

**SAN FRANCISCO BOTANICAL GARDEN SOCIETY
AT STRYBING ARBORETUM**

Financial Statements

June 30, 2022 and 2021

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Independent Auditors' Report

Board of Directors
San Francisco Botanical Garden Society at Strybing Arboretum

Opinion

We have audited the financial statements of San Francisco Botanical Garden Society at Strybing Arboretum (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the opening balance of the Organization's net assets as of July 1, 2021 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

BAKER TILLY US, LLP

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

San Francisco, California
November 21, 2022

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021 (as restated)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,176,363	\$ 5,081,721
Short term investments	1,501,441	-
Due from City and County of San Francisco	375,685	253,354
Contributions and grants receivable	132,758	65,479
Promises to give	97,245	53,250
Inventory	57,543	35,182
Prepaid expenses	45,615	96,045
Total current assets	7,386,650	5,585,031
Property and Equipment - net	4,793,558	1,975,665
Other Assets		
Investments held in perpetuity	11,069,480	4,985,784
Deposits	7,644	7,644
Promises to give - long term, net	5,000,000	14,876,941
Total assets	\$ 28,257,332	\$ 27,431,065
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 201,832	\$ 98,468
Accrued expenses	11,683	105,461
Accrued payroll liabilities	289,392	145,274
Construction payable, including retainage	285,261	-
Paycheck Protection Program loan	-	8,751
Deferred revenue	415,069	201,307
Due to City and County of San Francisco	623,200	613,908
Total current liabilities	1,826,437	1,173,169
Noncurrent Liabilities		
Paycheck Protection Program loan, net of current portion	-	392,349
Total liabilities	1,826,437	1,565,518
Net Assets		
Without donor restrictions	3,786,572	3,600,699
With donor restrictions		
Purpose and time restrictions	6,634,118	2,442,640
Perpetual in nature	16,010,205	19,822,208
Total net assets with donor restrictions	22,644,323	22,264,848
Total net assets	26,430,895	25,865,547
Total liabilities and net assets	\$ 28,257,332	\$ 27,431,065

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2022 and 2021

	2022			2021 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND INVESTMENT RETURNS						
Grants and contributions	\$ 820,347	3,172,077	\$ 3,992,424	\$ 732,352	\$ 21,279,351	\$ 22,011,703
Bequests	185,972	-	185,972	117,878	-	117,878
Memberships	409,286	-	409,286	368,539	-	368,539
Annual fundraiser	289,237	113,750	402,987	291,214	-	291,214
Private event rentals	312,814	-	312,814	112,698	-	112,698
Admissions - allocated						
to San Francisco Botanical Garden Society	1,152,666	-	1,152,666	998,718	-	998,718
Bookstore, Plant Arbor, and other retail sales - net of cost of sales of \$154,976 in 2022 and \$62,816 in 2021	318,109	-	318,109	185,961	-	185,961
Public programming	400,529	-	400,529	516,435	-	516,435
Flower Piano	224,900	-	224,900	-	-	-
Paycheck Protection Program loan forgiveness	401,100	-	401,100	462,500	-	462,500
Investment returns - net	(49,675)	(2,489,795)	(2,539,470)	309	82,339	82,648
In-kind contributions	-	-	-	43,650	-	43,650
Other income	4,793	-	4,793	18,944	-	18,944
Net assets released from restrictions	416,557	(416,557)	-	634,343	(634,343)	-
Total revenue and support	<u>4,886,635</u>	<u>379,475</u>	<u>5,266,110</u>	<u>4,483,541</u>	<u>20,727,347</u>	<u>25,210,888</u>
EXPENSES						
Programs and activities	3,515,297	-	3,515,297	2,739,829	-	2,739,829
Management and general	665,886	-	665,886	388,441	-	388,441
Fundraising and development	519,579	-	519,579	436,204	-	436,204
Total expenses	<u>4,700,762</u>	<u>-</u>	<u>4,700,762</u>	<u>3,564,474</u>	<u>-</u>	<u>3,564,474</u>
CHANGE IN NET ASSETS	<u>185,873</u>	<u>379,475</u>	<u>565,348</u>	<u>919,067</u>	<u>20,727,347</u>	<u>21,646,414</u>
NET ASSETS - beginning of year, as reported	3,723,727	22,185,320	25,909,047	2,681,632	1,537,501	4,219,133
Prior period adjustment	<u>(123,028)</u>	<u>79,528</u>	<u>(43,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - beginning of year, as restated	<u>3,600,699</u>	<u>22,264,848</u>	<u>25,865,547</u>	<u>2,681,632</u>	<u>1,537,501</u>	<u>4,219,133</u>
NET ASSETS - end of year	<u>\$ 3,786,572</u>	<u>\$ 22,644,323</u>	<u>\$ 26,430,895</u>	<u>\$ 3,600,699</u>	<u>\$ 22,264,848</u>	<u>\$ 25,865,547</u>

