

**THE SAN ANTONIO BOTANICAL  
GARDEN SOCIETY, INC.**

**Audited Consolidated Financial Statements**

**December 31, 2022**

**ADKF, P.C.**  
*Certified Public Accountants*

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
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**December 31, 2022 and 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The San Antonio Botanical Garden Society, Inc.  
San Antonio, Texas

### Opinion

We have audited the accompanying financial statements of The San Antonio Botanical Garden Society, Inc. (Society) which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2022, and the results of its activities and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Society, 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.

### Prior Period Consolidated Financial Statements

The consolidated financial statements of the Society as of December 31, 2021 were audited by other auditors whose report dated August 25, 2022 expressed an unmodified opinion on those statements.

### 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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### **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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Society'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 Society'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.

*ADKF, PC*

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ADKF, P.C.  
San Antonio, Texas  
May 15, 2023

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents:		
Available for operations	\$ 4,511,962	\$ 5,287,509
Board designated	-	1,173,601
Donor restricted	878,037	577,362
Total cash and cash equivalents	<u>5,389,999</u>	<u>7,038,472</u>
Accounts receivable, net	613,784	760,830
Inventory, gift shop	149,961	94,764
Pledges, net of allowance	909,834	1,825,917
Investments, at fair value:		
Available for operations	1,215,277	37,554
Board designated	2,235,319	1,396,905
Donor restricted	2,536,857	2,891,097
Prepaid expenses	246,856	111,849
Note receivable	5,452,250	5,452,250
Property and equipment, net	30,241,457	30,854,309
Operating lease right-of-use asset	16,917	-
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u><u>\$ 49,008,511</u></u>	<u><u>\$ 50,463,947</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,453,219	\$ 2,330,384
Deferred revenue and refundable deposits	315,761	313,847
Operating lease right-of-use liability	16,917	-
Long-term debt	7,500,000	7,500,000
Total liabilities	<u>9,285,897</u>	<u>10,144,231</u>
Net Assets:		
Without donor restrictions:		
Available for general operations	33,162,567	32,818,473
Board designated	2,235,319	2,570,506
Total without donor restrictions	<u>35,397,886</u>	<u>35,388,979</u>
With donor restrictions	4,324,728	4,930,737
Total net assets	<u>39,722,614</u>	<u>40,319,716</u>
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 49,008,511</u></u>	<u><u>\$ 50,463,947</u></u>

*See notes to audited financial statements.*

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Consolidated Statements of Activities**  
**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues and Other Additions</b>			
Contributions	\$ 526,141	\$ 170,370	\$ 696,511
Contributions, in-kind	19,452	-	19,452
Grants	1,722,924	375,000	2,097,924
Memberships	1,085,426	-	1,085,426
Admissions	1,284,016	-	1,284,016
Special events, net of direct costs	48,111	-	48,111
Gift shop sales, net of costs of merchandise sold	112,831	-	112,831
Program revenues:			
Facilities rental	1,031,556	-	1,031,556
Educational programs	482,817	-	482,817
Exhibits and events sponsorships	140,450	340,000	480,450
Restaurant and other revenues	151,986	-	151,986
Total revenues and other support	<u>6,605,710</u>	<u>885,370</u>	<u>7,491,080</u>
<b>Expenses</b>			
Program	5,705,779	-	5,705,779
General and administrative	1,821,559	-	1,821,559
Fundraising	520,374	-	520,374
Total expenses	<u>8,047,712</u>	<u>-</u>	<u>8,047,712</u>
<b>Operating Income</b>	(1,442,002)	885,370	(556,632)
<b>Other Income (Expense)</b>			
Investment (loss), net of fees	(460,043)	-	(460,043)
Interest income	57,174	-	57,174
Interest expense	(123,600)	-	(123,600)
Employee retention tax credits	485,999	-	485,999
Other income (expense), net	<u>(40,470)</u>	<u>-</u>	<u>(40,470)</u>
<b>Change in Net Assets</b>	(1,482,472)	885,370	(597,102)
Net assets released from restrictions	1,491,379	(1,491,379)	-
Net assets at beginning of year	<u>35,388,979</u>	<u>4,930,737</u>	<u>40,319,716</u>
<b>Net Assets at End of Year</b>	<u>\$ 35,397,886</u>	<u>\$ 4,324,728</u>	<u>\$ 39,722,614</u>

