

Memphis Botanic Garden Foundation, Inc.

FINANCIAL STATEMENTS

JUNE 30, 2021

TABLE OF CONTENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Memphis Botanic Garden Foundation, Inc.
Memphis, Tennessee

We have audited the accompanying financial statements of Memphis Botanic Garden Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memphis Botanic Garden Foundation, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reynolds, Bone & Griesbeck PLC

December 6, 2021

STATEMENT OF FINANCIAL POSITION

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

ASSETS

Cash and cash equivalents	\$ 2,878,530
Receivables:	
Contributions, net	1,374,335
Rental and other	23,670
Investments, at fair value	3,855,108
Prepaid expenses	29,479
Equipment, net	50,608
Sculptures, net	81,964
	<hr/>
Total assets	<u>\$ 8,293,694</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 181,088
Accrued salaries and vacations	138,068
Deferred revenue	2,054,124
Note payable - Paycheck Protection Program	456,945
Note payable - bank	184,134
	<hr/>
	3,014,359
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Net assets	
Without donor restrictions	(55,762)
With donor restrictions	5,335,097
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Total net assets	<u>5,279,335</u>
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Total liabilities and net assets	<u>\$ 8,293,694</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Memphis Botanic Garden Foundation, Inc.
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Garden support and revenue:			
Membership dues and admissions	\$ 632,592	\$ -	\$ 632,592
Education fees	49,856	-	49,856
Management fees	170,819	-	170,819
Contributions	266,393	309,214	575,607
Facility rental	445,597	-	445,597
Food and beverage	10,294	-	10,294
Art sales	22,426	-	22,426
Special event income	216,334	-	216,334
Grant income	1,469,098	-	1,469,098
Other income	347,177	-	347,177
Net assets released from restrictions	880,582	(880,582)	-
Total garden support and revenue	4,511,168	(571,368)	3,939,800
Program expenses:			
Garden activities	2,567,895	-	2,567,895
Rental activities	295,759	-	295,759
Support expenses:			
Management and general	769,674	-	769,674
Fundraising	220,698	-	220,698
Total program and support expenses	3,854,026	-	3,854,026
Change in net assets from garden operations	657,142	(571,368)	85,774
Music operations:			
Music revenues	474,465	-	474,465
Music expenses	(390,849)	-	(390,849)
Net assets released from restrictions	-	-	-
Change in net assets from music operations	83,616	-	83,616
Nonoperating activities:			
Gain on extinguishment of note payable - Paycheck Protection Program	445,500	-	445,500
Investment gain	541,411	-	541,411
Interest expense	(10,762)	-	(10,762)
Change in net asset from nonoperating activities	976,149	-	976,149
Total change in net assets	1,716,907	(571,368)	1,145,539
Net assets, beginning of year	(1,772,669)	5,906,465	4,133,796
Net assets, end of year	\$ (55,762)	\$ 5,335,097	\$ 5,279,335

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Memphis Botanic Garden Foundation, Inc.
Year Ended June 30, 2021

	Garden	Rentals	Management and General	Fundraising	Music	Total
Salaries and benefits	\$ 1,272,027	\$ 168,052	\$ 436,629	\$ 53,499	\$ -	\$ 1,930,207
Bank and credit card fees	50	42	47,055	9,198	-	56,345
Art commissions	-	-	-	10,715	-	10,715
Special Events	9,271	-	-	102,882	-	112,153
Depreciation	18,001	1,930	1,711	-	-	21,642
Dues and subscriptions	882	-	2,193	3,528	-	6,603
Equipment rental	2,279	98,034	5,623	-	-	105,936
Materials and supplies	212,037	1,661	69,370	15,625	-	298,693
Insurance	54,450	8,727	83,358	4,083	-	150,618
Advertising	3,748	2,924	21,981	-	-	28,653
Repairs and maintenance	53,366	2,723	1,242	-	-	57,331
Other administrative	31,308	6,210	36,263	367	-	74,148
Office supplies	763	46	2,938	88	-	3,835
Postage	275	-	2,906	3,263	-	6,444
Printing	60	1,030	4,750	16,366	-	22,206
Professional fees	3,270	-	52,655	560	-	56,485
Music production	-	-	-	524	390,849	391,373
Travel and training	1,409	-	1,000	-	-	2,409
Bad debts	-	4,380	-	-	-	4,380
Capital improvements	904,699	-	-	-	-	904,699
Total expenses	<u>\$ 2,567,895</u>	<u>\$ 295,759</u>	<u>\$ 769,674</u>	<u>\$ 220,698</u>	<u>\$ 390,849</u>	<u>\$ 4,244,875</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

