

**San Francisco Botanical Garden
Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Financial Statements

June 30, 2023 and 2022

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

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Independent Auditors' Report

To the Board of Directors of
San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Opinion

We have audited the financial statements of San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park) (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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.

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

San Francisco, California
February 20, 2024

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,214,359	\$ 5,267,536
Short term investments	21,398	1,501,441
Due from City and County of San Francisco	728,928	375,685
Contributions and grants receivable	32,156	41,585
Promises to give, net	71,610	97,245
Inventory	58,939	57,543
Prepaid expenses	108,234	45,615
	<u>5,235,624</u>	<u>7,386,650</u>
Total current assets	5,235,624	7,386,650
Property and Equipment, Net	6,678,903	4,793,558
Right of Use, Lease	203,763	-
Other Assets		
Investments held in perpetuity	17,163,885	11,069,480
Deposits	7,644	7,644
Intangible asset	106,000	-
Promises to give, long-term, net	-	5,000,000
	<u>-</u>	<u>5,000,000</u>
Total assets	<u>\$ 29,395,819</u>	<u>\$ 28,257,332</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 322,969	\$ 201,832
Accrued expenses	173,370	11,683
Accrued payroll liabilities	391,310	289,392
Construction payable, including retainage	-	285,261
Lease liability, current portion	83,077	-
Deferred revenue	390,260	415,069
Due to City and County of San Francisco	784,156	623,200
	<u>2,145,142</u>	<u>1,826,437</u>
Total current liabilities	2,145,142	1,826,437
Lease Liability - Noncurrent	126,096	-
	<u>126,096</u>	<u>-</u>
Total liabilities	<u>2,271,238</u>	<u>1,826,437</u>
Net Assets		
Without donor restrictions	4,114,766	3,786,572
With donor restrictions		
Purpose and time restrictions	5,649,153	6,634,118
Perpetual in nature	17,360,662	16,010,205
	<u>23,009,815</u>	<u>22,644,323</u>
Total net assets with donor restrictions	23,009,815	22,644,323
Total net assets	<u>27,124,581</u>	<u>26,430,895</u>
Total liabilities and net assets	<u>\$ 29,395,819</u>	<u>\$ 28,257,332</u>

See notes to financial statements

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	Total
Revenue, Support and Investment Returns						
Grants and contributions	\$ 694,201	\$ 996,968	\$ 1,691,169	\$ 820,347	\$ 3,172,077	\$ 3,992,424
Bequests	125,503	-	125,503	185,972	-	185,972
Memberships	495,841	-	495,841	409,286	-	409,286
Annual fundraiser	387,845	162,541	550,386	289,237	113,750	402,987
Private event rentals	569,217	-	569,217	312,814	-	312,814
Admissions, allocated to San Francisco Botanical Garden Society	1,929,949	-	1,929,949	1,152,666	-	1,152,666
Bookstore, Plant Shop and other retail sales, net of cost of sales of \$205,325 in 2023 and \$154,976 in 2022	341,692	-	341,692	318,109	-	318,109
Public programming	463,053	-	463,053	400,529	-	400,529
Flower Piano	260,381	-	260,381	224,900	-	224,900
Paycheck Protection Program loan forgiveness	-	-	-	401,100	-	401,100
Investment returns, net	9,311	1,360,434	1,369,745	(49,675)	(2,489,795)	(2,539,470)
In-kind contributions	73,163	-	73,163	-	-	-
Other income	26,697	-	26,697	4,793	-	4,793
Net assets released from restrictions	1,827,451	(1,827,451)	-	416,557	(416,557)	-
Total revenue and support	7,204,304	692,492	7,896,796	4,886,635	379,475	5,266,110
Expenses						
Programs and activities	5,256,586	-	5,256,586	3,515,297	-	3,515,297
Management and general	960,920	-	960,920	665,886	-	665,886
Fundraising and development	658,604	-	658,604	519,579	-	519,579
Total expenses	6,876,110	-	6,876,110	4,700,762	-	4,700,762
Changes in net assets	328,194	692,492	1,020,686	185,873	379,475	565,348
Net Assets, Beginning of Year	3,786,572	22,644,323	26,430,895	3,600,699	22,264,848	25,865,547
Other changes to Net Assets	-	(327,000)	(327,000)	-	-	-
Net Assets, End of the Year	\$ 4,114,766	\$ 23,009,815	\$ 27,124,581	\$ 3,786,572	\$ 22,644,323	\$ 26,430,895