*See notes to audited financial statements.*

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Consolidated Statements of Activities**  
**Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues and Other Additions</b>			
Contributions	\$ 2,139,086	\$ 559,477	\$ 2,698,563
Contributions, in-kind	21,493	-	21,493
Memberships	1,158,739	-	1,158,739
Admissions	1,754,358	-	1,754,358
Special events, net of direct costs	566,266	-	566,266
Gift shop sales, net of costs of merchandise sold	420,074	-	420,074
Program revenues:			
Facilities rental	560,553	-	560,553
Educational programs	509,813	-	509,813
Other program revenues	87,980	-	87,980
Exhibits and events sponsorships	439,360	-	439,360
Restaurant and other revenues	229,687	-	229,687
Total revenues and other support	<u>7,887,409</u>	<u>559,477</u>	<u>8,446,886</u>
<b>Expenses</b>			
Program	5,030,235	-	5,030,235
General and administrative	1,398,009	-	1,398,009
Fundraising	449,296	-	449,296
Total expenses	<u>6,877,540</u>	<u>-</u>	<u>6,877,540</u>
<b>Operating Income</b>	1,009,869	559,477	1,569,346
<b>Other Income (Expense)</b>			
Investment earnings, net of fees	165,728	334,263	499,991
Interest income	49,979	-	49,979
Interest expense	(127,498)	-	(127,498)
PPP loan forgiveness	948,700	-	948,700
Other income (expense), net	<u>1,036,909</u>	<u>334,263</u>	<u>1,371,172</u>
<b>Change in Net Assets</b>	2,046,778	893,740	2,940,518
Net assets released from restrictions	1,277,699	(1,277,699)	-
Net assets at beginning of year	<u>32,064,502</u>	<u>5,314,696</u>	<u>37,379,198</u>
<b>Net Assets at End of Year</b>	<u>\$ 35,388,979</u>	<u>\$ 4,930,737</u>	<u>\$ 40,319,716</u>

*See notes to audited financial statements.*

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Consolidated Statements of Functional Expenses**  
**Year Ended December 31, 2022**

	Programs					Total Program Expenses	General and Administrative	Fundraising	Total
	Educational and Research Programs	Horticulture	Gift Shop, Visitor Services Plant Sales	Facilities and Rentals	Exhibits				
Salaries and wages	\$ 370,122	\$ 985,080	\$ 331,153	\$ 282,369	\$ 261,177	\$ 2,229,901	\$ 706,767	\$ 340,756	\$ 3,277,424
Payroll taxes	28,738	76,483	25,711	21,924	20,278	173,134	54,876	26,598	254,608
Employee benefits	30,076	111,264	23,010	22,350	21,068	207,768	65,608	28,861	302,237
Total payroll related	428,936	1,172,827	379,874	326,643	302,523	2,610,803	827,251	396,215	3,834,269
Advertising and marketing	11,617	4,454	15,525	56,201	153,869	241,666	74,846	41,564	358,076
Consultant and professional fees	181	71	25,811	896	29,399	56,358	361,108	15,447	432,913
Cost of programs and events	17,806	318	47	19,607	139,162	176,940	101	-	177,041
Bank fees and credit card charges	9,663	2,154	51,568	13,479	83,793	160,657	41,695	36,355	238,707
Insurance	2,019	450	10,777	2,817	17,512	33,575	8,714	7,598	49,887
Maintenance and repairs	44,692	163,579	20,822	30,225	155,101	414,419	56,895	-	471,314
Occupancy	55,038	67,025	33,393	41,057	204,662	401,175	72,676	-	473,851
Office	56,308	18,890	57,863	14,109	33,636	180,806	156,800	-	337,606
Supplies	89,309	200,368	-	4,783	43,511	337,971	18,203	-	356,174
Technology and telephone	8,760	6,034	4,245	12,129	24,534	55,702	116,882	4,152	176,736
In-Kind	-	-	-	-	19,452	19,452	-	-	19,452
Depreciation expenses	572,318	21,530	7,073	409,811	5,523	1,016,255	86,388	19,043	1,121,686
Total Functional Expenses	<u>\$ 1,296,647</u>	<u>\$ 1,657,700</u>	<u>\$ 606,998</u>	<u>\$ 931,757</u>	<u>\$ 1,212,677</u>	<u>\$ 5,705,779</u>	<u>\$ 1,821,559</u>	<u>\$ 520,374</u>	<u>\$ 8,047,712</u>
Other expenses not included above:									
Special events, direct costs								<u>\$ 2,523,679</u>	
Cost of merchandise sold			<u>\$ 415,099</u>						
Interest expense							<u>\$ 123,600</u>		

