefits | 1,931,943 | 2,023,406 | 1,887,860 | 1,556,578 | 1,646,830 | 1,657,294 | 10,703,911 | 2,204,395 | 1,138,621 | 14,046,927 |
| Professional fees | 200,366 | 2,660,272 | 639,881 | 979,546 | 92,260 | 1,028,518 | 5,600,843 | 814,171 | 853,009 | 7,268,023 |
| Supplies and materials | 227,336 | 939,492 | 352,152 | 115,691 | 70,815 | 45,151 | 1,750,637 | 51,209 | 17,796 | 1,819,642 |
| Telecommunications | 25,509 | 22,947 | 5,609 | 166,310 | 3,596 | 14,006 | 237,977 | 132,548 | 166 | 370,691 |
| Postage and shipping | 16,122 | 247,203 | 1,898 | 44,089 | 191,438 | 1,179 | 501,929 | 7,196 | 20,099 | 529,224 |
| Utilities and occupancy | 3,350 | 16,224 | 295,507 | 4,922 | 75,063 | 2,964,172 | 3,359,238 | 9,102 | - | 3,368,340 |
| Equipment operating costs | 140,739 | 244,335 | 116,180 | 116,954 | 21,984 | 300,185 | 940,377 | 492,127 | 17,347 | 1,449,851 |
| Equipment purchases | 70,517 | 66,936 | 57,122 | 42,061 | 56,387 | 84,335 | 377,358 | 52,214 | 17,801 | 447,373 |
| Printing and publications | 268,651 | 254,022 | 13,368 | 222,455 | 280,631 | 1,158 | 1,040,285 | 453,632 | 49,320 | 1,543,237 |
| Travel and fieldwork | 661,111 | 49,888 | 136,867 | 25,451 | 34,021 | 18,145 | 925,483 | 29,709 | 45,352 | 1,000,544 |
| Conferences and meetings | 15,193 | 25,402 | 88,293 | 110,862 | 1,306 | 21,455 | 262,511 | 58,198 | 95,725 | 416,434 |
| Bank and investment fees | 494 | 3,818 | 74,740 | 327,202 | 274,533 | 49,517 | 730,304 | 200,172 | 31,829 | 962,305 |
| Insurance | - | 173,738 | 170,445 | 170,445 | - | 170,445 | 685,073 | 340,890 | 340,890 | 1,366,853 |
| Cost of goods sold | 6,988 | 161 | 120 | - | 2,160,246 | - | 2,167,515 | 42 | - | 2,167,557 |
| Advertising and marketing | - | - | - | 2,605,726 | 45,519 | - | 2,651,245 | - | - | 2,651,245 |
| Miscellaneous | 93,124 | 1,608,334 | 113,118 | 416,023 | 517,413 | 641,100 | 3,389,112 | 762,806 | 116,958 | 4,268,876 |
| Total operating expenses | <u>8,664,019</u> | <u>13,381,113</u> | <u>9,596,442</u> | <u>10,974,713</u> | <u>10,321,012</u> | <u>11,718,036</u> | <u>64,655,335</u> | <u>12,828,230</u> | <u>5,658,671</u> | <u>83,142,236</u> |
| NONOPERATING EXPENSES: | | | | | | | | | | |
| Noncapitalized expenditures for land, buildings, and equipment | - | - | - | - | - | 1,356,651 | 1,356,651 | 1,458,327 | - | 2,814,978 |
| Interest, fees, and amortization | 762,241 | 551,682 | 105,414 | - | 390,106 | - | 1,809,443 | - | - | 1,809,443 |
| Depreciation | 1,955,777 | 2,521,080 | 3,169,583 | - | 701,109 | 2,587,717 | 10,935,266 | 1,157,852 | 771,901 | 12,865,019 |
| Total nonoperating expenses | <u>2,718,018</u> | <u>3,072,762</u> | <u>3,274,997</u> | <u>-</u> | <u>1,091,215</u> | <u>3,944,368</u> | <u>14,101,360</u> | <u>2,616,179</u> | <u>771,901</u> | <u>17,489,440</u> |
| TOTAL EXPENSES | <u>\$11,382,037</u> | <u>\$16,453,875</u> | <u>\$12,871,439</u> | <u>\$10,974,713</u> | <u>\$11,412,227</u> | <u>\$15,662,404</u> | <u>\$78,756,695</u> | <u>\$15,444,409</u> | <u>\$6,430,572</u> | <u>\$ 100,631,676</u> |