See notes to financial statements

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Statement of Functional Expenses
Year Ended June 30, 2023

	2023			
	Programs and Activities	Management and General	Fundraising and Development	Total
Salaries	\$ 2,952,259	\$ 448,719	\$ 357,624	\$ 3,758,602
Payroll taxes	222,475	18,542	25,908	266,925
Employee benefits	180,242	50,850	25,780	256,872
Outside services	490,403	36,419	41,916	568,738
Promotions and publications	307,227	135	13,552	320,914
Information technology and systems maintenance	117,890	120,605	78,011	316,506
Merchant fees	295,654	2,885	1,035	299,574
Program supplies and other purchases	196,867	2,916	8,094	207,877
Cost of sales	205,325	-	-	205,325
Garden maintenance and equipment rental	146,533	21,348	37,193	205,074
Other	126,697	41,746	16,314	184,757
Occupancy and security	52,172	72,792	15,851	140,815
Consultants	66,761	54,982	12,846	134,589
Insurance	24,171	23,234	8,213	55,618
Recruitment and staff development	17,715	24,536	5,343	47,594
Telephone	16,650	16,109	3,508	36,267
Depreciation and amortization	10,720	15,092	3,287	29,099
Dues and subscriptions	18,932	546	456	19,934
Office expense	4,905	5,408	1,178	11,491
Postage	2,536	2,676	1,746	6,958
Travel	5,038	1,185	707	6,930
Conferences and meetings	739	195	42	976
	<u>5,461,911</u>	<u>960,920</u>	<u>658,604</u>	<u>7,081,435</u>
Total expenses by function				
Less expenses with revenues on the statement of activities				
Cost of sales	(205,325)	-	-	(205,325)
	<u>(205,325)</u>	<u>-</u>	<u>-</u>	<u>(205,325)</u>
Total expenses	<u>\$ 5,256,586</u>	<u>\$ 960,920</u>	<u>\$ 658,604</u>	<u>\$ 6,876,110</u>

See notes to financial statements

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

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
Outside services	152,563	21,679	27,575	201,817
Promotions and publications	149,727	213	10,926	160,866
Information technology and systems maintenance	109,217	89,129	50,240	248,586
Merchant fees	219,239	556	10,200	229,995
Program supplies and other purchases	155,202	580	9,172	164,954
Cost of sales	154,976	-	-	154,976
Garden maintenance and equipment rental	167,058	36,427	10,960	214,445
Other	91,416	22,060	7,064	120,540
Occupancy and security	35,248	50,764	14,731	100,743
Consultants	138,749	25,120	7,289	171,158
Insurance	13,346	15,275	10,120	38,741
Recruitment and staff development	-	120,735	20,861	141,596
Telephone	6,933	10,621	3,082	20,636
Depreciation and amortization	13,925	21,332	6,190	41,447
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
	<u>3,670,273</u>	<u>665,886</u>	<u>519,579</u>	<u>4,855,738</u>
Total expenses by function				
Less expenses with revenues on the statement of activities				
Cost of sales	(154,976)	-	-	(154,976)
	<u>(154,976)</u>	<u>-</u>	<u>-</u>	<u>(154,976)</u>
Total expenses	<u>\$ 3,515,297</u>	<u>\$ 665,886</u>	<u>\$ 519,579</u>	<u>\$ 4,700,762</u>