See notes to audited financial statements.



**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Consolidated Statements of Functional Expenses**  
**Year Ended December 31, 2021**

	Programs						General and Administrative	Fundraising	Total
	Educational and Research Programs	Horticulture	Gift Shop, Visitor Services Plant Sales	Facilities and Rentals	Exhibits	Total Program Expenses			
Salaries and wages	\$ 316,632	\$ 842,719	\$ 283,296	\$ 241,562	\$ 223,432	\$ 1,907,641	\$ 604,627	\$ 291,511	\$ 2,803,779
Payroll taxes	23,115	61,521	20,681	17,635	16,311	139,263	44,141	21,395	204,799
Employee benefits	24,124	89,683	18,547	18,015	16,982	167,351	52,883	23,263	243,497
Total payroll related	363,871	993,923	322,524	277,212	256,725	2,214,255	701,651	336,169	3,252,075
Advertising and marketing	9,564	3,763	13,117	47,485	130,006	203,935	63,238	35,118	302,291
Consultant and professional fees	72	28	10,223	355	11,644	22,322	143,024	6,118	171,464
Cost of programs and events	25,443	455	67	28,017	198,850	252,832	144	-	252,976
Bank fees and credit card charges	10,642	2,372	56,793	14,845	92,283	176,935	45,920	40,039	262,894
Maintenance and repairs	40,542	148,387	28,756	27,418	140,697	385,800	51,611	-	437,411
Occupancy	47,395	57,717	37,082	35,356	176,242	353,792	62,583	-	416,375
Office	9,756	12,106	17,817	9,042	21,556	70,277	126,122	9,250	205,649
Supplies	71,779	161,399	3,746	3,853	35,049	275,826	14,663	3,664	294,153
Technology and telephone	7,066	5,325	7,034	10,703	21,650	51,778	103,143	18,938	173,859
Depreciation expenses	569,149	21,411	18,888	407,543	5,492	1,022,483	85,910	-	1,108,393
<b>Total Functional Expenses</b>	<b>\$ 1,155,279</b>	<b>\$ 1,406,886</b>	<b>\$ 516,047</b>	<b>\$ 861,829</b>	<b>\$ 1,090,194</b>	<b>\$ 5,030,235</b>	<b>\$ 1,398,009</b>	<b>\$ 449,296</b>	<b>\$ 6,877,540</b>
Other expenses not included above:									
Special events, direct costs								<u>\$ 3,308,311</u>	
Cost of merchandise sold			<u>\$ 387,847</u>						
Interest expense							<u>\$ 127,498</u>		

See notes to audited financial statements.

