The San Antonio Botanical Garden Society, Inc.

dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

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Contents

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Independent Auditor's Report

The Board of Directors
The San Antonio Botanical Garden Society, Inc.
dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden
San Antonio, Texas

Opinion

We have audited the consolidated financial statements of The San Antonio Botanical Garden Society Inc. dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden (collectively the Organization or Society), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the consolidated statement of activities for the year ended December 31, 2021 (with summarized financial information for the year ended 2020), the consolidated statement of functional expense for the year ended December 31, 2021 (with summarized financial information for the year ended 2020),the consolidated statements of cash flows for the years ended December 31, 2021 and 2020, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the change in its net assets for the year ended December 31, 2021 and its cash flows for the years ended December 31, 2021 and 2020 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 Financial Statements* section of our report. We are required to be independent of the Organization 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 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 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 Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the 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 Organization'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 Organization'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 Summarized Comparative Information

We have previously audited the Society's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

August 25, 2022

Consolidated Financial Statements

The San Antonio Botanical Garden Society, Inc.
dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden

Consolidated Statements of Financial Position

December 31,		2021		2020
Assets				
Cash	$	7,038,472	$	2,006,625
Accounts receivable		760,830		424,912
Gift Shop inventory		94,764		64,341
Prepaid expenses		111,849		163,931
Pledges receivable, net		1,825,917		2,875,864
Investments		4,325,556		3,791,421
Note receivable		5,452,250		5,452,250
Property and equipment, net		30,854,309		31,785,102
Total Assets	$	50,463,947	$	46,564,446
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	2,330,384	$	232,207
Deferred revenue and refundable deposits		313,847		300,641
Line of credit - Frost Bank		-		700,000
Notes payable - New Market Tax Credit		7,500,000		7,500,000
Notes payable - Paycheck Protection Program		-		452,400
Total Liabilities		10,144,231		9,185,248
Net Assets				
Without donor restrictions:				
General operations		32,818,473		30,844,477
Board designated		2,570,506		1,220,025
Total Without Donor Restrictions		35,388,979		32,064,502
With donor restrictions		4,930,737		5,314,696
Total Net Assets		40,319,716		37,379,198
Total Liabilities and Net Assets	$	50,463,947	$	46,564,446

See accompanying notes to consolidated financial statements.

The San Antonio Botanical Garden Society, Inc.
dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden

Consolidated Statement of Activities
(with summarized totals for 2020)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenue and Other Support				
Contributions	$ 2,139,086	$ 559,477	**$ 2,698,563**	$ 2,075,140
In-kind contributions	21,493	-	**21,493**	-
Memberships	1,158,739	-	**1,158,739**	723,518
Admissions	1,754,358	-	**1,754,358**	822,516
Fundraising events:				
Gala	464,363	-	**464,363**	200,998
Less: direct donor benefit expense	(230,445)	-	**(230,445)**	-
Gift shop sales	807,921	-	**807,921**	243,195
Less: cost of merchandise sold	(387,847)	-	**(387,847)**	(170,156)
Program income:				
Facilities rentals	560,553	-	**560,553**	119,512
Educational programs	509,813	-	**509,813**	233,910
Program events	3,283,273	-	**3,283,273**	-
Other program revenues	87,980	-	**87,980**	60,586
Exhibits and events sponsorship	439,360	-	**439,360**	155,000
Restaurant and other income	229,687	-	**229,687**	11,479
Investment income, net	165,728	334,263	**499,991**	389,455
Net assets released from restriction	1,277,699	(1,277,699)	**-**	-
Total Revenue and Other Support	12,281,761	(383,959)	**11,897,802**	4,865,153
Expenses				
Program	7,981,160	-	**7,981,160**	4,407,272
General and administrative	1,398,009	-	**1,398,009**	560,992
Fundraising	449,296	-	**449,296**	590,361
Total Expenses	9,828,465	-	**9,828,465**	5,558,625
Other Income (Expense)				
Gain on forgiveness of debt	948,700	-	**948,700**	-
Interest income	49,979	-	**49,979**	54,522
Interest expense	(127,498)	-	**(127,498)**	(177,395)
Change in Net Assets	3,324,477	(383,959)	**2,940,518**	(816,345)
Net Assets, beginning of year	32,064,502	5,314,696	**37,379,198**	38,195,543
Net Assets, end of year	$ 35,388,979	$ 4,930,737	**$40,319,716**	$ 37,379,198

See accompanying notes to consolidated financial statements.