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

| | 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 | \$ 4,895,722 | \$ 4,622,631 | \$ 4,459,541 | \$ 3,581,032 | \$ 4,462,992 | \$ 4,154,125 | \$26,176,043 | \$ 6,609,305 | \$2,686,342 | \$35,471,690 |
| Fringe benefits | 2,025,781 | 2,032,946 | 1,577,083 | 1,541,263 | 1,558,902 | 1,565,771 | 10,301,746 | 1,951,250 | 1,184,067 | 13,437,063 |
| Professional fees | 137,552 | 2,228,108 | 628,397 | 922,641 | 89,669 | 1,261,020 | 5,267,387 | 803,171 | 1,393,793 | 7,464,351 |
| Supplies and materials | 218,269 | 621,510 | 293,887 | 67,276 | 34,119 | 221,520 | 1,456,581 | 43,148 | 13,420 | 1,513,149 |
| Telecommunications | 21,381 | 22,548 | 8,965 | 207,189 | 3,420 | 15,860 | 279,363 | 95,578 | 722 | 375,663 |
| Postage and shipping | 29,566 | 192,016 | 3,679 | 26,931 | 180,468 | 1,211 | 433,871 | 8,731 | 23,936 | 466,538 |
| Utilities and occupancy | - | 64,055 | 160,845 | 824 | 72,048 | 2,994,195 | 3,291,967 | 3,635 | - | 3,295,602 |
| Equipment operating costs | 73,205 | 208,262 | 40,028 | 72,190 | 13,461 | 496,167 | 903,313 | 312,186 | 16,007 | 1,231,506 |
| Equipment purchases | 56,231 | 48,507 | 32,728 | 53,788 | 76,907 | 69,894 | 338,055 | 129,224 | 24,836 | 492,115 |
| Printing and publications | 261,964 | 192,618 | 6,815 | 213,203 | 268,533 | 5,618 | 948,751 | 199,629 | 55,846 | 1,204,226 |
| Travel and fieldwork | 615,475 | 13,179 | 59,395 | 8,645 | 15,441 | 13,532 | 725,667 | 9,883 | 6,206 | 741,756 |
| Conferences and meetings | 7,023 | 39,919 | 50,516 | 71,085 | 1,008 | 26,953 | 196,504 | 69,628 | 116,082 | 382,214 |
| Bank and investment fees | 169 | 3,805 | 77,007 | 414,399 | 293,651 | 42,289 | 831,320 | 230,442 | 29,722 | 1,091,484 |
| Insurance | 49 | 137,087 | 134,759 | 134,759 | - | 134,759 | 541,413 | 269,518 | 269,518 | 1,080,449 |
| Cost of goods sold | 2,350 | - | 2,294 | - | 2,690,574 | - | 2,695,218 | - | - | 2,695,218 |
| Advertising and marketing | - | - | 4,500 | 2,681,441 | 33,919 | - | 2,719,860 | - | - | 2,719,860 |
| Miscellaneous | 70,427 | 1,659,509 | 73,326 | 601,716 | 746,088 | 545,755 | 3,696,821 | 552,180 | 65,001 | 4,314,002 |
| Total operating expenses | 8,415,164 | 12,086,700 | 7,613,765 | 10,598,382 | 10,541,200 | 11,548,669 | 60,803,880 | 11,287,508 | 5,885,498 | 77,976,886 |
| NONOPERATING EXPENSES: | | | | | | | | | | |
| Noncapitalized expenditures for land, buildings, and equipment | 16,540 | - | - | - | - | 1,664,431 | 1,680,971 | 10,879 | - | 1,691,850 |
| Interest, fees, and amortization | 1,112,295 | 805,038 | 153,824 | - | 569,260 | - | 2,640,417 | - | - | 2,640,417 |
| Depreciation | 2,161,265 | 2,635,585 | 2,981,308 | - | 717,088 | 2,587,916 | 11,083,162 | 1,173,511 | 782,341 | 13,039,014 |
| Total nonoperating expenses | 3,290,100 | 3,440,623 | 3,135,132 | - | 1,286,348 | 4,252,347 | 15,404,550 | 1,184,390 | 782,341 | 17,371,281 |
| TOTAL EXPENSES | \$11,705,264 | \$15,527,323 | \$10,748,897 | \$10,598,382 | \$11,827,548 | \$15,801,016 | \$76,208,430 | \$12,471,898 | \$6,667,839 | \$95,348,167 |

See notes to consolidated financial statements.

THE NEW YORK BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (3,826,518) | \$(53,327,919) |
| Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities: | | |
| Depreciation | 12,865,019 | 13,039,014 |
| Amortization of discount on conditional asset retirement obligation | 98,446 | 93,173 |
| Actuarial (loss) gain on annuity obligations | (125,348) | 226,507 |
| Loss (gain) on valuation of interest rate swaps | (2,296,091) | (5,375,250) |
| Deferred tax expense | 257,102 | 222,283 |
| Amortization of bond issue costs and bond discount | 48,175 | 48,175 |
| Amortization of discount on pledges receivable | (279,647) | (246,991) |
| Contributions designated for permanently restricted endowment | (1,435,180) | (6,028,313) |
| Grants and contributions designated for land, buildings, and equipment | (919,200) | (4,315,000) |
| Stock gifts | (1,834,745) | (1,904,479) |
| Net realized and unrealized (gains) losses on investments | (24,286,144) | 47,658,924 |
| Decrease (increase) in operating assets: | | |
| Accounts receivable and investment income receivable | 155,928 | (191,118) |
| Grants and contracts receivable | 1,755,679 | 5,627,119 |
| Pledges receivable | 948,822 | 3,953,420 |
| Inventories | (102,385) | 110,765 |
| Prepaid expenses and other assets | 369,005 | (682,170) |
| Right-of-use asset | 107,120 | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 446,422 | 791,718 |
| Accrued expenses and other liabilities | 233,936 | (1,148,997) |
| Deferred income and refundable advances | 165,183 | (981,264) |
| Accrued vacation liability | 104,619 | (227,491) |
| Lease liability | (104,635) | - |
| Net cash and cash equivalents used in operating activities | <u>(17,654,437)</u> | <u>(2,657,894)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from maturities/sales of investments | 80,493,186 | 68,628,650 |
| Purchases of investments | (64,542,431) | (51,316,005) |
| Purchase of fixed assets | <u>(3,481,743)</u> | <u>(4,578,135)</u> |
| Net cash and cash equivalents provided by investing activities | <u>12,469,012</u> | <u>12,734,510</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Contributions received for endowment | 1,435,180 | 6,028,313 |
| Grants and contributions received for fixed assets | 919,200 | 4,315,000 |
| Payment of annuity obligations | (66,850) | (102,107) |
| Repayment of long-term debt | (3,790,000) | (3,605,000) |
| Repayments of credit line, bank term loan payable, and capital lease | <u>(188,133)</u> | <u>(3,488,758)</u> |
| Net cash and cash equivalents (used in) provided by financing activities | <u>(1,690,603)</u> | <u>3,147,448</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (6,876,028) | 13,224,064 |
| CASH AND CASH EQUIVALENTS—Beginning of year | <u>40,564,830</u> | <u>27,340,766</u> |
| CASH AND CASH EQUIVALENTS—End of year | <u>\$ 33,688,802</u> | <u>\$ 40,564,830</u> |
| SUPPLEMENTARY INFORMATION—Interest paid | <u>\$ 1,612,964</u> | <u>\$ 2,268,061</u> |
| LEASE ASSETS ACQUIRED IN EXCHANGE FOR LEASE OBLIGATIONS | <u>\$ 488,968</u> | <u>\$ -</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, 2023 AND 2022

