The San Antonio Botanical Garden Society, Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

ADKF

CERTIFIED PUBLIC ACCOUNTANTS

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
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December 31, 2023 and 2022

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 statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, cash flows for the years 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, 2023 and 2022, and the results of its activities and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

ADKF, P.C.
San Antonio, Texas
April 12, 2024

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,989,485	$ 5,389,999
Accounts receivable	301,778	613,784
Inventory, gift shop	159,593	149,961
Pledges	886,700	909,834
Investments, at fair value:		
Available for operations	1,902,428	1,215,277
Board designated	2,599,068	2,235,319
Donor restricted	2,878,666	2,536,857
Prepaid expenses	598,740	246,856
Note receivable	-	5,452,250
Property and equipment, net	31,029,928	30,241,457
Operating lease right-of-use assets	11,593	16,917
Total Assets	$ 44,357,979	$ 49,008,511
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 2,108,289	$ 1,453,219
Deferred revenue and refundable deposits	295,420	315,761
Operating lease right-of-use liabilities	11,593	16,917
Long-term debt	-	7,500,000
Total liabilities	2,415,302	9,285,897
Net Assets:		
Without donor restrictions:		
Available for general operations	35,064,496	33,162,567
Board designated	2,599,068	2,235,319
Total without donor restrictions	37,663,564	35,397,886
With donor restrictions	4,279,113	4,324,728
Total net assets	41,942,677	39,722,614
Total Liabilities and Net Assets	$ 44,357,979	$ 49,008,511

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Other Additions			
Contributions	$ 481,483	$ 709,115	$ 1,190,598
Contributions, in-kind	20,775	-	20,775
Grants	1,386,630	496,495	1,883,125
Memberships	1,278,510	-	1,278,510
Admissions	1,789,772	-	1,789,772
Special events, net of direct costs	320,099	-	320,099
Gift shop sales, net of costs of merchandise sold	126,310	-	126,310
Program revenues:			
Facilities rental	1,020,383	-	1,020,383
Educational programs	557,759	-	557,759
Exhibits and events sponsorships	132,200	520,000	652,200
Restaurant and other revenues	286,880	-	286,880
Total revenues and other support	7,400,801	1,725,610	9,126,411
Expenses			
Program	8,088,775	-	8,088,775
General and administrative	1,091,438	-	1,091,438
Fundraising	776,553	-	776,553
Total expenses	9,956,766	-	9,956,766
Operating Income (Loss)	(2,555,965)	1,725,610	(830,355)
Other Income (Expense)			
Investment earnings, net of fees	1,078,563	-	1,078,563
Interest income	53,664	-	53,664
Interest expense	(113,517)	-	(113,517)
Other income	58,958	-	58,958
Gain on closeout of New Market Tax Credit	1,972,750	-	1,972,750
Other income (expense), net	3,050,418	-	3,050,418
Change in Net Assets	494,453	1,725,610	2,220,063
Net assets released from restrictions	1,771,225	(1,771,225)	-
Net assets at beginning of year	35,397,886	4,324,728	39,722,614
Net Assets at End of Year	$ 37,663,564	$ 4,279,113	$ 41,942,677

See notes to audited consolidated 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
Operating Revenues and Other Additions			
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	6,605,710	885,370	7,491,080
Expenses			
Program	5,705,779	-	5,705,779
General and administrative	1,821,559	-	1,821,559
Fundraising	520,374	-	520,374
Total expenses	8,047,712	-	8,047,712
Operating Income (Loss)	(1,442,002)	885,370	(556,632)
Other Income (Expense)			
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	(40,470)	-	(40,470)
Change in Net Assets	(1,482,472)	885,370	(597,102)
Net assets released from restrictions	1,491,379	(1,491,379)	-
Net assets at beginning of year	35,388,979	4,930,737	40,319,716
Net Assets at End of Year	$ 35,397,886	$ 4,324,728	$ 39,722,614

S*ee notes to audited consolidated financial statements.*

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Functional Expenses
Year Ended December 31, 2023