The San Antonio Botanical Garden Society, Inc.
dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden

Consolidated Statement of Functional Expenses
(with summarized totals for 2020)

Year ended December 31,

	Program Expenses								Total	
	Educational and Research Programs	Horticulture	Gift Shop, Visitor Services, and Plant Sales	Facilities and Rental	Exhibits and Special Events	Total Program Expenses	Fundraising	General and Administrative	**2021**	2020
Salaries and wages	$ 316,632	$ 842,719	$ 283,296	$ 241,562	$ 223,432	$ 1,907,641	$ 291,511	$ 604,627	**$ 2,803,779**	$ 2,354,415
Payroll taxes	23,115	61,521	20,681	17,635	16,311	139,263	21,395	44,141	**204,799**	165,168
Employee benefits	24,124	89,683	18,547	18,015	16,982	167,351	23,263	52,883	**243,497**	194,772
Total Payroll-Related	363,871	993,923	322,524	277,212	256,725	2,214,255	336,169	701,651	**3,252,075**	2,714,355
Advertising and marketing	9,564	3,763	13,117	47,485	130,006	203,935	35,118	63,238	**302,291**	163,603
Consultant and professional service fees	72	28	10,223	355	11,644	22,322	6,118	143,024	**171,464**	143,658
Cost of merchandise and food sold	-	-	387,847	-	-	387,847	-	-	**387,847**	170,156
Cost of programs and events	25,443	455	67	28,017	198,850	252,832	230,445	144	**483,421**	222,398
Cost of membership benefits	-	-	-	-	-	-	-	-	**-**	48,316
Credit card and bank fees	10,642	2,372	56,793	14,845	92,283	176,935	40,039	45,920	**262,894**	71,000
Depreciation	569,149	21,411	18,888	407,543	5,492	1,022,483	-	85,910	**1,108,393**	1,009,499
Maintenance and repairs	40,542	148,387	28,756	27,418	140,697	385,800	-	51,611	**437,411**	282,279
Occupancy	47,395	57,717	37,082	35,356	176,242	353,792	-	62,583	**416,375**	446,709
Office expenses	9,756	12,106	17,817	9,042	21,556	70,277	9,250	126,122	**205,649**	133,206
Production and promotion services fees	-	-	-	-	2,950,925	2,950,925	-	-	**2,950,925**	-
Supplies	71,779	161,399	3,746	3,853	35,049	275,826	3,664	14,663	**294,153**	174,632
Technology and telephone	7,066	5,325	7,034	10,703	21,650	51,778	18,938	103,143	**173,859**	148,970
Total Expenses	1,155,279	1,406,886	903,894	861,829	4,041,119	8,369,007	679,741	1,398,009	**10,446,757**	5,728,781
Less: expenses included in revenues										
Cost of merchandise sold	-	-	(387,847)	-	-	(387,847)	-	-	**(387,847)**	(170,156)
Direct donor benefit expense	-	-	-	-	-	-	(230,445)	-	**(230,445)**	-
Functional Expenses, net of amounts included in revenue	$ 1,155,279	$ 1,406,886	$ 516,047	$ 861,829	$ 4,041,119	$ 7,981,160	$ 449,296	$ 1,398,009	**$ 9,828,465**	$ 5,558,625

See accompanying notes to consolidated financial statements.