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Change in net assets	\$ (597,102)	\$ 2,940,518
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	1,121,686	1,108,393
Net loss (gain) on investments	461,888	(428,386)
PPP loan forgiveness	-	(948,700)
Contributions restricted for long-term purpose	-	(20,085)
Bad debt	-	178
Change in operating assets and liabilities:		
Accounts receivable	(305,454)	(335,918)
Pledges receivable	65,600	1,049,769
Gift shop inventory	(55,197)	(30,423)
Prepaid expenses	(135,007)	52,082
Accounts payable and accrued expenses	(877,165)	2,098,177
Deferred revenue and refundable deposits	1,914	13,206
Net cash (used) provided by operating activities	<u>(318,837)</u>	<u>5,498,811</u>
<b>Investing Activities</b>		
Investment proceeds, net of purchases	(2,123,785)	(105,749)
Purchase of property and equipment	(508,834)	(177,600)
Net cash (used) by investing activities	<u>(2,632,619)</u>	<u>(283,349)</u>
<b>Financing Activities</b>		
Payments on line of credit	-	(700,000)
Proceeds from PPP funding	452,500	496,300
Contributions restricted for long-term purpose	850,483	20,085
Net cash provided (used) by financing activities	<u>1,302,983</u>	<u>(183,615)</u>
Net change in cash and cash equivalents	(1,648,473)	5,031,847
Cash and cash equivalents at beginning of year	<u>7,038,472</u>	<u>2,006,625</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 5,389,999</u>	<u>\$ 7,038,472</u>
<b>Supplemental Disclosures</b>		
Cash paid for interest	\$ 123,600	\$ 127,498
Cash paid for income taxes	-	-

*See notes to audited financial statements.*

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Notes to Audited Financial Statements**  
**December 31, 2022 and 2021**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization:* The San Antonio Botanical Garden Society, Inc. was founded in 1980 as a 501(c)3 organization. The Society has the concession rights to the Garden, which itself was founded in 1980 on 38 acres of land in the heart of San Antonio (physical address: 555 Funston Place) by the City of San Antonio Parks and Recreation Department. The mission of the Society is enriching lives through plants and nature. As part of the concession rights to the Garden, the Society has established educational programs, an on-site restaurant, gift shop, plant sales and facilities rental (for weddings and similar events). The Society operates the Garden and acts as the fundraising arm for programming and capital projects at the Garden.

The Society has agreements with the City of San Antonio (City) that includes a 20-year lease agreement that may be extended for another 20-year period. The Society is responsible for all capital improvements, maintenance, and upkeep of the Garden. The lease commenced on January 1, 2019 and expires on December 31, 2039.

The Supporters of San Antonio Botanical Garden (Supporters) was organized in 2017 as a separate 501(c)3 organization to be a supporting organization under IRC Section 509(a)(3) to support the educational and charitable purposes of the Society. For these financial statements, it operates as a subsidiary of the Society and its financial position and activities is consolidated with those of the Society. Supporters also serves as the leverage lender in the New Market Tax Credit (NMTC) financing which was obtained and used for expansion of the Garden. See Note G.

*Basis of Presentation:* The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All intercompany transactions have been eliminated in consolidation. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Without Donor Restrictions:* Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Grants, donations and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting management tracks such grants, donations and contributions to verify the disbursement matches the donor’s intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, Board designated.

*With Donor Restrictions:* Net assets with donor restrictions are subject to donor-imposed stipulations that are more restrictive than its mission and purpose. 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. Donor imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

*Revenue Recognition:* Revenue is recognized in accordance with ASC 606. Contributions when cash, securities, or other assets (an unconditional promise to give) or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction.

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Notes to Audited Financial Statements**  
**December 31, 2022 and 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

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 significant difference exists between recognizing the membership revenue at a point in time instead of over time. Program revenue is deferred and recorded 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 recorded when received or at the point in time the event occurs, as may be required.

*Contributions:* Contributions are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution. Contributions and pledges are generally recognized when a formal written intent is received.

Gifts of equipment are reported as without donor restrictions support unless explicit donor stipulations 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 with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support in the same reporting year.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of cash on-hand, demand deposits held by banks and any equivalent securities with a maturity of three months or less.