	Programs								
	Educational and Research Programs	Horticulture	Gift Shop, Visitor Services Plant Sales	Facilities and Rentals	Exhibits	Total Program Expenses	General and Administrative	Fundraising	Total
Salaries and wages	$ 651,701	$ 1,066,300	$ 387,977	$ 301,453	$ 627,226	$ 3,034,657	$ 290,592	$ 494,621	$ 3,819,870
Payroll taxes	50,456	85,456	32,807	24,770	49,267	242,756	22,082	37,466	302,304
Employee benefits	47,674	109,578	15,036	14,557	52,205	239,050	40,247	37,411	316,708
Total payroll related	749,831	1,261,334	435,820	340,780	728,698	3,516,463	352,921	569,498	4,438,882
Advertising and marketing	18,343	11,751	5,375	42,259	345,281	423,009	12,547	116,521	552,077
Consultant and professional fees	18,795	35,974	16,788	5,540	13,644	90,741	313,104	4,842	408,687
Cost of programs and events	68,840	3,259	84	78,471	774,922	925,576	8,414	-	933,990
Bank fees and credit card charges	12,481	4,346	76,329	1,338	8,063	102,557	19,187	43,339	165,083
Insurance	18,799	8,996	5,313	14,175	33,487	80,770	11,593	6,011	98,374
Maintenance and repairs	80,511	188,768	53,217	70,274	268,055	660,825	43,370	-	704,195
Occupancy	123,998	-	78,489	82,977	339,107	624,571	-	-	624,571
Office	17,970	5,121	20,255	20,121	60,486	123,953	117,898	-	241,851
Supplies	96,739	193,064	9,971	34,006	54,429	388,209	7,337	20,289	415,835
Technology and telephone	8,023	8,793	3,909	12,491	30,088	63,304	113,134	16,053	192,491
In-kind	-	-	-	-	20,775	20,775	-	-	20,775
Depreciation expenses	571,086	35,739	23,109	419,628	18,460	1,068,022	91,933	-	1,159,955
Total Functional Expenses	$ 1,785,416	$ 1,757,145	$ 728,659	$ 1,122,060	$ 2,695,495	$ 8,088,775	$ 1,091,438	$ 776,553	$ 9,956,766
Other expenses not included above:									
Special events, direct costs					$ 2,392,310			$ 290,114	
Cost of merchandise sold		$ 31,406	$ 332,642						

See notes to audited consolidated financial statements.

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

	Programs								
	Educational and Research Programs	Horticulture	Gift Shop, Visitor Services Plant Sales	Facilities and Rentals	Exhibits	Total Program Expenses	General and Administrative	Fundraising	Total
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	$ 1,296,647	$ 1,657,700	$ 606,998	$ 931,757	$ 1,212,677	$ 5,705,779	$ 1,821,559	$ 520,374	$ 8,047,712
Other expenses not included above:									
Special events, direct costs								$ 2,523,679	
Cost of merchandise sold			$ 415,099						

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ 2,220,063	$ (597,102)
Adjustments to reconcile changes in net assets		
to net cash provided (used) by operating activities:		
Depreciation	1,159,955	1,121,686
Net (gain) loss on investments	(1,019,472)	461,888
Contributions restricted for long-term purpose	(471,700)	-
(Gain) on New Market Tax Credit closeout	(1,972,750)	-
Change in operating assets and liabilities:		
Accounts receivable	312,006	(305,454)
Pledges receivable	-	65,600
Gift shop inventory	(9,632)	(55,197)
Prepaid expenses	(351,884)	(135,007)
Operating lease right-of-use assets	5,324	(16,917)
Accounts payable and accrued expenses	655,070	(877,165)
Deferred revenue and refundable deposits	(20,341)	1,914
Operating lease right-of-use liabilities	(5,324)	16,917
Net cash provided (used) by operating activities	501,315	(318,837)
Investing Activities		
Investment proceeds, net of purchases	(373,237)	(2,123,785)
Purchase of property and equipment	(1,948,426)	(508,834)
Net cash (used) by investing activities	(2,321,663)	(2,632,619)
Financing Activities		
Proceeds from PPP funding	-	452,500
Contributions restricted for long-term purpose	494,834	850,483
Payments on long-term debt	(75,000)	-
Net cash provided by financing activities	419,834	1,302,983
Net change in cash and cash equivalents	(1,400,514)	(1,648,473)
Cash and cash equivalents at beginning of year	5,389,999	7,038,472
Cash and Cash Equivalents at End of Year	$ 3,989,485	$ 5,389,999
Supplemental Disclosures		
Cash paid for interest	$ 113,517	$ 123,600
Cash paid for income taxes	-	-