Memphis Botanic Garden Foundation, Inc.
Year Ended June 30, 2021

Operating activities	
Change in net assets	\$ 1,145,539
Adjustments to reconcile the change in net assets to net cash and cash equivalents provided by operating activities	
Depreciation	21,642
Provision for bad debts	4,380
Present value discounts	(21,734)
Net realized and unrealized gains on investments	(471,745)
Contributions restricted for long-term purposes	(309,214)
Gain on extinguishment of note payable - Paycheck Protection Program	(445,500)
Changes in operating assets and liabilities:	
Receivables	763,270
Prepaid expenses	5,219
Accounts payable and accrued expenses	91,043
Accrued salaries and vacations	(15,721)
Deferred revenue	1,393,355
Net cash provided by operating activities	<u>2,160,534</u>
Investing activities	
Reinvested interest and dividend income	(69,666)
Purchases of investments	(977,853)
Sales of investments	698,305
Purchases of equipment and sculptures	(60,725)
Net cash used in investing activities	<u>(409,939)</u>
Financing activities	
Collections on contributions restricted for long-term purposes	309,214
Proceeds from Paycheck Protection Program loan	456,945
Payments on term note payable	(93,613)
Net cash provided by financing activities	<u>672,546</u>
Net change in cash and cash equivalents	2,423,141
Cash and cash equivalents at beginning of year	<u>455,389</u>
Cash and cash equivalents at end of year	<u>\$ 2,878,530</u>
Supplementary disclosure of cash flow information	
Interest paid	<u>\$ 10,762</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

*Memphis Botanic Garden Foundation, Inc.
June 30, 2021*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Memphis Botanic Garden Foundation, Inc. (the Foundation) is a non-profit corporation in Memphis, Tennessee. The purpose of the Foundation is to stimulate interest and promote education in horticulture, to promote public interest in the conservation of natural resources, and to assist in the preservation, development and management of the Memphis Botanic Garden (the "Garden"), which is owned by the City of Memphis.

Financial Statements

The Foundation prepares its financial statements on the accrual basis of accounting to focus on the Foundation as a whole by presenting balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of balances and transactions into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds by maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

Accounting principles generally accepted in the United States of America (U.S. GAAP) require 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. Management considers the fair value of investments to be a significant estimate. See Note 3 for discussions of fair value measurements. Management believes that its estimates provided in the financial statements are reasonable.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

Concentrations of Credit Risk

Due to the nature of its business and the volume of revenue activity, the Foundation can accumulate, from time to time, bank balances in excess of the insurance provided by federal deposit insurance authorities. The risk of maintaining deposits in excess of amounts insured by federal deposit authorities is managed by maintaining such deposits in high quality financial institutions.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased.

Investments, at Fair Value

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases, including income reinvestments, and sales of securities are recorded on a trade-date basis. Interest and dividend income is recorded on an accrual basis. Realized gains on the sales of securities are calculated based on the specific identification of the securities sold. Investment gain includes the Foundation's unrealized gains on investments held during the year, realized gains, and interest and dividend income.

Equipment, Sculptures and Capital Improvements

Equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 3 to 5 years. Repair and maintenance costs are expensed as incurred. Accumulated depreciation related to equipment at June 30, 2021 was \$352,323.

The Foundation also has sculptures that were purchased with restricted contributions. The restrictions state that the sculptures will remain property of the Foundation and not donated to the City of Memphis. Therefore, sculptures are recorded as assets of the Foundation at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which is 15 years. Accumulated depreciation related to sculptures at June 30, 2021 was \$36,549.

The Foundation's capital improvements for buildings and grounds are expensed as incurred since the assets ultimately pass to the City of Memphis. For tax purposes these assets are capitalized and expensed over their tax depreciable life.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

Support and Revenue

The Foundation receives support and revenue from a variety of sources including private contributions. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Restricted contributions, and investment income that is limited to specific uses by donor-imposed restrictions, are reported as increases in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restriction expires. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Membership revenue is deferred over the term of the membership, typically one year. Advance ticket sales relating to the Garden Concert Series are deferred over the period of the concert series.

Advertising

Advertising costs are expensed as incurred, except for seasonal advertising for Live at the Garden, which is capitalized and amortized over the concert season of approximately three months. At June 30, 2021, there were no capitalized advertising cost due to the 2021 Live at the Garden series being pushed back into the Fall of 2021, and advertising cost not occurring until after June 30, 2021. Advertising expense for the year ended June 30, 2021 was \$28,653.