*Accounts Receivable:* Accounts receivable include primarily restaurant concession fees and program fees, and are reported at their stated amount, less an allowance if required. Management evaluates the collectability of receivables based on an account-by-account review and historical trends. The Society does not generally require collateral or charge interest on late payments. An allowance was not required at December 31, 2022 or 2021. The opening balance of accounts receivable as of January 1, 2021 was \$424,912, the earliest presented period.

*Inventories:* Inventories primarily relates to restaurant and gift shop product and is recorded at the lower of cost or net realizable value. Management reviews inventory for obsolescence on at least an annual basis.

*Pledges:* Pledges receivable are recorded at the original pledge amount, net of a valuation discount (if significant), and evaluated for an allowance on at least an annual basis. An allowance was not required at December 31, 2022 and 2021.

*Investments:* Investments, which include both endowed investments and un-endowed investments, are reported at fair market value, generally determined by quoted market prices. Gains and losses (realized and unrealized) included in changes in net assets are reported as investment earnings in the accompanying consolidated statement of activities. Investment fees are netted against the related investment earnings.

*Endowments:* The Society's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by its Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Notes to Audited Financial Statements**  
**December 31, 2022 and 2021**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Note Receivable:* The note receivable is the result of the NMTC (see Note G). An allowance was not required at December 31, 2022 and 2021.

*Property and Equipment:* Property and equipment are stated at historical cost or fair value at the date of gift. Depreciation is provided using the straight-line method over the following estimated lives:

Buildings	5-40 years
Furniture, fixtures, and equipment	3-10 years

Should the Society's contract with the City of San Antonio not be extended, all buildings and other permanent improvements shall become the sole property of the City, as authorized by Ordinance No. 53676 dated April 23, 1981.

*Deferred Revenue and Refundable Deposits:* Deferred revenue represents funds collected in one year and earned in the following year, such as for special events and exhibits. Refundable deposits are primarily related to deposits received for facility rental events that have not yet occurred. Revenue recognized for the years ended December 31, 2022 and 2021 that was included in deferred revenue at the beginning of each year was \$313,847 and \$300,641, respectively.

*Functional Allocation of Expenses:* The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities.

*Advertising:* Advertising costs are expensed as incurred. Advertising expenses were \$358,076 in 2022 and \$302,291 in 2021.

*Special Events:* Costs associated with Special Events are netted against the related revenue.

*Income Taxes:* Both the Society and Supporters are not-for-profit organizations exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and are not "private foundations" within the meaning of Section 509(a). Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Society and Supporters are not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on their financial position. Their federal tax returns for the last four years remain subject to examination.

*Operating and Non-Operating Activities:* Operating activities include the Society's programs, membership services and rental activities. Non-operating activities primarily include earnings on investments, as well the PPP loan forgiveness in 2021 and Employee Retention Credit in 2022.

*Employee Benefit Plans:* The Society has a 401(k) Plan that covers substantially all full-time employees. The Society may make a discretionary matching contribution based on a percentage of the employee compensation. The Society matched approximately \$25,167 in 2022 and \$28,000 in 2021.

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
**Notes to Audited Financial Statements**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, investments and pledges receivable. The Society maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. Management periodically assesses the financial condition of the institutions holding the cash and investments, as well as the diverse nature of its investments, and believes that the risk of loss is minimal. Pledges are subject to risk because they are primarily due from donors located in San Antonio and South Texas.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Recently Adopted Accounting Pronouncements:* In September 2020, the FASB issued ASU NO. 2020-07 *Not-for-Profit: Presentation and Disclosures by Not-for-Profit entities for Contributed Nonfinancial Assets* to increase the transparency of contributed non-financial assets by enhancing the presentation and disclosures. This standard was adopted by the Society effective December 31, 2022. The update includes the presentation of contributed non-financial assets as a separate line item in the statement of activities while disclosing disaggregated information about the types of contributed non-financial assets, how the contribution was used and various other disclosures.