See notes to audited consolidated financial statements.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The San Antonio Botanical Society, Inc. (Society) was founded in 1980 as a 501(c)3 organization, to support the San Antonio Botanical Garden (the Garden). The history of the San Antonio Botanical Garden began in the late 1960s with a plan to create San Antonio's and the region's first public garden on thirty-eight acres of land in the heart of San Antonio (physical address: 555 Funston Place). Groundwork began in 1970, and the Garden opened under the operation of the City of San Antonio Parks and Recreation Department in May 1980. In 2010 the Society entered into agreements with the City of San Antonio to independently operate and manage the Garden.

The mission of the Society and Garden is "enriching lives through plants and nature" and is based on priorities to advance plant collections and conservation; ensure financial sustainability and growth; and provide meaningful programs reflecting community diversity. The Garden welcomes 400,000 visitors annually, and provides over 850 educational programs, serving 22,000 K-12 grade students, half of which come from Title 1 schools.

The Society has agreements with the City of San Antonio that include 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 expires on December 31, 2039.

The Supporters of San Antonio Botanical Garden (Supporters) was organized in 2017 as a separate 501(c)3 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 served as the leverage lender in the New Market Tax Credit (NMTC) financing which was obtained in 2017 and used for expansion of the Garden. As of December 31, 2023, the Supporters organization was dissolved, and all remaining assets were distributed to the Society. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition: Contributions are recognized 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.

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 contributions, grants, and program fees, and are reported at their stated amount, less an allowance for credit losses if required. The Society does not generally require collateral or charge interest on late payments. An allowance was not required at December 31, 2023 or 2022.

Pledges: Pledges receivable are recorded at the original pledge amount, net of a valuation discount and evaluated for an allowance on at least an annual basis. An allowance was not required at December 31, 2023 and 2022.

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

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Note Receivable: The note receivable was a component of the NMTC. See Note G.

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.

Leases: For all operating leases with a term greater than 12 months, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Society uses the risk-free discount rate to determine the present value of lease payments, according to the Society's elected policy, unless a readily determinable implicit rate is available. 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.

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.

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.

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, Employee retention tax credit in 2022 and the closeout of the New Market Tax Credit (NMTC). See Note G.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 $24,145 in 2023 and $25,167 in 2022.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

NOTE B – PLEDGES RECEIVABLE

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

	2023	2022
Receivables due in less than one year	$ 886,700	$ 149,834
Receivables due in one to five years	-	760,000
Total pledges receivable	886,700	909,834
Less allowance	-	-
Pledges receivable, net	$ 886,700	$ 909,834

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:

	2023	2022
Buildings and improvements	$ 33,819,893	$ 32,429,760
Office equipment	1,610,773	1,596,698
Computer equipment	450,280	430,954
Other equipment	533,571	497,270
Leasehold improvements in progress	624,687	147,253
Total property and equipment	37,039,204	35,101,935
Less accumulated depreciation	(6,009,276)	(4,854,478)
Property and equipment, net	$ 31,029,928	$ 30,247,457

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.

NOTE D – ENDOWMENTS – continued

A rollforward of the endowed investments is as follows:

	Without Restriction	With Restriction	Total
Investments at January 1, 2022	$ 1,378,276	$ 2,891,097	$ 4,269,373
Interest and dividends, net of 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	(843)	(1,344)	(2,187)
Investments at December 31, 2022	2,216,496	2,536,857	4,753,353
Interest and dividends, net of expenses	65,950	71,695	137,645
Change in fair market value	297,951	346,271	644,222
Contributions	-	-	-
Transfers	-	-	-
Appropriations and fees	(1,030)	(76,157)	(77,187)
Investments at December 31, 2023	$ 2,579,367	$ 2,878,666	$ 5,458,033

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.