See notes to financial statements

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,020,686	\$ 565,348
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	29,099	41,447
Net realized and unrealized (gains) losses from investments	(1,141,591)	2,611,957
Paycheck Protection Program loan forgiveness	-	(401,100)
Contributions to endowment funds	(5,015,650)	(10,049,552)
Discount on long-term pledges	-	(220,292)
Changes in operating assets and liabilities		
Due from City and County of San Francisco	(353,243)	(122,331)
Contributions and grants receivable	9,429	23,894
Promises to give, net	5,025,635	(43,995)
Inventory	(1,396)	(22,361)
Prepaid expenses	(62,619)	50,430
Right of use - lease	(203,763)	-
Accounts payable	121,137	103,364
Accrued liabilities, other	263,605	50,339
Lease liability	209,173	-
Deferred revenue	(24,809)	213,762
Due to City and County of San Francisco	160,956	9,292
Net cash provided by (used in) operating activities	<u>36,649</u>	<u>(7,189,798)</u>
Cash Flows From Investing Activities		
Purchases of investments	(16,476,034)	(12,339,153)
Proceeds from sale of investments	13,003,263	12,191,611
Purchases of property and equipment	(2,199,705)	(2,574,078)
Payment to co-operate Conservatory of Flowers	(327,000)	-
Purchase of intangible asset	(106,000)	-
Net cash used in investing activities	<u>(6,105,476)</u>	<u>(2,721,620)</u>
Cash Flows From Financing Activities		
Proceeds from contributions to endowment funds	<u>5,015,650</u>	<u>10,097,233</u>
Net cash provided by financing activities	<u>5,015,650</u>	<u>10,097,233</u>
Net change in cash and cash equivalents	(1,053,177)	185,815
Cash and Cash Equivalents, Beginning	<u>5,267,536</u>	<u>5,081,721</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,214,359</u>	<u>\$ 5,267,536</u>

See notes to financial statements

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Organization

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park) (the Organization) is a California non-profit corporation organized in 1955 to support at inception the San Francisco Botanical Garden at Strybing Arboretum the "Botanical Garden". Founded in 1940, the 55-acre Botanical 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, manages events and private event rentals, and operates a bookstore, gift shop and plant shop. The Organization also helps to fund capital 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 (the Tea Garden) to the Organization, effective August 1, 2020 (see Note 12). The 5-acre 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 15 the Organization and SFRPD amended its agreement to additionally manage admissions and programs at the Conservatory of Flowers (the Conservatory) and Tea Garden effective July 1, 2022.

As a collective group, the three gardens are hereinafter referred to as the "Gardens."

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.

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.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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.

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.

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 \$60,676 and \$63,650, respectively, for the years ended June 30, 2023 and 2022.

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.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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.

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 Gardens and the allowed annual allocation. The amount due is stated at the amount management expects to collect from outstanding balances. At June 30, 2023 and 2022, 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 shop 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.

Intangible assets

Intangible assets consist of rebranding cost. Intangible assets purchased by the Organization is stated at cost. The costs for additions and major improvements associated with rebranding after the preliminary project stage has been completed are capitalized. Once rebranding reaches implementation, costs are expensed as incurred. Other costs such as maintenance and repairs and training are expensed as incurred. All major upgrades and enhancements are capitalized.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and Contributions

The Organization recognizes unconditional gifts and pledges in the period notified and as a current or noncurrent 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.

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, 2023 and 2022, 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, 2023 and 2022 amounted to \$169,047 and \$127,462, 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) No. 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
(DBA Gardens of Golden Gate Park)**

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contracts With Customers (continued)

Disaggregated revenue from contracts with customers based on when the services transferred to the customers during the year ended June 30, 2023 consisted of the following:

	<u>Point-in-time</u>	<u>Over time</u>	<u>Total</u>
Admissions	\$ 1,929,949	\$ -	\$ 1,929,949
Bookstore, plant shop, and other retail sales	341,692	-	341,692
Public programming	-	463,053	463,053
Other income	26,697	-	26,697
	<u>\$ 2,298,338</u>	<u>\$ 463,053</u>	<u>\$ 2,761,391</u>

Opening and closing balance of receivable and deferred revenue are as follows:

	<u>July 1, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Due from City and County of San Francisco	\$ 253,354	\$ 375,685	\$ 728,928
Deferred revenue, excluding private event rentals	\$ 113,950	\$ 287,607	\$ 221,213

Admissions

In accordance with the Lease and Management Agreement (LMA) with the SFRPD, in fiscal year 2023 the Organization administered the admissions for the Gardens. In fiscal year 2022, admissions were only administered for the Organization for the Botanical Garden and Tea Garden. 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 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 \$650,000 and \$287,573 for the years ended June 30, 2023 and 2022, respectively. 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, 2023 and 2022, total admissions to the Gardens amounted to \$7,627,921 and \$5,830,341, respectively. Total costs to administer the admissions amounted to \$1,279,949 and \$865,093, respectively for the years ended June 30, 2023 and 2022. The costs to administer, as well as the above noted allocation, has been included in revenue. At June 30, 2023 and 2022, admissions fees collected by the Organization and due to the City and County of San Francisco amounted to \$926,706 and \$623,200, respectively. The City and County of San Francisco owes the Organization for admissions related costs of \$728,928 and \$375,685, at June 30, 2023 and 2022, respectively.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Bookstore, Plant Shop and Other Retail Sales

Bookstore, plant shop, 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 shop 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 No. 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, 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.