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 accompanying consolidated financial statements also include the activities of The LuEsther T. Mertz Legacy Trust for The New York Botanical Garden (the “Legacy Trust”). The Legacy Trust was created on May 12, 2021, and was organized for the benefit of the Garden. The Garden controls the majority voting interest in the Legacy Trust, and the Garden benefits from any income generated by the Legacy Trust’s assets. The Legacy Trust contributed \$750,000 and \$1,020,000 to the Garden during the fiscal years ended June 30, 2023 and 2022, respectively.

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 53.29% and 51.86% for the years ended June 30, 2023 and 2022, 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, certain real estate holdings 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. Investments with significant unobservable inputs for assets or liabilities, such as shares in privately held companies, are considered to be Level 3 investments.

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, 2023 and 2022, 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 \$5,327,094 and \$5,119,520 at June 30, 2023 and 2022, respectively. The liability for the present value of deferred gifts was \$1,356,636 and \$1,548,877 at June 30, 2023 and 2022, 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 nonexchange 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 nonexchange 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 nonexchange 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 in-kind donations of services totaling approximately \$236,000 during the year ended June 30, 2023. These amounts were reflected in Private gifts, grants, and bequests. The Garden received no in-kind donations during the year ended June 30, 2022. In-kind contributions are recorded at fair value as gift revenue and as miscellaneous expenses.

Donated Services—Volunteers donated approximately 31,931 hours and 23,005 hours during the years ended June 30, 2023 and 2022, 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

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, 2023 and 2022. 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, 2023.

Accounting Standards Update Adopted in the Current Year—In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (ASU No. 2016-02 or ASC 842). ASU No. 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases.

The Garden adopted ASC 842, along with related clarifications and improvements, on July 1, 2022, using the effective date as the date of initial application. Results for the year ended June 30, 2022, are presented under Topic 842. Comparative period information prior to the effective date continues to be presented in accordance with its historic accounting under the previous lease guidance, ASC 840, *Leases (Topic 840)*.

The Garden has opted to elect the package of transition practical expedients that permits it to not reassess its prior conclusions for any expired or existing contracts at the application date of ASC 842, about lease identification, lease classification, and initial direct costs. The Garden chose not to elect the use-of-hindsight practical expedient to reassess lease term. The Garden also adopted the practical expedient that allows the company to maintain its legacy accounting for land easements existing on the date of adoption. The Garden also elected the practical expedient provided to lessees to not separate lease and nonlease components for all leases, and the practical expedient to not recognize a right-of-use asset and lease liability for leases with a term of 12 months or less. Upon adoption as of July 1, 2022, the Garden recognized operating lease right-of-use assets and lease liabilities amounting to \$383,610 and \$386,095 respectively, within the consolidated statement of financial position. There was not a material impact to the Garden’s consolidated statement of activities and changes in net assets upon adoption. See Note 7 for additional information.

In September 2020, the FASB issued ASU No. 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 ended June 30, 2022. The Garden adopted ASU No. 2020-07 on July 1, 2021, and the adoption did not have a material impact on its consolidated financial statements.

Transfers to and from Special Programs—The Garden transferred \$6,786,398 from its special programs to its general operations during the fiscal year ended June 30, 2023. The Garden transferred \$7,656,582 from its general operations to its special programs during the fiscal year ended June 30, 2022.

Related-Party Transactions—The Garden paid one of its trustees \$23,000 for services rendered during the fiscal year ended June 30, 2023. The Trustee provided exhibition art and advisory services to the Garden. The Garden also paid \$61,000 to a company in which one of its board members has an interest. The company provided scientific tree and shrub care to the Garden. The company was paid \$46,200 in 2022 and the Trustee was paid \$23,125 during the fiscal year ended June 30, 2022. The amounts paid to the Trustee were included in expenses for one of the Garden’s programs. The amounts that were paid to the company were recorded as amounts for landscaping in one of the Garden’s programs as well as expenditures in some capital projects.