In February 2016, FASB issued ASU No. 2016-02, "Leases (Topic 842)," for reporting periods beginning after December 15, 2021. A lessee is required to recognize on the statement of financial position right-of-use assets, representing the right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The Society adopted the new standard using the modified retrospective transition approach effective January 1, 2022, the first day of the lease standard implementation date. The new standard applied to leases that have commenced as of the effective date, January 1, 2022, with a cumulative effect adjustment recorded as of that date. The Society also elected to apply the package of practical expedients allowed in ASC 842-10-65-1 whereby the Society need not reassess whether any expired or existing contracts are or contain leases, the Society need not reassess the lease classification for any expired or existing leases, and the Society need not reassess initial direct costs for any existing leases. The Society's adoption of the ASU resulted in the addition of operating lease right-of-use assets on the balance sheet for the right to use the underlying assets of operating leases. The Society elected to use hindsight for transition when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. In addition, the corresponding liability for the remaining balance of the operating leases is included in the liability section of the balance sheet. For all asset classes, the Society elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. The adoption of this ASU did not have a material adjustment to the statement of activities. At January 1, 2022, the Society recognized initial right of use assets of \$22,006 and a corresponding lease liability of \$22,006. No adjustments to opening net assets were recorded as a result of this standard.

*Reclassifications:* Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no effect on the previously reported change in net assets.

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
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**NOTE B – PLEDGES RECEIVABLE**

Pledges receivable are scheduled to be collected as follows at December 31:

	<u>2022</u>	<u>2021</u>
Receivables due in less than one year	\$ 149,834	\$ 1,005,917
Receivables due in one to five years	760,000	820,000
Total pledges receivable	<u>909,834</u>	<u>1,825,917</u>
Less allowance	<u>-</u>	<u>-</u>
 Pledges receivable, net	 <u>\$ 909,834</u>	 <u>\$ 1,825,917</u>

No discount to present value has been recorded on the pledges due to the insignificance of the discount involved.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 32,423,760	\$ 32,184,869
Office equipment	1,596,698	1,594,721
Computer equipment	430,954	422,160
Other equipment	497,270	428,498
Leasehold improvements in progress	147,253	-
Total property and equipment	<u>35,095,935</u>	<u>34,630,248</u>
Less accumulated depreciation	<u>(4,854,478)</u>	<u>(3,775,939)</u>
 Property and equipment, net	 <u>\$ 30,241,457</u>	 <u>\$ 30,854,309</u>

**NOTE D – ENDOWMENTS**

*Endowed Investments:* Certain investments are considered endowed and include both donor restricted endowed investments (corpus and unexpended accumulated earnings) as well as board designated investments considered to function as endowments. Earnings on donor restricted endowments are classified as restricted until expended or released from restriction by action of the Board.

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**NOTE D – ENDOWMENTS – continued**

A rollforward of the endowed investments is as follows:

	Without Restriction	With Restriction	Total
Investments at January 1, 2021	\$ 1,220,025	\$ 2,614,130	\$ 3,834,155
Interest and dividends, net of inv. expenses	23,281	48,293	71,574
Change in fair market value	138,051	208,589	346,640
Contributions	-	20,085	20,085
Transfers	4,690	-	4,690
Appropriations and fees	<u>(7,771)</u>	<u>-</u>	<u>(7,771)</u>
Investments at December 31, 2021	1,378,276	2,891,097	4,269,373
Interest and dividends, net of inv. expenses	40,030	61,174	101,204
Change in fair market value	(196,530)	(382,199)	(578,729)
Contributions	-	-	-
Transfers	995,563	(31,871)	963,692
Appropriations and fees	<u>(843)</u>	<u>(1,344)</u>	<u>(2,187)</u>
Investments at December 31, 2022	<u>\$ 2,216,496</u>	<u>\$ 2,536,857</u>	<u>\$ 4,753,353</u>

The Society has adopted the *Endowments of Not-For-Profit Organizations* standard as required by applicable U.S. accounting standards:

*Interpretation of Relevant Law:* The Society has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) 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. As a result of this interpretation, the Society classifies as with donor restriction net assets: (a) the original value of gifts to be held in perpetuity, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion classified as net assets with donor restriction are released when the time restriction has expired. The following factors, among others, are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Society and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Society
- 7) The investment policies of the Society

*Funds with Deficiencies:* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of SPMIFA required the Society retain as a fund of perpetual duration. There were no funds with deficiencies at either year end.