The San Antonio Botanical Garden Society, Inc.
dba San Antonio Botanical Garden and Supporters of San Antonio Botanical Garden

Consolidated Statements of Cash Flows

Year ended December 31,	2021	2020
Cash Flows from Operating Activities		
Change in net assets	**$ 2,940,518**	$ (816,345)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long term use	**(20,085)**	(205,353)
Depreciation expense	**1,108,393**	1,009,499
Bad debt expense	**178**	109,122
Net realized and unrealized (gain) on investments	**(428,386)**	(327,460)
Forgiveness of debt	**(948,700)**	-
Change in operating assets and liabilities:		
Accounts receivable	**(335,918)**	(73,180)
Gift Shop inventory	**(30,423)**	44,792
Prepaid expenses	**52,082**	(114,217)
Accounts payable and accrued expenses	**2,098,177**	(12,417)
Deferred revenue and refundable deposits	**13,206**	104,001
Net Cash Provided by (Used in) Operating Activities	**4,449,042**	(281,558)
Cash Flows from Investing Activities		
Purchase of investments	**(456,351)**	(2,058,054)
Proceeds from investments	**350,602**	2,171,228
Purchase of property and equipment	**(177,600)**	(2,062,416)
Cash paid for leasehold improvements in process	**-**	(1,457,851)
Net Cash Used in Investing Activities	**(283,349)**	(3,407,093)
Cash Flows from Financing Activities		
Proceeds from line of credit	**-**	2,000,000
Proceeds from Paycheck Protection Program	**496,300**	452,400
Payments on line of credit	**(700,000)**	(2,000,000)
Contributions restricted for long term use	**20,085**	205,353
Decrease in pledges receivable	**1,049,769**	1,025,947
Net Cash Provided by Financing Activities	**866,154**	1,683,700
Net Increase (Decrease) in Cash	**5,031,847**	(2,004,951)
Cash, beginning of year	**2,006,625**	4,011,576
Cash, end of year	**$ 7,038,472**	$ 2,006,625
Supplemental Information		
Cash paid for interest	**$ 127,498**	$ 177,395

See accompanying notes to consolidated financial statements.

1. Organization and Significant Accounting Policies

Organization

Under the auspices of the City of San Antonio Parks and Recreation Department (the Department), the San Antonio Botanical Garden (the Garden), founded in 1980, encompasses 38 acres in the center of San Antonio at 555 Funston Place. The Department owns the Garden. Founded the same year as the Garden and incorporated under the laws of the state of Texas as a not-for-profit corporation, The San Antonio Botanical Garden Society, Inc. (the Society) dba San Antonio Botanical Garden, is the 501(c)(3) nonprofit support organization which supports the Garden in its mission of inspiring people to connect with the world of plants and understand the importance of plants in our lives. The Society has concession rights for the Garden, including educational programs, the restaurant, gift shop, plant sales, and rentals. In this public/private partnership, the Society is the fundraising arm for programming and capital projects at the Garden.

The stewardship of the Society is vested in the Board of Directors (the Board). This group is responsible for the creation of committees, financial budgeting, raising and expending funds, and advising the Department as to scientific, educational, physical, and program improvements at the Garden.

The Society has agreements with the city of San Antonio (the City) that includes a 20-year lease agreement of the Garden that can be extended for another 20-year term. No in-kind rent is recorded in these statements as there is no comparable market for this type of lease. The Society is responsible for all capital improvements, maintenance, and upkeep of the Garden.

The Supporters of San Antonio Botanical Garden (Supporters) was organized in 2017 by the Society as a separate 501(c)(3) to be a supporting organization under Code Section 509(a)(3) in order to support the educational and charitable purposes of the Society, including, without limitation, serving as the leverage lender in the New Market Tax Credit (NMTC) financing of the Garden Expansion and guaranteeing certain obligations of the Society with respect thereto. Both the Society and Supporters (collectively the Organization) share a majority of common Board of Directors and, as such, are consolidated in these financial statements.

As part of the NMTC transaction, the Society signed an operating agreement to maintain separate accounting records, as divisions of the Society and not as separate entities, for a “Portion of the Business” (POB) and a non-portion of the business (NonPOB) beginning August 31, 2017 and continuing through the repayment of Loan A and Loan B. This agreement defines the POB as the operations of the Garden (including the expansion and improvements thereof). The NonPOB consists of any operations of the Society that are not part of the POB, which generally includes fundraising efforts and administration of those efforts.