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, 2023 and 2022 were \$171,213 and \$175,607, respectively.

Flower Piano and Gala for the Gardens

The Organization conducts certain special events during the year that qualify for public programming and/or community engagement. Gala for the Gardens is typically held in the Spring. Flower Piano, typically held in the early Fall, transforms the Botanical 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, 2023 and 2022 amounted to \$50,000 and \$112,000, respectively, and have been included in deferred revenue on the Statement of Financial Position. Revenue is recognized on the date of the event.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Flower Piano and Gala for the Gardens (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 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 nonrefundable.

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 connect people to plants, the planet, and each other. 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 exclusively with the classification of certain assets and liabilities reported in 2022 on the statement of financial position.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

During June 2016, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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, 2023. 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.

Newly Adopted Accounting Pronouncements

Effective July 1, 2022, the Organization adopted ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The new standard provides for several optional practical expedients and accounting policy elections (refer to Note 12).

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Notes to Financial Statements
June 30, 2023 and 2022

3. 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 4,214,359	\$ 5,267,536
Short term investments	21,398	1,501,441
Due from City and County of San Francisco	728,928	375,685
Contributions and grants receivable	32,156	41,585
Promises to give, net	71,610	5,097,245
Investments	<u>17,163,885</u>	<u>11,069,480</u>
Total financial assets at year-end	<u>22,232,336</u>	<u>23,352,972</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	(5,649,153)	(6,634,118)
Less net assets with time and purpose restrictions to be met within one year (a)	5,339,222	-
Perpetual in nature	(17,360,662)	(16,010,205)
Due to City and County of San Francisco	<u>(784,156)</u>	<u>(623,200)</u>
Subtotal of amounts not available to be used within one year	<u>(18,454,749)</u>	<u>(23,267,523)</u>
Available line of credit	<u>500,000</u>	<u>-</u>
Financial assets available for general expenditures over the next 12 months	<u>\$ 4,277,587</u>	<u>\$ 85,449</u>

- (a) Of the \$5.6 million and \$6.6 million in net assets with purpose and time restrictions as of June 30, 2023 and 2022, respectively, approximately \$5.3 million and \$4.8 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. As disclosed in Note 16, the Nursery reverted to the City and County in February 2024.

**San Francisco Botanical Garden Society at Strybing Arboretum
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Notes to Financial Statements
June 30, 2023 and 2022

4. Promises to Give, Net

Promises to give include annual pledges and pledges restricted by the donors for various purposes. At June 30, 2023 and 2022, promises to give are restricted for the following purposes:

	2023		
	Due Within One Year	Due Within 2 to 5 Years	Total
Current:			
Gala for the Gardens	\$ 71,610	\$ -	\$ 71,610
	2022		
	Due Within One Year	Due Within 2 to 5 Years	Total
Current:			
New Nursery	\$ 2,500	\$ -	\$ 2,500
Flower Piano	50,000	-	50,000
High School internships	30,000	-	30,000
Gala for the Gardens	14,745	-	14,745
Endowment	5,000,000	-	5,000,000
Total	\$ 5,097,245	\$ -	\$ 5,097,245

At June 30, 2023, 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.

5. Property and Equipment

Property and equipment consist of the following at June 30, 2023 and 2022:

	2023	2022
Furniture and equipment	\$ 620,901	\$ 615,127
Leasehold improvements	85,841	85,841
Software	67,750	34,750
	774,492	735,718
Less accumulated depreciation and amortization	(711,187)	(682,089)
Total depreciable assets	63,305	53,629
Library books and related collection materials	666,805	666,805
Work-in-progress	5,948,793	4,073,124
	\$ 6,678,903	\$ 4,793,558

Depreciation and amortization expense amounted to \$29,099 and \$41,447 for the years ended June 30, 2023 and 2022, respectively.