The Garden paid two past presidents \$144,000 and \$107,000 for services rendered during the fiscal year ended June 30, 2023. They were paid \$137,000 and \$358,000 for services rendered during the fiscal year ended June 30, 2022. The past presidents provided consulting services during leadership transition and these amounts were included in management and general expenses.

3. INVESTMENTS

The carrying value of investments as of June 30, 2023 and 2022, is as follows:

| | 2023 | | | Total |
|---|---------------------------|-------------------------|------------------------------------|----------------------|
| | General Operations | Special Programs | Endowment and Similar Funds | |
| Cash and cash equivalents | \$161,841 | \$ 147,973 | \$ 35,099,300 | \$ 35,409,114 |
| Futures | - | - | 185,523 | 185,523 |
| Fixed-income securities | 1,562 | 2,080,232 | 1,336,740 | 3,418,534 |
| Equity mutual funds | 207 | 3,098,889 | 44,633,591 | 47,732,687 |
| Alternative investment and hedge funds: | | | | |
| Equity | - | 20,000,000 | 4,824,045 | 24,824,045 |
| Absolute return and equity hedge | - | - | 238,974,974 | 238,974,974 |
| Private | - | - | 27,168,345 | 27,168,345 |
| Real estate | - | - | 40,500,000 | 40,500,000 |
| Total | <u>\$163,610</u> | <u>\$25,327,094</u> | <u>\$392,722,518</u> | <u>\$418,213,222</u> |

| | 2022 | | | |
|---|-------------------------------|-----------------------------|--|-----------------------------|
| | General Operations | Special Programs | Endowment and Similar Funds | Total |
| Cash and cash equivalents | \$156,934 | \$ 313,747 | \$ 27,958,453 | \$ 28,429,134 |
| Futures | - | - | 19,199 | 19,199 |
| Fixed-income securities | 109,553 | 1,809,023 | 2,029,216 | 3,947,792 |
| Equity mutual funds | 207 | 2,996,750 | 36,065,981 | 39,062,938 |
| Alternative investment and hedge funds: | | | | |
| Equity | - | 26,000,000 | 5,909,770 | 31,909,770 |
| Absolute return and equity hedge | - | - | 229,512,549 | 229,512,549 |
| Private | - | - | 32,861,745 | 32,861,745 |
| Real estate | - | - | 42,300,000 | 42,300,000 |
| Total | <u>\$266,694</u> | <u>\$31,119,520</u> | <u>\$376,656,913</u> | <u>\$408,043,127</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 \$18,200,002 and \$19,000,000 drawdowns to support operations for 2023 and 2022, respectively. The effective rates for the years ended June 30, 2023 and 2022, were 4.94% and 4.62%, respectively.

The investment return (loss) and its classification in the consolidated statements of activities for the years ended June 30, 2023 and 2022, is summarized as follows:

| | 2023 | | |
|---|---------------------------------------|------------------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Dividends and interest income | \$ 844,528 | \$ 2,830,781 | \$ 3,675,309 |
| Less investment fees | (29,293) | (1,325,839) | (1,355,132) |
| Net realized and unrealized gains | <u>4,774,423</u> | <u>25,511,721</u> | <u>30,286,144</u> |
| Total gain on investments—net of investment fees | 5,589,658 | 27,016,663 | 32,606,321 |
| Endowment return used in operations | <u>(2,503,036)</u> | <u>(15,696,966)</u> | <u>(18,200,002)</u> |
| Net investment gain | <u>\$ 3,086,622</u> | <u>\$ 11,319,697</u> | <u>\$ 14,406,319</u> |
| | 2022 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Dividends and interest income | \$ 218,427 | \$ 2,242,918 | \$ 2,461,345 |
| Less investment fees | (27,789) | (1,636,040) | (1,663,829) |
| Net realized and unrealized losses | <u>(4,074,142)</u> | <u>(36,584,782)</u> | <u>(40,658,924)</u> |
| Total loss on investments—net of investment fees | (3,883,504) | (35,977,904) | (39,861,408) |
| Endowment return used in operations | <u>(2,538,355)</u> | <u>(16,461,645)</u> | <u>(19,000,000)</u> |
| Net investment loss | <u>\$(6,421,859)</u> | <u>\$(52,439,549)</u> | <u>\$(58,861,408)</u> |

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

Changes in donor-restricted and board-designated endowment and similar funds for the year ended June 30, 2023, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|-----------------------|
| Balance—beginning of the year | \$ 115,879,577 | \$ 272,117,231 | \$ 387,996,808 |
| Contributions | 340,000 | 746,118 | 1,086,118 |
| Net investment return | 4,552,655 | 27,016,658 | 31,569,313 |
| Amounts appropriated for expenditure and other changes | <u>(581,209)</u> | <u>(16,060,438)</u> | <u>(16,641,647)</u> |
| Balance—end of year | <u>\$ 120,191,023</u> | <u>\$ 283,819,569</u> | <u>\$ 404,010,592</u> |

Changes in donor-restricted and board-designated endowment and similar funds for the year ended June 30, 2022, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|-----------------------|
| Balance—beginning of the year | \$ 118,648,637 | \$ 321,457,664 | \$ 440,106,301 |
| Contributions | 5,744,896 | 697,141 | 6,442,037 |
| Net investment return | (5,468,905) | (33,575,927) | (39,044,832) |
| Amounts appropriated for expenditure and other changes | <u>(3,045,051)</u> | <u>(16,461,647)</u> | <u>(19,506,698)</u> |
| Balance—end of year | <u>\$ 115,879,577</u> | <u>\$ 272,117,231</u> | <u>\$ 387,996,808</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. Equity investments in privately held corporations are valued using estimates.