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	2022			
	Programs and Activities	Management and General	Fundraising and Development	Total
Salaries	\$ 1,956,242	\$ 213,580	\$ 289,270	\$ 2,459,092
Payroll taxes	155,064	17,746	20,023	192,833
Employee benefits	125,662	9,781	13,661	149,104
Information technology and systems maintenance	109,217	89,129	50,240	248,586
Merchant fees	219,239	556	10,200	229,995
Garden maintenance and equipment rental	167,058	36,427	10,960	214,445
Outside services	152,563	21,679	27,575	201,817
Promotions and publications	149,727	213	10,926	160,866
Consultants	138,749	25,120	7,289	171,158
Program supplies and other purchases	155,202	580	9,172	164,954
Cost of sales	154,976	-	-	154,976
Recruitment and staff development	-	120,735	20,861	141,596
Other	91,416	22,060	7,064	120,540
Occupancy and security	35,248	50,764	14,731	100,743
Depreciation and amortization	13,925	21,332	6,190	41,447
Insurance	13,346	15,275	10,120	38,741
Telephone	6,933	10,621	3,082	20,636
Dues and subscriptions	12,807	2,755	3,739	19,301
Office expense	4,046	4,125	1,197	9,368
Postage	3,466	1,928	2,638	8,032
Travel	4,028	906	474	5,408
Conferences and meetings	1,359	574	167	2,100
Total expenses by function	3,670,273	665,886	519,579	4,855,738
Less expenses with revenues on the statement of activities				
Cost of sales	(154,976)	-	-	(154,976)
Total expenses	<u>\$ 3,515,297</u>	<u>\$ 665,886</u>	<u>\$ 519,579</u>	<u>\$ 4,700,762</u>

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	2021			
	Programs and Activities	Management and General	Fundraising and Development	Total
Salaries	\$ 1,565,263	\$ 227,717	\$ 244,299	\$ 2,037,279
Payroll taxes	134,989	17,111	15,896	167,996
Employee benefits	96,073	15,752	4,219	116,044
Other	159,683	3,461	22,586	185,730
Information technology and systems maintenance	122,071	12,993	28,877	163,941
Program supplies and other purchases	125,717	121	22,622	148,460
Occupancy and security	104,035	13,769	9,179	126,983
Outside services	31,524	32,245	62,270	126,039
Promotions and publications	115,144	-	-	115,144
Garden projects and maintenance	102,224	-	-	102,224
Cost of sales	62,816	-	-	62,816
Office expense	44,444	5,872	3,915	54,231
Depreciation and amortization	-	43,706	-	43,706
Consultants	34,841	4,644	3,096	42,581
In-kind gifts - tree and shrub work	40,140	-	-	40,140
Telephone	27,423	2,438	1,625	31,486
Insurance	16,350	4,936	1,350	22,636
Dues and subscriptions	10,072	679	4,121	14,872
Postage	6,116	523	5,122	11,761
Bad debts	100	-	5,000	5,100
Recruitment and staff development	2,397	70	37	2,504
Conferences and meetings	1,223	463	164	1,850
In-kind gifts - other	-	160	1,650	1,810
In-kind gifts - rent	-	1,700	-	1,700
Travel	-	81	176	257
Total expenses by function	2,802,645	388,441	436,204	3,627,290
Less expenses with revenues on the statement of activities				
Cost of sales	(62,816)	-	-	(62,816)
Total expenses	<u>\$ 2,739,829</u>	<u>\$ 388,441</u>	<u>\$ 436,204</u>	<u>\$ 3,564,474</u>

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
STATEMENTS OF CASH FLOW
Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 565,348	\$ 21,646,414
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	41,447	43,706
Net realized and unrealized (gain) loss from investments	2,611,957	(80,701)
Paycheck Protection Program loan forgiveness	(401,100)	(462,500)
Proceeds restricted to endowment	-	(4,902,767)
Donated securities	(10,049,552)	-
Discount on long term-pledges	(220,292)	-
Changes in operating assets and liabilities		
Due from City and County of San Francisco	(122,331)	(156,325)
Contributions and grants receivable	(67,279)	61,995
Promises to give - net	(43,995)	(14,784,401)
Inventory	(22,361)	(12,689)
Prepaid expenses	50,430	(43,920)
Accounts payable	103,364	(11,664)
Accrued liabilities, other	50,339	49,549
Deferred revenue	213,762	99,049
Due to City and County of San Francisco	9,292	547,483
Net cash from operating activities	(7,280,971)	1,993,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(12,339,153)	(4,986,690)
Proceeds from sale of investments	12,191,611	81,607
Purchases of property and equipment	(2,574,078)	(1,233,218)
Net cash from investing activities	(2,721,620)	(6,138,301)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions to endowment funds	10,097,233	4,902,767
Proceeds from Paycheck Protection Program loan	-	401,100
Net cash from financing activities	10,097,233	5,303,867
NET CHANGE IN CASH AND CASH EQUIVALENTS	94,642	1,158,795
CASH AND CASH EQUIVALENTS - beginning of year	5,081,721	3,922,926
CASH AND CASH EQUIVALENTS - end of year	\$ 5,176,363	\$ 5,081,721

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. NATURE OF ORGANIZATION

San Francisco Botanical Garden Society at Strybing Arboretum (the "Organization") is a California non-profit corporation organized in 1955 to support the San Francisco Botanical Garden at Strybing Arboretum (the "Garden"). Founded in 1940, the 55-acre Garden is located in Golden Gate Park in San Francisco, California and is operated and managed by the Organization in partnership with the City and County of San Francisco Recreation and Parks Department ("SFRPD"). The Organization's mission is to connect people to plants, the planet, and each other. With the support of members and volunteers, the Organization serves the community through its youth education programs, operates the Helen Crocker Russell Library of Horticulture, provides docent training and free daily guided walks to the public, sponsors other educational and community programming, conducts marketing and outreach, manages visitor experience and volunteer programs, and operates the Garden Bookstore and retail Plant Arbor. The Organization also helps to fund Garden improvements, provides curatorial and plant collection management services and propagates and conserves plants.