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**NOTE D – ENDOWMENTS – continued**

*Return Objectives and Risk Parameters:* The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in equity and fixed income assets in a diversified manner to assume a moderate level of investment risk.

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy:* The Society’s policy is to appropriate interest and investment earnings as needed for operations. The Board reviews the spending policies as market conditions change.

**NOTE E – DONOR RESTRICTED NET ASSETS AND RELEASES FROM RESTRICTIONS**

Restricted net assets include the following at December 31:

	<u>2022</u>	<u>2021</u>
<u>Perpetual in Nature:</u>		
Conservatory maintenance endowment	\$ 1,546,715	\$ 1,546,715
Holmgren birdwatch endowment	50,000	50,000
Ellie Selig distinguished garden design lecture series	<u>101,202</u>	<u>101,202</u>
Total perpetual in nature	1,697,917	1,697,917
<u>Subject to Time or Specified Purpose:</u>		
Capital campaign	909,834	1,720,817
Endowment earnings, unspent	838,941	778,664
Educational, garden maintenance and other programs	<u>878,037</u>	<u>733,339</u>
Total subject to time or specified purpose	<u>2,626,812</u>	<u>3,232,820</u>
Total net assets with donor restrictions	<u>\$ 4,324,729</u>	<u>\$ 4,930,737</u>

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

Capital campaign	\$ 850,483	\$ 1,127,547
Educational, garden maintenance and other programs	<u>640,896</u>	<u>150,152</u>
Total net assets released from restriction	<u>\$ 1,491,379</u>	<u>\$ 1,277,699</u>

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**NOTE F – FAIR VALUE MEASUREMENTS**

In accordance with U.S. generally accepted accounting principles, the Society utilizes a fair value hierarchy that prioritizes the inputs for the 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- 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
  - if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the investment portfolio measured at fair value:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>December 31, 2022</i>				
Cash equivalents	\$ 547,018	\$ -	\$ -	\$ 547,018
Equities	3,040,852	-	-	3,040,852
Corporate bonds	1,189,852	-	-	1,189,852
Short-term bonds	1,209,731	-	-	1,209,731
<b>Total investments</b>	<b>\$ 5,987,453</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,987,453</b>
<i>December 31, 2021</i>				
Cash equivalents	\$ 437,170	\$ -	\$ -	\$ 437,170
Equities	2,226,526	-	-	2,226,526
Corporate bonds	826,430	-	-	826,430
Short-term bonds	835,430	-	-	835,430
<b>Total investments</b>	<b>\$ 4,325,556</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,325,556</b>

**THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.**  
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**NOTE F – FAIR VALUE MEASUREMENTS – continued**

There have been no changes in methodologies used to estimate fair value, nor transfers between levels. Following is a description of the valuation methodologies:

*Cash equivalents:* Consists of U.S. dollar denominated balances and is valued at face value of the currency.

*Equities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate and short-term bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society 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 fair value measurement at the reporting date.

**NOTE G – NEW MARKET TAX CREDIT FINANCING**

In 2017 the Society and Sponsors partnered with USBCDC and obtained additional funding for improvements to the Garden, utilizing the *New Market Tax Credit* (NMTC) program. The NMTC program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs).

*Note Receivable:* As part of the NMTC financing, Supporters loaned \$5,452,250 to the USBCDC Investment Fund 187, LLC (USBCDC). The secured note receivable earns interest fixed as 1%, payable \$13,630 quarterly through October 10, 2024. Thereafter, the quarterly payment increases to \$80,796 through maturity on April 1, 2043. The note may be prepaid at any time.