Basis of Presentation and Consolidation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the activity of the Society and Supporters. All inter-company transactions have been eliminated in consolidation.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – These net assets are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment (see Notes 2 and 16).

Net Assets with Donor Restrictions – These net assets are subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except those funds received with donor-imposed restrictions that limit their use for long term purposes.

Revenue Recognition

The Organization recognizes revenue is accordance with Accounting Standards Codification (ASC) *Revenue from Contracts with Customers (ASC 606)*. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as contributions, leases, insurance, collaborative arrangements, and financial instruments. Under ASC 606, an entity recognizes revenue when it transfers control of the promised goods or services to its customer, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. If control transfers to the customer over time, an entity selects a method to measure progress that is consistent with the objective of depicting its performance.

The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. The Organization's revenue streams recognized as exchange transactions under ASC 606 are as follows:

Admissions, event revenue, gift shop sales, and other income are recorded net of any applicable discounts at the point in time that the performance obligation is met.

Memberships are on a one-year basis and are recorded at the beginning of the membership year. No material difference exists between recognizing the membership at a point in time instead of over time.

Program revenue is deferred and recorded over time as the performance obligations are met. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related performance obligation is met, or expenditures are incurred, respectively.

Fundraising revenue is deferred and recorded at the point in time that the event occurs, net of direct cost of benefits to attendees.

The Organization recognizes contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provided guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as net asset with donor restrictions. When donor restrictions expire—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—net assets with donor restrictions are reclassified through releases in the statement of activities and changes in net assets.

The Organization reports gifts of equipment and goods as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

Accounts Receivable

Accounts receivable consist primarily of restaurant concession fees and program fees. An allowance for doubtful accounts has not been established and one is not considered necessary by management.

Pledges Receivable

Pledges receivable are recorded at the original pledge amount, net of a present value discount, which approximates net realizable value. Pledge receivables are recognized at the billed amount. Payment trends by delinquent accounts are considered by management when estimating the allowance for doubtful accounts. At December 31, 2021 and 2020, management estimated the allowance for doubtful accounts to be $0 and $109,122, respectively.

Investments

Investments are carried at fair market value at quoted market prices (see Note 7). All dividends, interest, gains, losses, and other investment income are reported in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations.

Gift Shop Inventory

Gift Shop inventory is recorded at lower of cost or market on the first-in, first-out (FIFO) basis. Management reviews inventory on an annual basis for obsolescence, no amounts have been determined or recorded in these financial statements.

Note Receivable

The note receivable is reported at its outstanding balance and is considered to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided. In making that determination, management evaluated the financial condition of the borrower, the estimated value of the underlying collateral, and the economic condition. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding (see Note 6).

Property and Equipment

Fixed assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line depreciation method. The cost of maintenance and repairs is charged to expense as incurred, whereas significant repairs or improvements that extend the life of the assets are capitalized.

Estimated useful lives used in computing depreciation and amortization are as follows:

Asset Category	Estimated Service Life (Years)
Buildings and major improvements	7-40
Furniture, fixtures, and equipment	3-10

Completed buildings and other permanent improvements shall become the sole property of the City in accordance with the agreement between the City and the Society, as authorized by Ordinance No. 53676 dated April 23, 1981. Due to the long-term nature (40 years) of the lease agreement with the City, the Garden records all improvements and depreciates over the life of the assets as noted above.

Deferred Revenue and Refundable Deposits

Deferred revenue represents revenue attributable to rental events, special events, and exhibits that have not yet occurred.

Refundable deposits are primarily deposits received prior to year-end for rental events that have not yet occurred. These amounts will be refunded or applied to customer balances after these events take place, and all rental contract requirements are complete.