On July 14, 2020, the City and County of San Francisco and its Recreation and Parks Department extended the management of admissions at the Japanese Tea Garden to the Organization, effective August 1, 2020 (see Note 12). The 5-acre Japanese Tea Garden is the oldest Japanese garden in the United States and located inside Golden Gate Park in San Francisco, California.

As further described in Note 16, the Organization and SFRPD amended its agreement to additionally manage admissions of the Conservatory of Flowers effective July 1, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for Not-for-Profit Organizations (U.S. GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities based on existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor restrictions.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net assets with donor restrictions

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

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and marketable securities.

Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Risks associated with marketable securities are also mitigated by holding such assets with reputable custodians. The Security Investor Protection Corporation provides for up to \$500,000 (currently) in protection against fraudulent brokers. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances. Cash equivalents held in custodian accounts as part of the Organization's long term investment policy are classified as short-term or long-term investments.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of marketable securities and alternative investments. Marketable securities, which consist primarily of common stocks, bonds, mutual funds and exchange-traded funds, are stated at fair values, determined based on quoted market prices. Unrealized gains and losses resulting from market fluctuations are recognized as revenues in the period such fluctuations occur. For purposes of determining realized gains or losses as revenues, the cost of securities sold are generally computed based on the weighted average method. Interest and dividends are recognized when earned. External and direct internal investment expenses are netted against investment return on the statement of activities. Such expenses were \$63,650 and \$833, respectively, for the years ended June 30, 2022 and 2021.

Alternative investments, which consist primarily of private equity funds, are stated at fair value based on net asset value as a practical expedient.

The Organization considers the use of market-based information over entity-specific information in valuing its investments, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 inputs to the valuation methodology - quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology - quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the investment.
- Level 3 inputs to the valuation methodology - unobservable and significant to the fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

An asset or liability's categorization within the hierarchy is based upon the lowest level of 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 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 Organization believes its valuation methods are appropriate and consistent with other practices, 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.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

In accordance with the authoritative guidance on fair value measurements and disclosures, as a practical expedient, an entity holding investments in certain entities that calculate net asset value (NAV) per share or its equivalent for which the fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of that NAV or its equivalent without adjustment. Investments measured at fair value using the NAV are not categorized within the fair value hierarchy.

Due from City and Country of San Francisco

Amounts due from City and County of San Francisco include receivables for reimbursement by the City to the Organization for the costs to administer admissions at the two gardens and the allowed annual allocation. The amount due is stated at the amount management expects to collect from outstanding balances. At June 30, 2022 and 2021, the Organization determined that the accounts were fully collectible and as a result has not provided for an allowance for doubtful accounts.

Inventory

Inventory consists of bookstore and plant arbor merchandise carried at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

Property and Equipment

The Organization capitalizes property and equipment with a cost or fair value in excess of \$1,000 and an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of gift. Repairs and maintenance are charged to expense as incurred unless they extend the life of the asset. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 27.5 years. The costs of plants, planting and other improvements to the Garden are charged to expense as incurred.

The library collection is considered to be inexhaustible, therefore, library books and related materials are not depreciated.

Revenue Recognition

Grants and Contributions

The Organization recognizes unconditional gifts and pledges in the period notified and as a current or non-current asset depending on the form and term of the promised payments. Such receivables and pledges are subject to an allowance for uncollectible amounts. The Organization records promises to give, if expected to be collected beyond one year at their discounted net present value. When applicable, the changes from period to period in the discounted present value are recorded as contribution revenue based on the donor's original restriction.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Grants and Contributions (continued)

Grants and contributions, including unconditional promises to give, are recognized when received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. At June 30, 2022 and 2021, there were no conditional grants.

Memberships

Membership with the Organization is based on level of donation and membership gifts are recognized when received as contributions without donor restrictions as the members receive minimal benefits.

Private Event Rentals

The Organization offers various outdoor venues in the Garden for private event rentals. Rental income is recognized on the day of the event. Amounts received prior to the event are reported as deferred revenue. Deferred revenue related to private event rentals at June 30, 2022 and 2021 amounted to \$127,462 and \$43,856, respectively.

Contracts with Customers

The Organization derives revenue from customers for admissions receipts, nursery and store sales, and public programming. Revenue recognition is evaluated under Accounting Standards Codification (ASC) 606 through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Admissions

In accordance with the Lease and Management Agreement (“LMA”) with the SFRPD, the Organization administers the admissions for both the Botanical Garden and the Japanese Tea Garden (collectively referred to as the Gardens). Generally, non-San Francisco residents are charged an admissions fee. The Organization collects and remits all the admissions revenue to the SFRPD on a monthly basis. The Organization then submits a billing to the SFRPD for the allowed costs to administer admissions for each of the gardens covered by the LMA. Admissions revenue consists of the reimbursement by the City to the Organization for the costs to administer the admissions and is recognized in the month the expenses are incurred. Additionally, the Organization received an annual allocation of \$287,573 for each of the years ended June 30, 2022 and 2021. The annual allocation is restricted to be used for education and community outreach as specified under the LMA (see Note 12).