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, 2023 | | | | Total |
|---|------------------------------------|-------------|------------|-----------------------------|---------------|
| | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | |
| Cash and cash equivalents | \$35,409,114 | \$ - | \$ - | \$ - | \$ 35,409,114 |
| Futures | 185,523 | - | - | - | 185,523 |
| Fixed-income securities | 3,418,534 | - | - | - | 3,418,534 |
| Equity mutual funds | 47,732,687 | - | - | - | 47,732,687 |
| Alternative investment and hedge funds: | | | | | |
| Cash and cash equivalents | - | - | - | - | - |
| Equity ^(a) | - | - | 20,000,000 | 4,824,045 | 24,824,045 |
| Absolute return and equity hedge ^(b) | - | - | - | 238,974,974 | 238,974,974 |
| Private ^(c) | - | - | - | 27,168,345 | 27,168,345 |
| Real estate | - | - | 40,500,000 | - | 40,500,000 |
| Interest rate swap valuation liability | - | (1,967,462) | - | - | (1,967,462) |

Classification as of June 30, 2022

| | Level 1 | Level 2 | Level 3 | Investments Measured at NAV | Total |
|--|--------------|-----------|------------|-----------------------------------|---------------|
| Cash and cash equivalents | \$28,429,134 | \$ - | \$ - | \$ - | \$ 28,429,134 |
| Futures | 19,199 | - | - | - | 19,199 |
| Fixed-income securities | 3,947,792 | - | - | - | 3,947,792 |
| Equity mutual funds | 39,062,938 | - | - | - | 39,062,938 |
| Alternative investment and hedge funds: | | | | | |
| Cash and cash equivalents | - | - | - | - | - |
| Equity ^(a) | - | - | 26,000,000 | 5,909,770 | 31,909,770 |
| Absolute return and equity hedge ^(b) | - | - | - | 229,512,549 | 229,512,549 |
| Private ^(c) | - | - | - | 32,861,745 | 32,861,745 |
| Real estate | - | - | 42,300,000 | - | 42,300,000 |
| Interest rate swap valuation liability | - | 4,263,553 | - | - | 4,263,553 |

- (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, 2023 and 2022, the percentage of fair value of the investments owned and classified as Level 1 by equity investment funds was 72% and 78%, 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-term investments and produce returns that can be expected to correlate more closely with the performance of the equity markets than with 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.

The changes in the fair value of the Garden's Level 3 assets for the years ended June 30, 2023 and 2022, are summarized as follows:

| | Level 3 | |
|-----------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| Balance—beginning of year | \$ 68,300,000 | \$ 64,422,500 |
| Purchases and contributions | - | - |
| Redemptions | - | - |
| Change in fair value | <u>(7,800,000)</u> | <u>3,877,500</u> |
| Balance—end of year | <u>\$ 60,500,000</u> | <u>\$ 68,300,000</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, 2023 and 2022, are summarized as follows:

| Category/Objective | 2023 | | | |
|---|--|---------------------------------|--|---|
| | Fair Value Determined Using NAV | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative investments—equity ^(a) | \$ 4,824,045 | \$ - | Monthly, semiannually | 30–90 days |
| Alternative investments—absolute return and equity hedge ^(b) | 238,974,974 | 2,827,858 | Daily, monthly, bimonthly, quarterly, semiannually, annually | Daily–90 days |
| Alternative investments—private ^(c) | <u>27,168,345</u> | <u>5,411,695</u> | N/A | N/A |
| Total | <u>\$ 270,967,364</u> | <u>\$ 8,239,553</u> | | |

| Category/Objective | 2022 | | | |
|---|---------------------------------|----------------------|--|--------------------------|
| | Fair Value Determined Using NAV | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative investments—equity ^(a) | \$ 5,909,770 | \$ - | Monthly, semiannually | 30–90 days |
| Alternative investments—absolute return and equity hedge ^(b) | 229,512,549 | 3,878,708 | Daily, monthly, bimonthly, quarterly, semiannually, annually | Daily–90 days |
| Alternative investments—private ^(c) | <u>32,861,745</u> | <u>5,566,712</u> | N/A | N/A |
| Total | <u>\$ 268,284,064</u> | <u>\$ 9,445,420</u> | | |

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30, 2023 and 2022:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Gross contributions: | | |
| Within one year | \$ 2,912,903 | \$ 5,188,716 |
| One to five years | 3,950,000 | 1,327,050 |
| More than five years | <u>5,000,000</u> | <u>6,500,000</u> |
| Total gross contributions | 11,862,903 | 13,015,766 |
| Allowance for uncollectible amounts | (793,092) | (997,131) |
| Discount to present value (applied discount rates range from 0.1% to 2.9%) | <u>(810,828)</u> | <u>(1,090,475)</u> |
| Net pledges receivable | <u>\$ 10,258,983</u> | <u>\$ 10,928,160</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 0.33% at June 30, 2023. The Series 2009A bonds loan agreement requires monthly interest payments, which commenced on September 1, 2009, and annual principal payments that commenced on July 1, 2015, with the final payment due on July 1, 2032. Issuance costs and discount on the bonds are being amortized over the term of the bond issue.