Fair Value of Financial Instruments

The fair value measurements and disclosures topic of ASC 820 defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements to include how fair value is determined for assets and liabilities. ASC 820 clarifies that fair value is an exit price representing the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The significant levels of inputs are as follows:

Level 1 – This level consists of inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – This level consists of inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – This level consists of inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Federal Income Tax Exemption

The Society and Supporters are both exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) ASC Topic 740-10-25, *Income Taxes – Overall – Recognition*, which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. The Organization's management believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Tax years beginning with December 31, 2018 remain open to examination by the taxing jurisdictions to which the Organization is subject, and these periods have not been extended beyond the applicable statute of limitations.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information

The consolidated statement of activities and consolidated statement of functional expense for the year ended December 31, 2021 includes certain prior-year summarized comparative information in total, but not by net asset class or function. Such information does not include detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributed to more than more program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and maintenance, which are allocated on an area-by-area basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, and technology based on estimates of time of effort expended.

Accounting Pronouncements Issued but Not Yet Adopted or Currently in Effect

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU was originally effective for the Organization's fiscal years beginning after December 15, 2019, but has been deferred to fiscal years beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, including subsequent amendments issued thereafter which clarify the standard (collectively, Topic 326). This standard significantly changes the impairment model for most financial instruments. Current guidance requires the recognition of credit losses based on an incurred loss impairment methodology that reflects losses once the losses are probable. In accordance with Topic 326, the Organization will be required to use a current expected credit loss model (CECL) that will immediately recognize an estimate of credit losses that are expected to occur over the life of the financial instruments that are within the scope of this update, including trade receivables. The CECL model uses a broader range of reasonable and supportable information in the development of credit loss estimates. This guidance becomes effective for the Organization beginning the year ended December 31, 2023. The Organization is still assessing the impact to the consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications have no effect on previously reported change in net assets.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

December 31,	**2021**	2020
Cash and cash equivalents	**$ 7,038,472**	$ 2,006,625
Accounts receivable	**760,830**	424,912
Pledges receivable - current	**1,005,917**	-
Investments	**4,325,556**	-
Less:		
Board-designated net assets	**(2,570,506)**	-
Donor-restricted net assets	**(4,930,737)**	-
Supporter's cash, accounts receivable, and investments	**(114,056)**	(93,872)
Amounts restricted for specific purpose	**-**	(285,663)
Financial Assets Available to Meet General Expenditures Within One Year	**$ 5,515,476**	$ 2,052,002

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and various receivables. The Organization also has access to a line of credit for operating use (see Note 12).

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates earned revenues and annual support contributions sufficient to cover general expenditures not provided by endowment spending rate or other donor restricted sources. The Organization's invested endowment includes board designated funds to support general operations based on its spending policy, and for other non-operating strategic purposes. Although the Organization does not intend to utilize these board designated funds beyond their budgeted usage, these funds could be made available by Board vote if necessary.

3. Concentration of Credit Risk

Financial instruments exposed to concentrations of credit and market risk consist primarily of cash and accounts receivable. The Organization maintains cash in excess of federally insured limits in financial institutions which management considers being of high credit quality. The Organization has not experienced any losses on its cash or accounts receivable.

4. Pledges Receivable

Pledges receivable as of December 31, 2021 and 2020 amounted to $1,790,917 and $2,875,864, respectively. Pledges receivable are expected to be collected as follows:

Year ending December 31,	**2021**	2020
Within one year	**$ 1,005,917**	$ 1,163,986
One to five years	**820,000**	1,821,000
	1,825,917	2,984,986
Less: allowance for doubtful accounts	**-**	109,122
Net Pledges Receivable	**$ 1,825,917**	$ 2,875,864

Pledges with balances due in one to five years were discounted using a discount interest rate of 1.27% for 2021. As the discount rate was 0.36% for 2020, no discount was deemed necessary by management. Bad debt expense for 2021 and 2020 is $178 and $109,122, respectively.