During the years ended June 30, 2022 and 2021, total admissions to the Gardens amounted to \$5,830,341 and \$3,514,738, respectively. Total costs to administer the admissions amounted to \$865,093 and \$761,145, respectively for the years ended June 30, 2022 and 2021. These amounts, as well as the above noted allocation, has been included in revenue. At June 30, 2022 and 2021, admissions fees collected by the Organization and due to the City and County of San Francisco amounted to \$623,200 and \$613,908, respectively. The City and County of San Francisco owes the Organization for admissions related costs of \$375,685 and \$253,354, at June 30, 2022 and 2021, respectively.

Bookstore, Plant Arbor, and other retail sales

Bookstore, plant arbor, and other retail sales revenue is generated from sale of plants, library arts and books, and is recognized at a point in time when goods are delivered to the customers. Payments for bookstore, plant arbor, and other retail sales are made at the time of purchase.

Public Programming

The Organization utilizes the portfolio approach practical expedient to account for public programming as the contracts and performance obligations which have similar characteristics, and the Organization reasonably expects that the effects on the financial statements from applying the portfolio method are not materially different than applying ASC 606 to the individual contracts.

Public programming revenue is generated from the registration to the program event. The performance obligation from public programming includes classes, public programs, summer camp sessions, after school programs, lecture series, docent dues, volunteer training fees and others, generally ranging from one to ten days. Depending on the program, the Organization recognizes revenue from public programming as performance obligations are satisfied.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Public Programming (continued)

The transaction price is fixed, and the amount is identified on the website based on the event selected and number of days. Discounts are established upfront and do not contain variable consideration. There are no significant financing components.

The Organization uses a third party to process registrations. Processing fees are included in addition to the face value of the registration fee. Registration fees and payments for the public programming are made in advance at the time of the purchase. The Organization offers a 24-hour cancellation policy after registration in which guests can cancel for a full refund. After this time has expired, a cancellation fee may be charged in accordance with the Organization's terms and conditions.

All public programming registration fees received prior to the event are reported as deferred revenue. Amounts reported as deferred revenue related to public programming at June 30, 2022 and 2021 was \$175,607 and \$113,950, respectively.

Flower Piano and Garden Feast

The Organization conducts certain special events during the year that qualify for public programming and/or community engagement. Garden Feast is typically held in the Spring. A portion of the donations from Garden Feast are restricted to support the Organization's youth education programs, including the ability to offer scholarships to those attendees without the financial resources to pay camp fees. Flower Piano, typically held in the early Fall, transforms the Garden into the City's own alfresco concert hall where everyone is invited to play and listen. The Organization seeks sponsorships to fund the costs of Flower Piano. Sponsorship payments received before June 30, 2022 and 2021 amounted to \$112,000 and \$43,500, respectively and have been included in deferred revenue on the Statement of Financial Position (see Note 14). Revenue is recognized on the date of the event.

The transaction price is fixed, and the amount is identified on the website based on the event selected and number of days. Discounts are established upfront and do not contain variable consideration. There are no significant financing components.

The Organization uses a third party to process the ticketing transaction. Processing fee is included in addition to the face value of the ticket when tickets are sold. Ticket sales and payments for Flower Piano are made in advance at the time of the purchase. Tickets for Flower Piano are final and non-refundable.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates of time and usage.

The Organization treats certain indirect costs associated with the promotion of its programming as program-related in its presentation of the functional allocation of expenses. The Organization's mission is to build communities of support for the Garden and cultivate the bond between people and plants. Therefore, the resources utilized to bring people to visit and engage with the Garden are direct program costs of the Organization in fulfilling its mission. As a result, the marketing and outreach expenses of the Organization in promotion of the Garden's programs constitute a program expense in the Statements of Functional Expenses.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

Each year, management considers whether the Organization has engaged in any activities that could affect the Organization's income tax status or result in taxable income. Management believes that any positions the Organization has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly, there are no potential liabilities to be recorded or disclosed in the financial statements.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or on net assets and dealt mainly with breaking out certain assets and liabilities reported in 2021 on the statement of financial position.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the Statement of Financial Position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date and provided for various practical expedients relating to discount rates to be applied. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows for the fiscal year ending June 30, 2023. Management does not believe the ASC will have a material impact to the financial statements.

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows for the fiscal year ending June 30, 2024.

In June 2022, FASB issued ASU No. 2022-03 *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, an amendment to Topic 820. This Update serves to (1) clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) amend a related illustrative example, and (3) introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The ASU is effective for fiscal years beginning after December 15, 2024. While the Organization does not currently believe this ASU will have any impact based on the current investments held, it will continue to monitor if the ASU will have any material impact as the adoption date approaches.

3. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard is required to be applied retrospectively for annual periods beginning after June 15, 2021. The Organization adopted the ASU, as required, for fiscal year ended June 30, 2022. Such adoption had no material impact on the Organization's financial statements and results of activities.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following tables reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available to meet general expenditures within one year of the financial statement position date due to contractual restrictions. Amounts not available may also include net assets with donor restrictions, as well as funds that are perpetual in nature.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 5,176,363	\$ 5,081,721
Due from City and County of San Francisco	375,685	253,354
Contributions and grants receivable	230,003	65,479
Promises to give - net	5,000,000	14,930,191
Short term investments	1,501,441	-
Investments	<u>11,069,480</u>	<u>4,985,784</u>
Total financial assets at year-end	23,352,972	25,316,529
Net assets with donor restrictions		
Purpose and time restrictions	(6,634,118)	(2,363,112)
Perpetual in nature	(16,010,205)	(19,822,208)
Due to City and County of San Francisco	<u>(623,200)</u>	<u>(613,908)</u>
Financial assets available for general expenditures over the next 12 months	<u>\$ 85,449</u>	<u>\$ 2,517,301</u>

Of the \$6.6 million in net assets with purpose and time restrictions, approximately \$1.2 million has been directed by the donor to be used for general expenditures for at least the next 12 months. Additionally, approximately \$4.1 million represents the capitalized cost of the New Nursery. Upon completion of the Nursery, the building will revert to the City and County of San Francisco.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

5. PROMISES TO GIVE - NET

Promises to give include annual pledges and pledges restricted by the donors for various purposes. At June 30, 2022 and 2021, promises to give are restricted for the following purposes

	2022		
	Due within 1 year	Due within 2 to 5 years	Total
Current:			
New Nursery	\$ 2,500	\$ -	\$ 2,500
Flower Piano	50,000	-	50,000
High School interships	30,000	-	30,000
Garden Feast	14,745	-	14,745
Endowment	5,000,000	-	5,000,000
Total	<u>\$ 5,097,245</u>	<u>-</u>	<u>\$ 5,097,245</u>

	2021		
	Due within 1 year	Due within 2 to 5 years	Total
Current:			
New Nursery	\$ 29,500	\$ -	\$ 29,500
Celebration Gardens	20,000	-	20,000
Garden Feast	3,750	-	3,750
Subtotal - current	<u>53,250</u>	<u>-</u>	<u>53,250</u>
Non-current:			
Endowment	5,097,233	10,000,000	15,097,233
Less: discounts	-	(220,292)	(220,292)
Subtotal - noncurrent	<u>\$ 5,150,483</u>	<u>9,779,708</u>	<u>\$ 14,930,191</u>

At June 30, 2022, there were no promises to give that extended beyond one year and therefore no discount was provided. The discount recorded at June 30, 2021 was fully recognized during the year ended June 30, 2022 as a result of the donor paying pledge payments early and the remaining payment (\$5,000,000) is expected to be paid in full by June 30, 2023.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 615,127	609,551
Leasehold improvements	85,841	85,841
Software	34,750	34,750
	<u>735,718</u>	<u>730,142</u>
Less: accumulated depreciation and amortization	<u>(682,089)</u>	<u>(640,642)</u>
Total depreciable assets	53,629	89,500
Library books and related collection materials	666,805	666,805
Work-in-progress	4,073,124	1,219,360
	<u>\$ 4,793,558</u>	<u>1,975,665</u>

Depreciation and amortization expense amounted to \$41,447 and \$43,706 for the years ended June 30, 2022 and 2021, respectively.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments that are measured at fair value on a recurring basis at June 30, 2022 and 2021 are as follows:

	2022		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Marketable securities:			
Money market fund	\$ 104,818	\$ 104,818	\$ -
Insured deposits (short-term)	1,501,441	1,501,441	
Common stocks	3,318,988	3,318,988	-
Common stocks - real estate	61,660	61,660	
Bonds			
Corporate bonds	2,654,769	-	2,654,769
Municipal bonds	53,415	-	53,415
Mutual Funds			
Emerging markets	807,301	807,301	-
Bonds	673,693	673,693	-
Short Term Funds			
INSTL CL	289,515	289,515	-
Exchange Traded Products			
Mid-cap	506,402	506,402	-
Miscellaneous sector	180,097	180,097	-
	<u>10,152,099</u>	<u>\$ 7,443,915</u>	<u>\$ 2,708,184</u>
Alternative investments			
measured at NAV (Practical Expedient)			
Private equity funds	<u>2,418,821</u>		
	<u>\$ 12,570,920</u>		

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

At both June 30, 2022 and 2021, substantially all marketable securities are held with one investment institution.