Income Taxes

The Internal Revenue Service has ruled that the Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal income tax under present income tax laws. However the Foundation is subject to unrelated business income taxes, related to the Garden Series and facility rentals. The Foundation has net operating loss carryforwards of approximately \$4,178,000 to be carried forward and utilized in future years.

In accordance with U.S. GAAP, if applicable, the Foundation recognizes interest expense and penalties related to uncertain tax positions as interest expense and penalties in operating expenses. No amounts have been recognized in operating expenses for 2021. The Foundation is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

Functional Allocation of Expenses

The costs of providing programs and other supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services based on estimates made by management. Salaries and benefits have been allocated based on time and effort.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses. The new guidance is effective for reporting periods beginning after December 15, 2022. Early adoption of ASU No. 2016-13 is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Foundation has elected not to early implement ASU No. 2016-13 at this time. The effects of adopting ASU No. 2016-13 have not been determined.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. It is intended to improve transparency of contributed nonfinancial assets through additional presentation and disclosures. The amendments of this ASU require that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities, as well as enhanced disclosures regarding each type of contributed nonfinancial asset. The disclosures must discuss qualitative information about whether the assets were monetized or utilized, the entity's policy regarding monetizing rather than utilizing the nonfinancial assets, information regarding if there were any donor-imposed restrictions, how the entity arrived at the fair values of the nonfinancial assets and the principal market used to arrive at the fair value measurements. The new guidance is effective for reporting periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Foundation has elected not to early implement ASU No. 2020-07 at this time. The effects of adopting ASU No. 2020-07 have not been determined.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

Subsequent Events

The outbreak of COVID-19 in the United States continues to cause business disruption across a range of industries. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on guests, employees and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Foundation's financial condition or results of operations is unknown at this time. Management has reviewed events occurring through December 6, 2021, the date the financial statements were available to be issued. No other subsequent events occurred requiring accrual or disclosure.

2. CONTRIBUTIONS RECEIVABLE, NET

Unconditional promises to give, related to capital campaigns, at June 30, 2021, are as follows:

Receivable in less than one year	\$ 670,388
Receivable in one to five years	659,000
Thereafter	<u>75,000</u>
	1,404,388
Less discount to net present value	(20,053)
Less allowance for bad debts	<u>(10,000)</u>
	<u><u>\$ 1,374,335</u></u>

Contributions receivable are discounted at a rate of 1.51% during the year ended June 30, 2021; based on a risk-free U.S. treasury rate.

Approximately 72% of the Foundation's contribution receivable balance at June 30, 2021 was due from two donors.

3. FAIR VALUE MEASUREMENTS

In 1999, the Foundation created the Memphis Botanic Garden Community Foundation Fund (the Fund) with the Community Foundation of Greater Memphis, Inc. ("CFGM"). The Foundation can request distributions of interest and/or principal related to the transfer of assets to the Community Foundation. The balance in the Fund at June 30, 2021 represents principal and accumulated net investment earnings.

The Foundation also has additional investment accounts at a separate institution in order to invest excess capital campaign funds.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

U.S. GAAP defines fair value and establishes a framework for measuring fair value. Fair value measurements apply to financial assets and liabilities, as well as non-financial assets and liabilities which are re-measured at least annually.

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable market data, when available, and minimizes the use of unobservable inputs when determining fair value. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Foundation's assumptions about the assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances.

The Foundation groups its assets and liabilities measured at fair value in three levels based on the reliability of valuation inputs used to determine fair value. The proper level of fair value measurement is determined based on the lowest level of significant input. The levels are as follows:

- ◆ Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities.
- ◆ Level 2 valuations are based on inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (i.e. markets in which there are few transactions for the assets or liabilities, the prices are not current, or price quotes vary substantially either over time or among market makers), and modeling techniques based on inputs that are observable for the assets or liabilities.
- ◆ Level 3 valuations are based on modeling techniques using significant assumptions that are not observable in the market. The assumptions reflect the Foundation's own assumptions that market participants would use in pricing the assets or liabilities.

The availability of observable inputs varies from product to product and is affected by a variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for instruments categorized in Level 3.

Financial assets and liabilities measured at fair value on a recurring basis include the following:

Mutual and exchange traded funds: Mutual funds and exchange traded funds are publicly traded investments and are valued daily at the closing prices reported on the active market on which the funds are traded.

Negotiable certificates of deposit: Investments are held at financial institutions and have a stated interest rate and maturity and are able to be traded. Fair values are based on quoted market prices for similar assets in an active market.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

CFGM Funds: There is no limited or no observable market data for some of the prices of investments that are held in the Community Foundation Balanced Pool (the “Pool”), and the resulting fair values of these securities are categorized as Level 3. The Pool is invested in equities, fixed income securities, cash equivalents, alternative investments, and real estate securities. Management of Community Foundation calculated fair value using valuations received from the underlying managers.