*Notes Payable:* The Society executed two notes payable in the total amount of \$7,500,000. The loans were used to finance the expansion of and improvements to the Garden. Each loan (loan A for \$5,452,250 and loan B for \$2,047,750) accrues interest at 1.616%, payable quarterly in total installments of \$30,300 through maturity on October 1, 2052, when the principal is due in full. The loans may be prepaid effective September 1, 2024.

**NOTE H – LIQUIDITY**

The Society has sufficient financial assets available to meet its operating needs for general expenditures for 2023. This consists of unrestricted cash, accounts receivable, pledges on hand, as well as earnings from investments. In addition, the Society expects its continuing programs, facility rental, memberships, special events, sponsorships, contributions and other sources of cash flow to be positive for 2023.

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**NOTE I – CURRENT ECONOMIC CONDITIONS**

Certain current economic events have arisen which could impact the Society’s ongoing operation. These include the effects of federal economic stimulus programs as well as the impact of the U.S Federal Reserve actions. These matters could impact numerous facets of the business environment, including interest rates, inflation, and the availability of goods, capital, and labor. Any related financial impact cannot be reasonably estimated.

**NOTE J – EMPLOYEE RETENTION CREDIT (ERC)**

In March 2021, the Internal Revenue Service (IRS) released Notice 2021-20, which retroactively eliminated the restriction that prevented employers who received a PPP loan from qualifying for the ERC, a refundable tax credit against certain employment taxes. Upon determination that the employer has complied with all of the conditions required to receive the credit, a receivable may be recognized for the ERC grant. During 2022, the Society, claimed ERC of \$485,999, which was recorded in ERC credits on the consolidated statement of activities. \$335,282 was received in cash in 2022 and \$150,717 remains as a receivable on the consolidated statement of financial position at December 31, 2022.

**NOTE K – CONTRIBUTED SERVICES AND NONFINANCIAL ASSETS**

Contributed materials are reported at their estimated fair value based on current retail rates for similar goods at the time of donation. Contributed services which create or enhance a nonfinancial asset, require specialized skills and would need to be purchased if they were not donated are reported at an amount determined to be appropriate if individuals were hired to perform similar services for the Society at the time services are rendered. Contributed services and nonfinancial assets are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 900	\$ 17,525
Food/drinks	1,439	-
Materials	12,821	68
Services	<u>4,292</u>	<u>3,900</u>
	<u><u>19,452</u></u>	<u><u>21,493</u></u>

The donated materials included advertising, decorations, valet services and food and drinks for events and were recorded as program expenses.

*Contributed Facilities:* The Society occupies the Gardens under a long-term agreement with the City of San Antonio. No in-kind rent is recognized as there is not comparable market for this type of lease.

*Donated Volunteer Services:* A substantial number of volunteers make significant contributions of their time in the Society’s programs and fundraising activities. The value of this contributed time is not reflected in these financial statements because it does not meet the current requirements as defined by U.S. generally accepted accounting standards.

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**NOTE L – LEASES**

The Society determines if an arrangement is an operating lease or financing lease at commencement. The Society has determined that it has no finance lease arrangements at December 31, 2022. Lease assets and obligations are recognized as of the adoption date of ASC 842 and subsequently at the lease commencement date based on the present value of lease payments over the term of the lease. The Society utilizes the risk-free discount rate to arrive at the present value.

The Society has a third-party operating lease for its office equipment. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The lease term for the office equipment extends through May 2027. Lease expense totaled \$5,089 in 2022.

In determining lease asset values, the Society considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. There are no renewal options related to either lease agreement.

At December 31, 2022, the weighted-average remaining lease term was 3.25 years and the weighted-average discount rate was 2.87%. Future commitments relating to these lease agreements are as follows:

Year Ending December 31:

2023	\$ 5,544
2024	5,544
2025	4,794
2026	1,044
2027	435
Total minimum future payments	<u>17,361</u>
Less: imputed interest	<u>(444)</u>
Present value of lease liability	<u><u>\$ 16,917</u></u>