	2021		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Marketable securities			
Money market fund	\$ 341,180	\$ 341,180	\$ -
Common stocks	1,003,007	1,003,007	-
Bonds			
Corporate bonds	711,022	-	711,022
Municipal bonds	85,656	-	85,656
Mutual Funds			
Emerging markets	435,357	435,357	-
Bonds	303,920	303,920	-
Equities	301,837	301,837	-
Exchange Traded Products			
Mid-cap	234,109	234,109	-
Miscellaneous sector	11,613	11,613	-
	<u>3,427,701</u>	<u>\$ 2,631,023</u>	<u>\$ 796,678</u>
Alternative investments measured at NAV (Practical Expedient)			
Private equity funds	<u>1,558,083</u>		
	<u>\$ 4,985,784</u>		

The following table summarizes the investments that have calculated net asset values per unit along with the related unfunded commitments and redemption features:

	2022			
	<u>Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds (a)	<u>\$ 2,418,821</u>	<u>\$ -</u>	Quarterly	90 days
	2021			
	<u>Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds (a)	<u>\$ 1,558,083</u>	<u>\$ -</u>	Quarterly	90 days

(a) A non-regulated special limited partnership formed under the laws of Delaware and principally invests in pooled investment vehicles both domestically and internationally across all sectors of the private equity market.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The composition of investment return during the years ended June 30, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized losses	\$ (2,611,957)	\$ 80,701
Interest and dividends, reinvested	72,487	1,947
	<u>\$ (2,539,470)</u>	<u>\$ 82,648</u>

Investment fees incurred have been netted against interest and dividends

8. PAYCHECK PROTECTION PROGRAM LOAN

On April 24, 2020, the Organization received loan proceeds in the amount of \$462,500 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provided loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans were uncollateralized and guaranteed by the SBA and were forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintained its payroll levels and used the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount was subject to reduction if the borrower did not meet certain provisions as outlined by the provisions detailed within CARES.

The Organization met the PPP’s loan forgiveness requirements, and therefore, applied for forgiveness during January 2021. Legal release was received during March of 2021, therefore, the Organization recorded forgiveness income of \$462,500 within its statement of activities for the year ended June 30, 2021.

On February 17, 2021, the Organization received a second draw of PPP (PPP2) in the amount of \$401,100. The PPP2 loan was scheduled to mature in February 2026, five years from the original loan date, and has a 1.00% per annum interest rate, and is subject to the terms and conditions applicable to loans administered by the SBA under the CARES Act.

Legal release of the second draw was received during the fiscal year ended June 30, 2022. As a result, the Organization recorded the amount forgiven (\$401,000) as forgiveness income within its Statement of Activities.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

8. PAYCHECK PROTECTION PROGRAM LOAN (continued)

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022, consist of

	Balance at June 30, 2021, as reported	Prior Period Adjustment	Balance at June 30, 2021, as restated	Additions	Releases	Reclassifications	Balance at June 30, 2022
Capital Campaign							
New Nursery	\$ 2,135,483	\$ (1,565)	\$ 2,133,918	\$ 2,766,574	\$ (80,450)	\$ -	\$ 4,820,042
Gardens	31,248	88,325	119,573	13,000	(65,932)	-	66,641
Plant Collections	61,183	(34,915)	26,268	10,500	(36,768)	-	-
Library	626	(626)	-	14,335	(39,254)	42,500	17,581
Youth Education	-	143,282	143,282	260,926	(193,177)	-	211,031
Flower Piano	43,500	(43,500)	-	-	-	-	-
Docent Council	6,307	-	6,307	-	(550)	-	5,757
Other	73,328	(71,473)	1,855	200	(426)	1,500,000	1,501,629
Endowment unappropriated earnings	11,437	-	11,437	-	-	-	11,437
	<u>2,363,112</u>	<u>79,528</u>	<u>2,442,640</u>	<u>3,065,535</u>	<u>(416,557)</u>	<u>1,542,500</u>	<u>6,634,118</u>
Perpetual in nature	19,822,208	-	19,822,208	(2,269,503)	-	(1,542,500)	16,010,205
	<u>\$ 22,185,320</u>	<u>\$ 79,528</u>	<u>\$ 22,264,848</u>	<u>\$ 796,032</u>	<u>\$ (416,557)</u>	<u>\$ -</u>	<u>\$ 22,644,323</u>

Net assets with donor restrictions at June 30, 2021, consist of

	Balance at June 30, 2020	Additions (as restated)	Releases (as restated)	Balance at June 30, 2021 (as restated)
Capital Campaign				
New Nursery	\$ 1,195,130	\$ 1,039,206	\$ (100,418)	\$ 2,133,918
Gardens	111,145	105,275	(96,847)	119,573
Plant Collections	93,646	108,049	(175,427)	26,268
Library	10,456	2,850	(13,306)	-
Youth Education	60,000	144,013	(60,731)	143,282
Docent Council	7,157	-	(850)	6,307
Other	6,030	100,250	(104,425)	1,855
Endowment unappropriated earnings	11,437	82,339	(82,339)	11,437
	<u>1,495,001</u>	<u>1,581,982</u>	<u>(634,343)</u>	<u>2,442,640</u>
Perpetual in nature	42,500	19,779,708	-	19,822,208
	<u>\$ 1,537,501</u>	<u>\$ 21,361,690</u>	<u>\$ (634,343)</u>	<u>\$ 22,264,848</u>

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

At June 30, 2022 and 2021, net assets held in perpetuity consist of the following

	<u>2022</u>	<u>2021</u>
Maxwell-Hanrahan Endowment	\$ 16,010,205	\$ 19,779,708
Cookson Endowment	-	20,000
Barnard Endowment	-	10,000
Boesch and Hudson Endowment	-	5,000
Kennedy Endowment	-	5,000
McDonald Endowment	-	2,500
	<u>\$ 16,010,205</u>	<u>\$ 19,822,208</u>