**San Francisco Botanical Garden Society at Strybing Arboretum
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Notes to Financial Statements
June 30, 2023 and 2022

6. Investments and Fair Value Measurements

Investments that are measured at fair value on a recurring basis at June 30, 2023 and 2022 are as follows:

	2023		
	Total	Level 1	Level 2
Marketable securities:			
Money market fund	\$ 100,799	\$ 100,799	\$ -
Insured deposits (short-term)	1,243	1,243	-
Common stocks	4,228,908	4,228,908	-
Bonds:			
Corporate bonds	2,951,392	-	2,951,392
Municipal bonds	105,880	-	105,880
Mutual Funds:			
Bonds	2,245,220	2,245,220	-
Equities	2,410,362	2,410,362	-
Short Term Funds:			
INSTL CL	20,071	20,071	-
Exchange Traded Products:			
Mid-cap	1,390,686	1,390,686	-
Miscellaneous sector	69,836	69,836	-
	<u>13,524,397</u>	<u>\$ 10,467,125</u>	<u>\$ 3,057,272</u>
Alternative investments measured at NAV (Practical Expedient)			
Private equity funds	<u>3,660,886</u>		
Total	<u>\$ 17,185,283</u>		

**San Francisco Botanical Garden Society at Strybing Arboretum
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Notes to Financial Statements
June 30, 2023 and 2022

6. Investments and Fair Value Measurements (continued)

	2022		
	Total	Level 1	Level 2
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>2,418,822</u>		
Total	<u>\$ 12,570,921</u>		

Investments shown in the statements of financial position follows:

	2023	2022
Short-term	\$ 21,398	\$ 1,501,441
Long-term	<u>17,163,885</u>	<u>11,069,480</u>
Total	<u>\$ 17,185,283</u>	<u>\$ 12,570,921</u>

At both June 30, 2023 and 2022, substantially all marketable securities are held with one investment institution.

**San Francisco Botanical Garden Society at Strybing Arboretum
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Notes to Financial Statements
June 30, 2023 and 2022

6. Investments and Fair Value Measurements (continued)

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

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (a)	<u>\$ 3,660,886</u>	<u>\$ -</u>	Quarterly	90 days
	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds (a)	<u>\$ 2,418,821</u>	<u>\$ -</u>	Quarterly	90 days

(a) A nonregulated 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.

The composition of investment return during the years ended June 30, 2023 and 2022 follows:

	2023	2022
Net realized and unrealized gain (losses)	\$ 1,141,591	\$ (2,611,957)
Interest and dividends, reinvested	<u>228,154</u>	<u>72,487</u>
Total	<u>\$ 1,369,745</u>	<u>\$ (2,539,470)</u>

Investment fees incurred have been netted against interest and dividends.

7. Paycheck Protection Program Loan

On February 17, 2021, the Organization received a second draw associated with the Paycheck Protection Program (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 had a 1.00% per annum interest rate, and was subject to the terms and conditions applicable to loans administered by the SBA under the Coronavirus Aid, Relief and Economic Security (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 (\$401,100) as forgiveness income within its Statement of Activities.

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. As a result, the Organization must maintain records for both loans taken since fiscal year 2020 in the total amount of \$863,600.

**San Francisco Botanical Garden Society at Strybing Arboretum
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Notes to Financial Statements
June 30, 2023 and 2022