The Series 2009A bondholders have the option to put the bonds back to the Trust. The bonds are subject to remarketing efforts by the remarketing agent. To the extent that such remarketing efforts were unsuccessful, the nonmarketable bonds would be purchased from the proceeds of the letter of credit agreement with the Bank, which expires on May 30, 2025.

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, 2023, 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 |
|---|-----------------------------|
| 2024 | \$ 13,110,000 |
| 2025 | 13,110,000 |
| 2026 | 13,110,000 |
| Less unamortized discount and debt issuance costs | <u>(433,575)</u> |
| Total | <u>\$ 38,896,425</u> |

The aggregate principal payments due on long-term debt are as follows:

| Years Ending June 30 | Series 2009A Bond |
|---------------------------------|------------------------------|
| 2024 | \$ 3,950,000 |
| 2025 | 4,075,000 |
| 2026 | 4,260,000 |
| 2027 | 3,945,000 |
| 2028 | 4,160,000 |
| Thereafter | <u>18,940,000</u> |
| Total | <u>\$ 39,330,000</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 original 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 London InterBank Offered Rate (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 original 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 in the Garden’s consolidated statements of financial position as an asset or liability. The estimated fair value of the swap agreements is \$(1,967,462) and \$(4,263,553) at June 30, 2023 and 2022, respectively. Gains or losses on valuation are reported in the consolidated statements of activities as nonoperating gains or losses.

8. LEASES

The Garden has entered into finance 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. The Garden did not enter into any finance lease agreements during the years ended June 30, 2023 and 2022.

| Fiscal Year | 2023 | 2022 |
|-------------------------------|-------------|--------------------|
| Computer software | \$ - | \$ 3,179,009 |
| Less accumulated depreciation | <u>-</u> | <u>(2,374,577)</u> |
| | <u>\$ -</u> | <u>\$ 804,432</u> |

The Garden’s lessee arrangement consists of agreements to lease certain office equipment, copiers, postage meter, etc. The initial terms of the leases range from one year to six years. Some leases have options to renew at then prevailing market rates. As any extension or renewal is at the sole discretion of the Garden and at this date, is not certain, the renewal options are not included in the calculation of the right-of-use asset or lease liability. All office and equipment leases are classified as operating leases.

The components of lease expense were as follows:

| (In \$) | For the Year Ended June 30, 2023 |
|--|---|
| Lease cost: | |
| Operating lease cost | \$ 107,120 |
| Financing lease cost—interest on lease liabilities | <u>-</u> |
| Total lease cost | <u>\$ 107,120</u> |

Supplemental cash flow information related to leases was as follows:

| (In \$) | For the Year Ended June 30, 2023 |
|---|---|
| Operating cash flow payments for operating leases | \$ 104,635 |

Supplemental statement of financial position information related to leases was as follows:

| | As of June 30, 2023 |
|--|------------------------------------|
| Weighted-average remaining lease term—operating leases | 4.32 years |
| Weighted-average discount rate—operating leases | 0.75 % |

The maturity of lease liabilities as of June 30, 2023, were as follows:

| (In \$) | Operating Leases |
|-----------------------|-----------------------------|
| 2024 | \$ 112,917 |
| 2025 | 111,739 |
| 2026 | 96,623 |
| 2027 | 66,800 |
| 2028 | 14,087 |
| Thereafter | <u>1,328</u> |
| Total lease payments | 403,494 |
| Less imputed interest | <u>(17,398)</u> |
| Total | <u>\$ 386,096</u> |

The Garden’s future minimum lease commitments for operating leases, as of June 30, 2022, under ASC 840, the predecessor to Topic 842, were as follows:

| Fiscal Year | |
|---|--------------------------|
| 2023 | \$ 191,548 |
| Less interest | <u>(3,415)</u> |
| Present value of minimum lease payments | <u><u>\$ 188,133</u></u> |

9. PENSION PLAN AND POSTRETIREMENT BENEFITS

Pension benefits are provided to eligible employees through the Cultural Institutions Retirement System (CIRS), a multiemployer retirement system.

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, 2023 and 2022, 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 | January 31, 2024 |

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|--------------|
| | 2023 | 2022 |
| Pension Protection Act Zone Status (certified by plan actuary) | Green | Green |
| Contributions made to the plan by the Garden | \$ 3,813,855 | \$ 3,438,832 |
| Contributions made by the Garden were in excess of 5% of total contributions to the plan? | Yes | Yes |

Negotiations for a new CIRS collective bargaining agreement are still in process.

In 2023, pension expense was \$4,014,111, including \$634,435 paid by the City. In 2022, pension expense was \$3,819,604, including \$550,243 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, 2022, the date of the last actuarial valuation, the market value of CIRS plan assets was \$1.42 billion. Accumulated benefit liabilities of the plan were \$2.40 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 \$877,054 and \$828,457 to the plan in the years ended June 30, 2023 and 2022, respectively.

10. 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 2023 and 2022, the City allocated \$97,068 and \$90,580, respectively, for appropriations relating to capital projects. From 1990 to 2023, the City has contributed approximately \$159,382,000 toward the Garden's capital expenses. The Garden also receives funding for capital projects from private and other sources which have contributed approximately \$168,609,000.