10. ENDOWMENTS

At June 30, 2021, the Organization's endowments consist of the Maxwell-Hanrahan Endowment Fund and five individual funds established for the Helen Crocker Russell Library donor-restricted endowment fund. During the year ended June 30, 2022, the donors to the Maxwell-Hanrahan Endowment Fund released \$1.5 million of the original \$20 million donation to fund two specific purposes (to (a) cover the deficit that was inherited from the takeover of the Conservatory of Flowers and (b) use for increased operating expenses due to the expansion of operations). Further, the Organization petitioned the California Attorney General to release the permanent restriction on the five individual funds established for the library endowment and allowed such funds to be used for library acquisitions. As a result, the Organization reclassified \$1,542,500 to net assets with donor restrictions with purpose or time restrictions from those that are permanently restricted.

The Organization is subject to the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governing endowments. The Organization has interpreted this law as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

10. ENDOWMENTS (continued)

Under this interpretation, the Organization classifies as funds held in perpetuity (a) the original fair value of gifts donated to the endowment, (b) the original fair value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation. Amounts not held in perpetuity are subject to appropriation for expenditure of the Organization in a manner consistent with the standards of prudence prescribed by the UPMIFA. In accordance with the UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment funds.
2. The purposes of the Organization and the endowment funds.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policy of the Organization.
8. The limitation under California state law of appropriations to seven percent of the fair value of the endowment funds.

Endowment net asset composition by type of fund at June 30, 2022 and 2021 are as follows

	2022		
	Endowment Unappropriated Earnings	Perpetual in Nature	Total
Endowment net assets - June 30, 2021	\$ 11,437	\$ 19,822,208	\$ 19,833,645
Additions	-	220,292	220,292
Spending	(11,437)	-	(11,437)
Reclassifications	-	(1,542,500)	(1,542,500)
Investment return, net	-	(2,489,795)	(2,489,795)
Endowment net assets - June 30, 2022	<u>\$ -</u>	<u>\$ 16,010,205</u>	<u>\$ 16,010,205</u>
	2021		
	Endowment Unappropriated Earnings	Perpetual in Nature	Total
Endowment net assets - June 30, 2020	\$ 11,437	\$ 42,500	\$ 53,937
Additions	-	19,779,708	19,779,708
Spending	(82,339)	-	(82,339)
Investment return, net	82,339	-	82,339
Endowment net assets - June 30, 2021	<u>\$ 11,437</u>	<u>\$ 19,822,208</u>	<u>\$ 19,833,645</u>

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

10. ENDOWMENTS (continued)

The Organization has adopted investment and spending policies for endowment assets to preserve without undertaking undue risk, the real purchasing power, of its assets in perpetuity, while providing a relatively predictable stream of distributions in line with the Organization's spending needs and goals.

The objective of the endowments is to preserve without undertaking undue risk, the real (inflation-adjusted) purchasing power, as defined by the Consumer Price Index, of its assets in perpetuity, while providing a relatively predictable stream of distributions in line with the Organization's spending needs and goals. The endowments should maintain sufficient liquidity to meet obligations arising from planned activities. The liquidity of the endowments at the total portfolio level will be monitored.

The Organization targets a diversified asset allocation that may include allocations to investments with limited liquidity such as private equity funds.

The objective of the Organization's spending policy is to provide a consistent source of funding to meet the needs of the Organization and to deliver year-to-year budget stability, balancing short term needs with goals of preserving purchasing power and increasing the value of the endowment for future use. The annual spending will be determined by the Board as part of the annual budget review process with suggested rates between 2 to 5%.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization holds only one donor-restricted endowment fund and a deficiency of this nature existed. The original gift value of \$20 million less \$1.5 million which the donor released the permanent restriction has a current fair value of approximately \$16.1 million or an approximate deficiency of \$2.4 million as of June 30, 2022. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of the contributions for donor-restricted endowment funds. At June 30, 2021, the Organization did not have any underwater funds.

11. CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2021, contributed nonfinancial assets recognized within the Statements of Activities included contributed services valued at \$43,650 based on estimated hourly billing rates for service providers. The Organization recognized contributed nonfinancial assets within revenue. There were no contributed nonfinancial assets recognized for the year ended June 30, 2022. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

12. COMMITMENTS

The Organization has various agreements as follows:

Lease and Management Agreements

City and County of San Francisco

The Lease and Management Agreement between the City and County of San Francisco and the Organization, for lease of premises and cooperative operation and management of the Gardens, was executed in December 2013. The agreement is for a ten-year term, with two ten-year options to extend at the Organization's election and establishes the operating framework for the Gardens for the next thirty years. It also provides for allocation of admissions revenue to reimburse the Organization for its authorized collection expenses, a payment to the San Francisco Recreation and Park Department, a payment to the Organization for education and community outreach expenditures, and then, if revenues are sufficient, to fund the Garden Improvement Fund dedicated solely to renovation, maintenance and improvement of the Garden. Per the agreement, the City and County of San Francisco provides the Organization with offices in the County Fair Building and Library Building, and operating facilities elsewhere in the Garden at an annual base rent of \$100.