8. Line of Credit

On June 22, 2023, the Organization entered into a line of credit arrangement with First Republic Bank for a total maximum borrowing of \$500,000. Advances on the line of credit bear interest at the published Wall Street Journal "prime rate" (initially at loan origination 8.25%) plus 1%. The Organization is required to maintain unencumbered liquid assets, as defined by the loan documents, equal to 200% of the loan commitment. Further, the Organization is required to present audited financial statements to the bank within 180 days of year end and quarterly unaudited financial statements within 90 days of each quarter end. The Organization has received a waiver from the bank for the submission of the required financial statements. As of June 30, 2023, the Organization has taken no advances against the line of credit. Further, no advances against the line have been through the date of issuance of these financial statements.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023, consist of:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at June 30, 2023</u>
Capital Campaign New Nursery	\$ 4,820,042	\$ 538,951	\$ (19,771)	\$ 5,339,222
Gardens	66,641	10,200	(9,059)	67,782
Public programs	-	8,782	(8,782)	-
Garden camp	-	113,900	(113,900)	-
Plant collections	-	107,921	(107,921)	-
Library	29,018	1,486	(30,504)	-
Youth Education	211,031	378,268	(355,468)	233,831
Docent Program	5,757	-	(316)	5,441
Other	<u>1,501,629</u>	<u>9,978</u>	<u>(1,181,730)</u>	<u>329,877</u>
	6,634,118	1,169,486	(1,827,451)	5,976,153
Other changes in net assets	-	-	-	(327,000)
Perpetual in nature	<u>16,010,205</u>	<u>1,350,457</u>	<u>-</u>	<u>17,360,662</u>
Total	<u>\$ 22,644,323</u>	<u>\$ 2,519,943</u>	<u>\$ (1,827,451)</u>	<u>\$ 23,009,815</u>

**San Francisco Botanical Garden Society at Strybing Arboretum
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Notes to Financial Statements
June 30, 2023 and 2022

9. Net Assets With Donor Restrictions (continued)

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

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>Reclassifications</u>	<u>Balance at June 30, 2022</u>
Capital Campaign New					
Nursery	\$ 2,133,918	\$ 2,766,574	\$ (80,450)	\$ -	\$ 4,820,042
Gardens	119,573	13,000	(65,932)	-	66,641
Plant collections	26,268	10,500	(36,768)	-	-
Library	11,437	14,335	(39,254)	42,500	29,018
Youth education	143,282	260,926	(193,177)	-	211,031
Docent Program	6,307	-	(550)	-	5,757
Other	1,855	200	(426)	1,500,000	1,501,629
	<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	<u>19,822,208</u>	<u>(2,269,503)</u>	<u>-</u>	<u>(1,542,500)</u>	<u>16,010,205</u>
Total	<u>\$ 22,264,848</u>	<u>\$ 796,032</u>	<u>\$ (416,557)</u>	<u>\$ -</u>	<u>\$ 22,644,323</u>

At June 30, 2023 and 2022, net assets held in perpetuity consist of the following:

	<u>2023</u>	<u>2022</u>
Maxwell-Hanrahan Endowment	<u>\$ 17,360,662</u>	<u>\$ 16,010,205</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
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Notes to Financial Statements
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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, 2023 and 2022 are as follows:

	2023		
	Perpetual in Nature	Total	
Endowment net assets, June 30, 2022	\$ 16,010,205	\$ 16,010,205	
Investment gains on endowment assets	1,350,457	1,350,457	
Endowment net assets, June 30, 2023	<u>\$ 17,360,662</u>	<u>\$ 17,360,662</u>	
	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>

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

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 \$20,000,000 less \$1,500,000 which the donor released the permanent restriction has a current fair value of approximately \$17,360,662 or a deficiency of approximately \$1,140,000 as of June 30, 2023. The deficiency at June 30, 2022 was approximately \$2,400,000 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of the contributions for donor-restricted endowment funds.

11. Contributed Nonfinancial Assets

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the Statements of Activities included contributed services valued at approximately \$73,000 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 (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

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. The first option was agreed upon during the fiscal year ended June 30, 2023. 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. Effective July 1, 2022 the Lease and Management Agreement was amended to extend the terms previously applied to the Botanical Garden to both the Japanese Tea Garden and Conservatory of Flowers for the Organization to jointly operate all three sites including admissions, education and public programs, community and volunteer engagement, events, fundraising, collections management, and marketing. In June 2023, the Organization exercised the first 10-year option allowed by the agreement.

Office Lease

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

The Organization adopted ASU No. 2016-02, *Topic 842 - Accounting for Leases*, using the modified retrospective method as of July 1, 2022. The prior year financial statement amounts, and disclosure have not been adjusted to reflect the provisions of the new standard. The lease that was impacted by the adoption of the new standard is the lease associated with the administrative offices located on Judah Street in San Francisco.

Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

**San Francisco Botanical Garden Society at Strybing Arboretum
(DBA Gardens of Golden Gate Park)**

Notes to Financial Statements
June 30, 2023 and 2022

12. Commitments (continued)

Lease and Management Agreements (continued)

Office Lease (continued)

- The Organization has elected not to apply the recognition to minor office equipment leases, either because the remaining terms of such leases were twelve (12) months or less at July 1, 2022 or the remaining payments were not material to the financial statements.

As a result of lease standard implementation, the Organization recorded a right of use asset and related lease liability on July 1, 2022, of \$288,079. Additional required disclosures for Topic 842 are contained in Note 12.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily determinable, the Organization uses a risk free rate based on U.S. treasury note or bond rates for a similar term.

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 2.85%. As of June 30, 2023, the weighted average remaining lease term was 2.42 years.

Right-of-use operating lease assets by pier is summarized as follows:

Right of use operating lease asset, July 1, 2022	\$ 288,079
Less accumulated amortization for the year ended June 30, 2023	<u>(84,316)</u>
Right of use operating lease asset, June 30, 2023	<u>\$ 203,763</u>

As of June 30, 2023, cash flow information related to leases was as follows:

Years ending December 31:	
2024	\$ 87,968
2025	90,607
2026	<u>38,217</u>
Total lease payments	216,792
Less interest	<u>(7,619)</u>
Total present value of lease liabilities	209,173
Less current portion	<u>(83,077)</u>
Long-term lease liabilities	<u>\$ 126,096</u>

The total operating lease cost amounted to \$110,562 and is included in occupancy and security expenses on the statement of functional expenses for the year ended June 30, 2023.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

12. Commitments (continued)

Lease and Management Agreements (continued)

Office Lease (continued)

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

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, 2023 and 2022 is approximately \$0 and \$1,181,000, 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, 2023 or 2022.

14. Risk and Uncertainties

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.

Cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. The Organization considers short-term highly liquid investments with an original maturity date of three months or less that are not part of an investment pool to be cash equivalents. At June 30, 2023 and 2022, the Organization's balances exceeded federally insured limits by approximately \$3.8 million and \$4.9 million, respectively.

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.

Investments in general, as subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

San Francisco Botanical Garden Society at Strybing Arboretum (DBA Gardens of Golden Gate Park)

Notes to Financial Statements
June 30, 2023 and 2022

14. Risk and Uncertainties (continued)

Concentrations of Credit Risk (continued)

At June 30, 2023, two donors accounted for approximately 22% of total contributions revenue for the year ended June 30, 2023. At June 30, 2022, one donor accounted for substantially all the promises to give. One donor accounted for approximately 54% of total contributions revenue for the year ended June 30, 2022.

Uncertainties

On March 11, 2020, the World Health Organization (WHO) designated the COVID-19 outbreak, as a pandemic. The outbreak caused a substantial disruption in international and U.S. economies and market. On May 5, 2023, WHO lifted the pandemic status.

During this three-year period, the Organization canceled a number of the Garden's signature events and programs and reduced operating expenses accordingly. In June 2020, the Garden reopened to the public and the Organization was able to reestablish some of its previously canceled 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 7). Attendance at the Gardens has achieved pre-pandemic levels in fiscal year 2023.

15. Other Adjustments to Net Assets

Effective July 1, 2022, through an amendment to the LMA, the Organization began to co-operate the Conservatory of Flowers, also located in Golden Gate Park. The Conservatory 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 Conservatory accumulated through June 30, 2022. The Conservatory is an indoor garden and was therefore significantly impacted by pandemic-related closures. The Parks Alliance and the Organization have agreed that the deficit amounted to \$327,000. Such amount was paid during the fiscal year June 30, 2023 and is reflected as a change to net assets.

16. Subsequent Events

On January 10, 2024, the Department of Building Inspection (DBI) of the City and County of San Francisco provided the Organization the final Certificate of Occupancy for the Nursery that has been under construction for the past several years. With this approval, the Nursery will revert to the City and County of San Francisco, along with all the annual operating expenses associated thereto. As a result, the Organization will remove the construction in progress asset from its financial statements and the associated net assets. The Organization will be allowed to use the Nursery in conjunction with the San Francisco Recreation and Parks Department.

The Organization has evaluated subsequent events through February 20, 2024, the date the financial statements were available to be issued.