Fixed assets as of June 30, 2023 and 2022, are summarized as follows:

| | 2023 | 2022 |
|------------------------------------|-----------------------|-----------------------|
| Land | \$ 9,053,130 | \$ 9,053,130 |
| Land improvements | 81,337,038 | 80,823,628 |
| Buildings | 164,857,935 | 164,857,935 |
| Building improvements | 112,177,261 | 111,235,817 |
| Equipment, furniture, and fixtures | 27,335,562 | 26,695,936 |
| Construction in progress | 4,193,178 | 2,805,915 |
| Conditional asset retirement costs | <u>4,200,000</u> | <u>4,200,000</u> |
| | 403,154,104 | 399,672,361 |
| Less accumulated depreciation | <u>(218,694,589)</u> | <u>(205,829,570)</u> |
| Total | <u>\$ 184,459,515</u> | <u>\$ 193,842,791</u> |

Outstanding commitments for construction in progress were \$2,755,712 and \$2,802,000 at June 30, 2023 and 2022, respectively.

Depreciation expense for the year ended June 30, 2023, was \$12,865,019 (Program Services, \$10,935,266; Management and General, \$1,157,852; and Fund-raising, \$771,901). Depreciation expense for the year ended June 30, 2022, was \$13,039,014 (Program Services, \$11,083,162; Management and General, \$1,173,511; and Fund-raising, \$782,341).

The changes in the carrying value of the Garden's conditional asset retirement obligation for the years ended June 30, 2023 and 2022, are summarized as follows:

| | 2023 | 2022 |
|---------------------------|---------------------|---------------------|
| Balance—beginning of year | \$ 3,071,165 | \$ 2,977,992 |
| Amortization of discount | <u>98,446</u> | <u>93,173</u> |
| Balance—end of year | <u>\$ 3,169,611</u> | <u>\$ 3,071,165</u> |

11. DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets that are temporarily restricted as of June 30, 2023 and 2022, are available for the following purposes or periods:

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Investment earnings accumulated for program and other operating activities | \$ 100,136,991 | \$ 98,706,713 |
| Buildings and equipment | 4,303,940 | 4,494,859 |
| Pledges due in future years for program activities | <u>3,061,069</u> | <u>4,313,346</u> |
| | <u>\$ 107,502,000</u> | <u>\$ 107,514,918</u> |

During the years ended June 30, 2023 and 2022, 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, 2023 and 2022, are as follows:

| | 2023 | 2022 |
|------------------------------------|----------------------|----------------------|
| Purpose restrictions accomplished: | | |
| Science | \$ 8,560,011 | \$ 9,048,754 |
| Horticulture | 14,675,083 | 13,182,163 |
| Education and outreach | <u>6,601,882</u> | <u>4,493,399</u> |
| Total restrictions released | <u>\$ 29,836,976</u> | <u>\$ 26,724,316</u> |

For the years ended June 30, 2023 and 2022, 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:

| | 2023 | 2022 |
|----------------------------------|-----------------------|-----------------------|
| Program activities | \$ 201,752,353 | \$ 201,217,173 |
| Building operations | 1,238,829 | 1,238,829 |
| Any activity of the organization | <u>1,670,630</u> | <u>1,670,630</u> |
| | <u>\$ 204,661,812</u> | <u>\$ 204,126,632</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.

12. APPROPRIATIONS—CITY OF NEW YORK

Appropriations from the City for the years ended June 30, 2023 and 2022, are summarized as follows:

| | 2023 | 2022 |
|----------------------------|----------------------|---------------------|
| General operating support | \$ 7,037,934 | \$ 6,259,499 |
| Energy appropriation | 2,248,020 | 2,051,670 |
| Pension contribution | 634,435 | 550,243 |
| Restricted program support | 972,853 | 425,944 |
| Capital support | <u>97,068</u> | <u>90,580</u> |
| Total | <u>\$ 10,990,310</u> | <u>\$ 9,377,936</u> |

13. 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 for the years ended June 30, 2023 and 2022, were \$154,575 and \$80,000, respectively. There were refunds of \$200 and \$0 in 2023 and 2022, respectively.

The School incurred operating expenses of \$363,720 and \$293,230 for the years ended June 30, 2023 and 2022, respectively.

School of Horticulture and Landscape Design—Tuition fees revenue earned by the Garden’s School of Horticulture and Landscape Design were \$72,679 (net of refunds of \$11,547) and \$94,432 (net of refunds of \$22,790) for 2023 and 2022, respectively.

14. 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 \$18,000,000 million from its endowments annually.

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

| | 2023 |
|--|--------------------------|
| Cash and cash equivalents | \$ 33,688,802 |
| Pledges receivable (due within one year) | 2,912,903 |
| Other receivables (due within one year) | 1,572,436 |
| Recoverable government-funded program expenditures (due within one year) | 5,949,501 |
| Other current assets | 1,377,787 |
| Investments designated for current use | <u>18,933,000</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 64,434,429</u> |

Additionally, at June 30, 2023, the Garden has endowment and similar funds of \$404,010,592 which include \$120,191,023 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.

15. RISKS AND UNCERTAINTIES

During the years ended June 30, 2023 and 2022, conditions in global debt and equity markets continued to remain volatile. The financial performance of the Garden’s investment portfolios is affected commensurately with changes in market conditions.