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:

	2023	2022
Perpetual in Nature:		
Conservatory maintenance endowment	$ 1,546,715	$ 1,546,715
Holmgren birdwatch endowment	50,000	50,000
Ellie Selig distinguished garden design lecture series	101,202	101,202
Total perpetual in nature	1,697,917	1,697,917
Subject to Time or Specified Purpose:		
Capital campaign	390,000	909,834
Endowment earnings, unspent	1,180,746	838,941
Educational, garden maintenance and other programs	1,010,450	878,037
Total subject to time or specified purpose	2,581,196	2,626,812
Total net assets with donor restrictions	$ 4,279,113	$ 4,324,729

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:

	2023	2022
Capital campaign	$ 519,834	$ 850,483
Educational, garden maintenance and other programs	1,251,391	640,896
Total net assets released from restriction	$ 1,771,225	$ 1,491,379

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, investments measured at fair value:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
December 31, 2023				
Cash equivalents	$ 533,185	$ -	$ -	$ 533,185
Equities	3,766,278	-	-	3,766,278
Corporate bonds	1,740,944	-	-	1,740,944
Short-term bonds	1,339,755	-	-	1,339,755
Total investments	$ 7,380,162	$ -	$ -	$ 7,380,162
December 31, 2022				
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
Total investments	$ 5,987,453	$ -	$ -	$ 5,987,453

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 and corporate and short-term bonds*: Valued based on closing prices reported on the active market.

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 Supporters partnered with USBCDC Investment Fund 187, LLC (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).

<u>Note Receivable</u>: As part of the NMTC financing, Supporters loaned $5,452,250 to the USBCDC. The secured note receivable earned interest fixed at 1% and payable $13,630 quarterly through October 10, 2024. Thereafter, the quarterly payment was scheduled to increase to $80,796 through maturity on April 1, 2043.

<u>Notes Payable</u>: 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) accrued interest at 1.616%, payable quarterly in total installments of $30,300 through the scheduled maturity on October 1, 2052.

The NMTC compliance period ended on September 23, 2023 and on September 26, 2023, the Supporters completed the exit process. USBCDC, by exercising a put option, sold its interest in the Fund to the Supporters for the exercise price of $1,000. In conjunction with this, the Supporters transferred its interest in the Fund to the Society. As such, the Society was both the lender and the borrower for the two loans which were subsequently cancelled.

Effective November 29, 2023, the Supporters organization was dissolved, and all remaining assets and liabilities were transferred to the Society. This dissolution resulted in a realized gain of $1,972,750.

NOTE H – LIQUIDITY

The Society has approximately $8,280,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. This consists of cash of approximately $3,476,000, accounts receivable of $302,000 and investments without donor restrictions of approximately $4,502,000 at December 31, 2023.

NOTE I – 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 other income on the consolidated statements of activities. $150,717 was received in 2023 and $335,282 was received in 2022.

NOTE J – CONTRIBUTED SERVICES AND NONFINANCIAL ASSETS

Donated Materials: 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. 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.

	2023	2022
Advertising	$ 500	$ 900
Food/drinks	4,309	1,439
Materials	9,575	12,821
Services	6,391	4,292
	$ 20,775	$ 19,452

NOTE K – OPERATING LEASES

The Society has two third-party operating leases for its office equipment. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The lease terms for the office equipment extends through May 2027. Lease expense totaled $5,544 in 2023 and $5,089 in 2022.

NOTE K – OPERATING LEASES – continued

At December 31, 2023 and 2022, the weighted-average remaining lease term was 2.3 and 3.25 years and the weighted-average discount rate was 1.53% and 2.87%. Future commitments relating to these lease agreements are as follows:

Year Ending December 31:	
2024	$ 5,544
2025	4,794
2026	1,044
2027	435
Total minimum future payments	11,817
Less: imputed interest	(224)
Present value of lease liability	$ 11,593

NOTE L – SUBSEQUENT EVENTS

Subsequent to year end, on March 8, 2024, the Society entered into a $1,000,000 line of credit which matures on March 8, 2026. The line of credit is unsecured with a variable interest rate of .250 percentage points over the prime rate. As of the date of the report, no amounts have been drawn on the line of credit.