5. Investments

Investment funds are carried at their fair value and are summarized as follows:

December 31,	**2021**	2020
Cash and cash equivalents	**$ 437,170**	$ 408,058
Equities	**2,226,526**	1,864,534
Fixed income funds	**1,661,860**	1,518,829
Total Investments, at fair value	**$ 4,325,556**	$ 3,791,421

6. Note Receivable - NMTC

As further explained in Note 11, the Society entered into a transaction under the New Market Tax Credit (NMTC) program to help fund certain improvements. As part of the NMTC program, Supporters entered into an agreement (the Note Receivable) on August 31, 2017 to lend $5,452,250 to the USBCDC Investment Fund 187, LLC. (USBCDC). The Note Receivable is secured by USBCDC's interest in substantially all of Urban Development Fund LII, LLC (UDF). The interest rate on the Note Receivable is fixed at 1% per annum. Payments are made quarterly and are interest only from October 10, 2017 until October 10, 2024. Commencing January 10, 2025, each quarterly payment will increase to $80,796 and include principal and interest until the maturity date of April 1, 2043. USBCDC may prepay the Note Receivable in whole or in part, without Supporters' consent. Interest earned for the year ended December 31, 2021 and 2020 was $49,979 and $54,522, respectively and is included in interest income in the consolidated statements of activities and changes in net assets.

7. Fair Value of Financial Instruments

The Organization uses fair value measurements to determine and record fair value adjustments to certain assets and liabilities in order to report the fair value of the assets and liabilities in the consolidated statements of financial position.

In accordance with the fair value hierarchy described in Note 1, the following table shows the fair value of the Organization's financial assets and liabilities that are required to be measured at fair value:

December 31, 2021

	Level 1	Level 2	Level 3	Total
Cash equivalents*	$ 437,170	$ -	$ -	$ 437,170
Equity	2,226,526	-	-	2,226,526
Corporate bond funds	826,430	-	-	826,430
Short term bond funds	835,430	-	-	835,430
Total Assets, at fair value	$ 4,325,556	$ -	$ -	$ 4,325,556

December 31, 2020

	Level 1	Level 2	Level 3	Total
Cash equivalents*	$ 408,058	$ -	$ -	$ 408,058
Equity	1,864,534	-	-	1,864,534
Corporate bond funds	759,792	-	-	759,792
Short term bond funds	759,037	-	-	759,037
Total Assets, at fair value	$ 3,791,421	$ -	$ -	$ 3,791,421

* Amounts restricted by donors for use in long term construction projects.

8. Property and Equipment

Property and equipment are as follows:

December 31,	**2021**	2020
Office equipment	**$ 1,594,721**	$ 1,579,497
Computer equipment	**422,160**	404,287
Other equipment	**428,498**	411,626
Buildings and improvements	**32,184,869**	32,057,238
	34,630,248	34,452,648
Accumulated depreciation and amortization	**(3,775,939)**	(2,667,546)
Property and Equipment, Net	**$ 30,854,309**	$ 31,785,102

Depreciation expense was $1,108,393 and $1,009,499 for 2021 and 2020, respectively.

9. Donated Personal Services and Contributed Facilities and Services

The Society occupied under the long-term lease agreement, without charge, certain facilities owned by the City. No in-kind rent is recorded in these statements as there is no comparable market for this type of lease. All in-kind contributions have been reported as in-kind revenue and expense during the years ended December 31, 2021 and 2020, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time in the Society's program services and fundraising activities. The value of this contributed time is not reflected in these statements because it does not meet the current U.S. GAAP definition of in-kind services.

10. New Markets Tax Credit Project

In connection with the Organization's efforts to make certain improvements to the Garden, the Society partnered with USBCDC and obtained additional funding for improvements to the Garden by utilizing the NMTC program. As part of the process to obtain NMTC funding, the Society formed Supporters which shares a common majority of board members. The NMTC program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must, in turn, be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39% of the cost of the investment and the credit is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to 5% of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is 6% annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

As noted in Note 6, Supporters loaned $5,452,250 to USBCDC, who invested the funds in UDF. UDF then loaned $5,452,250 to the Society, along with additional funds of $2,047,750 (see Note 11). The Society used the funds for certain improvements. After the seven-year period during which tax credits are earned and provided to the investor group, the Society is required to pay a mandatory partial payment of principal on Loan B of $75,000.