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

16. INFORMATION USED IN THE DETERMINING DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and nonprofit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of many standards which ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution's audited financial statements.

The financial information below provides the correspondence between certain values presented in the Garden's consolidated financial statements and the values as they are included in the determination of the ratios used by ED to gauge the Garden's financial responsibility:

| | 2023 |
|--|-----------------------|
| Long-Term Debt | |
| Preimplementation long-term debt | \$ 42,826,383 |
| Repayment and amortization of preimplementation long-term debt | <u>(3,929,958)</u> |
| Long-term debt | <u>\$ 38,896,425</u> |
| Land, Buildings, and Equipment—Net | |
| Preimplementation land, buildings, and equipment—net | |
| postimplementation land, buildings, and equipment—net | <u>\$ 164,146,354</u> |
| Construction in progress | 2,981,466 |
| Postimplementation land, buildings, and equipment—net | |
| purchased without long-term debt | <u>17,331,695</u> |
| | <u>20,313,161</u> |
| Land, buildings, and equipment—net | <u>\$ 184,459,515</u> |
| Nonoperating and Net Investment Gain (Loss) | |
| Change in net assets—nonoperating | \$ (15,366) |
| Other investment gains | <u>27,016,663</u> |
| Nonoperating and net investment gain | <u>\$ 27,001,297</u> |

17. SUBSEQUENT EVENTS

The Garden has evaluated subsequent events through December 20, 2023, 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.

* * * * *

**SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

THE NEW YORK BOTANICAL GARDEN

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

| Financial Statement and Financial Statement Line item or Reference Note Disclosure | Financial Statement Line Item Reference | Amount to be Used in Ratio Calculations |
|--|--|--|
| | Primary Reserve Ratio Expendable Net Assets | |
| Consolidated Statement of Financial Position—Net assets without donor restrictions | Net assets without donor restrictions | \$ 288,044,897 |
| Consolidated Statement of Financial Position—Net assets with donor restrictions | Net assets with donor restrictions | 312,163,812 |
| Consolidated Statement of Financial Position—Property, plant, and equipment—net | Property, plant, and equipment—net (includes Construction in Progress) | 184,459,515 |
| Note 15—Notes to Consolidated Financial Statements—Information used in the Determining Department of Education’s Financial Responsibility Composite Score—Statement of Financial Position—Property, plant, and equipment—preimplementation | Property, plant, and equipment—pre implementation | 164,146,354 |
| Note 15—Notes to Consolidated Financial Statements—Information used in the Determining Department of Education’s Financial Responsibility Composite Score—Statement of Financial Position—Property, plant, and equipment—postimplementation without outstanding debt for original purchase | Property, plant, and equipment—post implementation without outstanding debt for original purchase | 17,331,695 |
| Note 15—Notes to Consolidated Financial Statements—Construction in progress | Construction in progress | 2,981,466 |
| Consolidated Statement of Financial Position—Note payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in progress | Long-term debt for long term purposes | 38,896,425 |
| Consolidated Statement of Financial Position—Note payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in progress | Long-term debt for long term purposes—preimplementation | 42,826,383 |
| Note 2—Notes to Consolidated Financial Statements—Information used in the Determining Department of Education’s Financial Responsibility Composite Score—Gift Annuities | Annuities with donor restrictions | 1,356,636 |

(Continued)

THE NEW YORK BOTANICAL GARDEN

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

| Financial Statement and Financial Statement Line item or Reference Note Disclosure | Financial Statement Line Item Reference | Amount to be Used in Ratio Calculations |
|--|---|--|
| Primary Reserve Ratio Expendable Net Assets (Continued) | | |
| Consolidated Statement of Financial Position—Term Endowments | Term Endowments with Donor Restrictions | \$ 79,157,757 |
| Consolidated Statement of Financial Position—Perpetual Funds | Net assets with donor restrictions: restricted in Perpetuity | 204,661,812 |
| Total Expenses and Losses | | |
| Consolidated Statement of Activities—Total operating expenses (Total from Statement of Activities prior to Adjustments) | Total Expenses without donor restrictions | 100,631,676 |
| Consolidated Statement of Activities Nonoperating (Investment return appropriated for spending), Investments net of annual spending gain (loss), Other components of net periodic pension costs. Pension related changes other than net periodic pension, Change in value of Split Interest Agreements and Other gains (Losses).—(Total from Statement of Activities Prior to Adjustments.) | Non-Operating and Net Investment Loss | 29,097,809 |
| Consolidated Statement of Activities—(Investment return appropriated for spending) and Investments net of annual spending gains (losses) | Net Investment Loss | 14,406,321 |
| Equity Ratio | | |
| Consolidated Statement of Financial Position—net assets without donor restrictions | Net assets without donor restrictions | 288,044,897 |
| Consolidated Statement of Financial Position—Total net assets with donor restrictions | Net assets with donor restrictions | 312,163,812 |
| Modified Assets | | |
| Consolidated Statement of Financial Position—Total assets | Total assets | 655,903,857 |
| Net Income Ratio | | |
| Consolidated Statement of Activities—Change in Net Assets Without Donor Restrictions | Change in Net Assets Without Donor Restrictions | (4,348,780) |
| Consolidated Statement of Activities—(Net assets released from restrictions), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains and (losses). | Total Revenue and Gains | 101,406,293 |
| (Concluded) | | |