On July 14, 2020, the City and County of San Francisco and its Recreation and Parks Department entered into a supplement agreement for the Lease and Management Agreement to extend the management of admissions at the Japanese Tea Garden to the Organization, effective August 1, 2020 through June 30, 2021, subject to renewal. In June 2021, the supplemental agreement was extended to June 30, 2022. (See Note 16)

Office Lease

In December 2015, the Organization entered into a ten-year lease for a finance and development office, expiring on November 30, 2025. The initial monthly rent is \$5,858 increasing to \$7,644 by the end of the lease term.

For the years ended June 30, 2022 and 2021, rent expense totaled \$89,821 and \$80,607 respectively.

Future minimum payments due under these agreements consist of the following:

<u>Year ending June 30,</u>	
2023	\$ 85,411
2024	87,973
2025	90,612
2026	38,219
	<u>\$ 302,215</u>

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

12. COMMITMENTS (continued)

Other

In March 2021, the Organization entered into a contract with a general contractor for the project management and coordination for the construction of the Organization's New Nursery. Total contract obligation against the contract as of June 30, 2022 and 2021 is approximately \$1,181,000 and \$3 million, respectively.

In April 2021, the Organization entered into a contract with a certain vendor for the structural drawings of and necessary systems for the Organization's greenhouse structure. Total contract fees amounted to \$399,200. As of June 30, 2022 and 2021, the remaining contractual obligation amounted to \$0 and \$289,440, respectively.

In March 2020, the Organization entered into a contract with a certain vendor for the architectural design for the Organization's New Nursery. Total contract fees amounted to \$684,100. As of June 30, 2022 and 2021, remaining contractual obligation amounted to \$0 and \$151,267, respectively.

13. 403(B) RETIREMENT PLAN

The Organization sponsors an employee retirement benefit plan under section 403(b) of the Internal Revenue Code. Employees must complete a 6-month period of service to participate in the plan. The plan allows employees to defer a portion of their salary for income tax and retirement purposes. The Organization has the option of making additional contributions to the plan. There were no contributions made during the years ended June 30, 2022 or 2021.

14. RISK AND UNCERTAINTIES

Concentrations

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash greater than the federally insured amounts of \$250,000 with each financial institution. The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Certain investment accounts are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). Such balances with any one institution may, at times, be in excess of the insured amounts. The Organization has not experienced credit losses in such accounts and believes it is not exposed to any significant credit risk.

At June 30, 2022, one donor accounted for substantially all the promises to give. This same donor accounted for approximately 54% of total contributions revenue for the year ended June 30, 2022. At June 30, 2021, the same donor accounted for nearly 99.9% of promises to give and accounted for approximately 90% of total contributions revenue for the year ended June 30, 2021.

SAN FRANCISCO BOTANICAL GARDEN SOCIETY AT STRYBING ARBORETUM

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

14. RISK AND UNCERTAINTIES (continued)

Uncertainties

With respect on the ongoing and evolving coronavirus (COVID-19) outbreak, which was designated as a pandemic by the World Health Organization on March 11, 2020, the outbreak has caused a substantial disruption in international and U.S. economies and market. The Organization cancelled a number of the Garden's signature events and programs and reduced operating expenses accordingly in prior year. In June 2020, the Garden reopened to the public and the Organization was able to reestablish some of its previously cancelled programming. In addition, the Organization obtained a PPP loan in the amount of \$462,500 which was forgiven during the fiscal year ended June 30, 2021. In addition, the Organization applied for a second PPP loan in the amount of \$401,100 (refer to Note 8).

The future impact of COVID-19 uncertainties could generate, in future reporting periods, material adjustments to the following: contributions receivables, promises to give and impairment of investments. The Organization's results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy. The ultimate impact on the Organization cannot be determined as of the date of this report and, as such, no adjustments related to this matter were made to the financial statements. Management will continue to monitor the development and the effect of COVID-19 on the Organization's results of operations and financial condition and adjust plans as necessary.

15. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, management reviewed the donor restricted net asset roll forward and discovered that errors were made. Reference should be made to Note 9 for the adjustments that were made. Of the net adjustment made to donor restricted net assets of \$79,528, \$123,028 represented reclassifications between the two net asset categories, resulting in what would have been no net change in total net assets. However, it was discovered that sponsorship revenue received in fiscal year ended June 30, 2021 for Flower Piano 2021 (held in September 2021) was erroneously recorded as revenue with donor restrictions rather than deferred revenue. Therefore, total net assets decreased by \$43,500 at June 30, 2021.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 21, 2022, the date the financial statements were available to be issued.

Effective July 1, 2022, through an amendment to the LMA, the Organization began to co-operate the Conservatory of Flowers ("COF"), also located in Golden Gate Park. COF had been a fiscally sponsored organization of the San Francisco Parks Alliance. The Organization agreed to pay the SF Parks Alliance for the deficit that the COF accumulated during the Pandemic. The COF is an indoor garden and therefore was significantly impacted by pandemic-related closures. The Parks Alliance and the Organization have agreed that the deficit amounted to \$269,820. Such amount is expected to be paid in November 2022. The Organization considers this an equity transaction as of July 1, 2022.