11. New Market Tax Credit Notes Payable

The Society executed two loan agreements on August 31, 2017 that provide for borrowings of $5,452,250 (Loan A) and $2,047,750 (Loan B) from UDF. The loans are intended to finance expansion of and improvements to the Garden (POB, see Note 1), and are intended to be treated as a "qualified low-income community investment" for purposes of generating new markets tax credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a security agreement filing on the POB, and a guaranty by the Society's obligations under the loan agreements.

Under the terms of the loan agreement, each loan has an interest rate of 1.616% per annum, payable quarterly, beginning September 2017, with the principal balance due in its entirety on the stated maturity date of October 1, 2052. The Society is not permitted to prepay any portion of the loans, in whole or in part, until the seventh anniversary of the loans, August 31, 2024. Interest expense recorded for 2021 and 2020 in the consolidated statements of activities was $121,400 and $122,400, respectively.

12. Line of Credit

Supporters executed a loan agreement on August 31, 2017 with Frost Bank that provided for borrowings up to $4,750,000 and matured in August 2019. The loan was renewed as a revolving line of credit with interest only payments due monthly until December 31, 2023. Interest is variable, based on the daily prime rate quoted in the Wall Street Journal. Interest rate as of December 31, 2021 and 2020 was 3.25%.

The line of credit contains terms for a reduction of available committed amounts by $1,750,000 beginning on December 31, 2020 and another $500,000 beginning December 31, 2021. All principal and unpaid interest is due at maturity on December 31, 2023. Amounts outstanding on the loan agreements was $0 at December 31, 2021 and $700,000 at December 31, 2020. The loans are secured by assets of Supporters. Supporters may prepay the loan at any time without penalty.

13. Paycheck Protection Program Note Payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. The CARES Act is an approximately $2 trillion emergency economic stimulus package in response to the Coronavirus outbreak, which among other things contains numerous income tax provisions. Some of these tax provisions are expected to be effective retroactively for years ending before the date of enactment. It also appropriated funds for the Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment.

On April 16, 2020, the Society was approved and obtained a PPP loan in the amount of $452,400. The forgiveness of the loan is dependent on the Society's meeting the eligibility requirements as well as adherence to the forgiveness criteria. The Society received full forgiveness of the loan on April 9, 2021. On January 27, 2021, the Society received a second round PPP loan in the amount of $496,300 which was fully forgiven on October 29, 2021.

14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods are as follows:

Years ended December 31,	**2021**	2020
Perpetual in nature:		
Conservatory Maintenance Endowment	**$ 1,546,715**	$ 1,546,715
Holmgren Birdwatch Endowment	**50,000**	-
Ellie Selig Distinguished Garden Design Lecture Series Endowment	**101,202**	60,225
Total Perpetual in Nature	**1,697,917**	1,606,940
Subject to time or specified purpose restriction:		
Capital Campaign	**1,720,817**	2,848,364
Earnings on endowments	**778,664**	602,674
Educational, garden maintenance and other programs	**733,339**	256,718
Total Subject to Expenditure for a Specified Purpose	**3,232,820**	3,707,756
Net Assets with Donor Restrictions	**$ 4,930,737**	$ 5,314,696

Capital Campaign

In 2013, the Society's Board voted to embark upon a capital improvement fundraising campaign (the Capital Campaign) to build infrastructure improvements, including grounds and buildings that will enhance educational programs and heighten the visitors' experience in the Garden. Construction commenced in 2016 and the Society is responsible for operating any improvements made as part of the Capital Campaign.

Contributions to the Capital Campaign amounted to $125,000 and $205,353 for 2021 and 2020, respectively. The pledge receivable balances related to the contributions were $1,741,095 and $2,848,364 at December 31, 2021 and 2020, respectively. There were no leasehold improvements in process at December 30, 2021 and 2020. In 2021 and 2020, the Society placed in service $0 and $12,197,283 of leasehold improvements, respectively. Time restricted net assets at December 31, 2021 for the Capital Campaign represent contributions pledged but not received. As the leasehold improvements have been placed in service those pledges no longer represent purpose restrictions but are time restricted until received.

15. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

December 31, 2021	
Purpose restrictions accomplished:	
Capital campaign	$ 1,127,547
Educational, garden maintenance, and other programs	150,152
Total Net Assets Released from Restrictions	$ 1,277,699

16. Endowment Funds

Implementation of Enhanced Disclosures for All Institutional Endowment Funds

The Organization has adopted the *Endowments of Not-For-Profit Organizations* standard as required by the FASB ASC. This standard provides guidance on the net asset classification of donor-restricted endowment funds by a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This topic also requires additional disclosures about an organization's endowment funds (both donor-restricted and Board-designated) whether or not the organization is subject to UPMIFA.

The state of Texas enacted UPMIFA effective September 1, 2007, the provisions of which apply to endowment funds existing on, or established after, that date. The Organization has implemented the reporting requirements of this standard. The Organization has determined that the majority of the Organization's net assets restricted in perpetuity meet the definition of endowment funds under UPMIFA.

General Information

The Organization maintains various endowment funds established for a variety of purposes. These endowments include both donor-restricted endowment contributions and funds designated by the Board to function as endowments. The donor-restricted endowment funds fall under the provisions of UPMIFA, which was adopted by the state of Texas with an effective date of September 1, 2007.

This policy defines the Organization's interpretation of the provisions of this law as they relate to the prudent management of its endowment funds.

Background

In July 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the Organization to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund. Although the Act does not require that a specified amount be set aside as principal, the Act assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed and will spend "income" by making distributions using a reasonable spending rate.

Endowment "Principal" Interpretation

The Organization has interpreted UPMIFA, related to gifts in which the donor declares the gift to be restricted in perpetuity for endowment, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. If the donor does not restrict the endowment principal in perpetuity, then the Organization will act prudently in appropriating these funds. As a result of this interpretation, the Organization classifies net assets the original value of gifts donated to the endowment (the Principal). The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets restricted by purpose or time, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment Objectives

Endowment investments are invested under the direction of the Board. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

Endowment "Income" Appropriation (Spending Policy)

The Organization's policy is to appropriate interest and investment earnings as needed for operations. The Board will review the spending policy as market conditions change.

In accordance with UPMIFA, in all its endowment spending activity, the Organization considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic and investment market conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.

- Other resources of the Organization.
- The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund

December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 1,378,276	$ -	$ 1,378,276
Donor restricted endowment funds	-	2,486,581	2,486,581
	$ 1,378,276	$ 2,486,581	$ 3,864,857

December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 1,220,025	$ -	$ 1,220,025
Donor restricted endowment funds	-	2,209,614	2,209,614
	$ 1,220,025	$ 2,209,614	$ 3,429,639

Changes in Endowment Net Assets

December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ 1,220,025	$ 2,209,614	$ 3,429,639
Appropriations for expenditures	(7,771)	-	(7,771)
Transfers	4,690	-	4,690
Contributions	-	20,085	20,085
Investments return:			
Interest and dividends – net of investment expenses	23,281	48,293	71,574
Realized and unrealized gains	138,051	208,589	346,640
Total Investments Return	161,332	256,882	418,214
Endowment Net Assets, end of year	$ 1,378,276	$ 2,486,581	$ 3,864,857

December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ 1,112,707	$ 2,067,246	$ 3,179,953
Appropriations for expenditures	-	(80,000)	(80,000)
Investments return:			
Interest and dividends – net of investment expenses	16,854	34,804	51,658
Realized and unrealized gains	90,464	187,564	278,028
Total Investments Return	107,318	222,368	329,686
Endowment Net Assets, end of year	$ 1,220,025	$ 2,209,614	$ 3,429,639

17. Employee's Defined Contribution Plan

The Organization is the sponsor of a 401(k) plan that is available to all employees upon start date. The Organization may make discretionary matching contributions based on a percentage of employee compensation. Total Organization contributions for 2021 and 2020 were $27,641 and $14,204, respectively.

18. Subsequent Events

The Society's management has evaluated events subsequent to December 31, 2021 and through August 25, 2022, which is the date the consolidated financial statements were available to be issued.