The following table sets for the by level, within the fair value hierarchy, the Foundation’s financial assets and liabilities accounted for at fair value on a reoccurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 243,952	\$ -	\$ -	\$ 243,952
Exchange traded funds	366,690	-	-	366,690
Negotiable certificates of deposit	-	99,979	-	99,979
CFGM Funds	-	-	3,144,487	3,144,487
	<u>\$ 610,642</u>	<u>\$ 99,979</u>	<u>\$ 3,144,487</u>	<u>\$ 3,855,108</u>

The following table illustrates the activity of Level 3 assets during year ended June 30, 2021:

Fair value at June 30, 2020	\$ 2,427,786
Purchases	300,000
Realized and unrealized gains	474,670
Reinvested interest and dividend income	57,272
Sale of assets	<u>(115,241)</u>
Fair Value at June 30, 2021	<u>\$ 3,144,487</u>

4. NOTE PAYABLES

The Foundation has a \$500,000 line of credit agreement with a bank, of which no amounts were outstanding at June 30, 2021. The line, which bears interest at the bank's prime rate (3.25% at June 30, 2021), is collateralized by the assets of the Foundation. The line of credit expires on April 15, 2022, at which time management expects to renew the line of credit with the bank. The line of credit is used to provide liquidity for day-to-day operations and management believes it is probable the Foundation will be able to renew its line of credit prior to its maturity.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

During 2014, the Foundation obtained a \$4,000,000 construction line of credit from a bank to fund the construction of the Live at the Garden Stage. Total draws on this line of credit during the construction period were \$3,687,547. The line was converted to a term note payable on October 1, 2014. In April 2018, the outstanding balance of \$586,725 was refinanced with a new 5 year note payable maturing on April 15, 2023. The note bears interest at an annual fixed rate of 4.53%, which is due monthly, and is collateralized by the assets of the Foundation. The outstanding balance as of June 30, 2021 was \$184,134.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides for loans to be made to small businesses effected by the COVID-19 pandemic. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of PPP loans not forgiven have a term of two years and bear interest at 1.0%, with repayments deferred for six months. In April 2020, the Foundation received a PPP loan in the amount of \$445,500. The loan was forgiven on January 13, 2021 and is recognized as a gain on extinguishment of note payable in the statement of activities.

In February 2021, the Foundation received a second PPP loan in the amount of \$456,945 and matures on February 4, 2023. Management expects to have its PPP loan forgiven in during the year ended June 30, 2022, and will be recognized as a gain on extinguishment of note payable in the statement of activities.

Maturities of note payables as of June 30 are as follows:

<u>Year</u>	
2022	\$ 89,671
2023	<u>551,408</u>
	<u>\$ 641,079</u>

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

5. NATURE AND AMOUNT OF NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

Purpose restrictions:	
Moon Gazing Pavilion	\$ 49,558
Sculpture for Japanese Garden	33,917
Nourish: GreenPrint 2021 Campaign	3,073,847
Herb Garden	50,000
Garden Concert Series	190,150
Endowment funds not subject to appropriation or expenditure	<u>1,937,625</u>
Total net assets with donor restrictions	<u>\$ 5,335,097</u>

The Foundation also has board designated endowment funds of \$1,206,862 at June 30, 2021.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors. The amounts released during the year ended June 30, 2021 are as follows:

Purpose releases:	
Sculpture for Japanese Garden	\$ 26,433
Nourish: GreenPrint 2021 Campaign	<u>854,149</u>
	<u>\$ 880,582</u>

The deficit net assets without donor restrictions balance is primarily due to capital expenditures in excess of contributions for the Live at the Garden stage. Management expects to recoup the deficit through future Live at the Garden concerts and other special events.

6. ENDOWMENT

The Foundation's endowment consists of three individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as board designated net assets without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. At June 30, 2021, all of the endowment funds are invested in the Community Foundation as further discussed in Note 3.

Changes in Endowment Net Assets for the Year Ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 490,161	\$ 1,937,625	\$ 2,427,786
Realized and unrealized gain	474,670	-	474,670
Reinvested interest and dividend income	57,272	-	57,272
Purchase of assets	300,000	-	300,000
Sale of assets	<u>(115,241)</u>	<u>-</u>	<u>(115,241)</u>
Endowment net assets, June 30, 2021	<u>\$ 1,206,862</u>	<u>\$ 1,937,625</u>	<u>\$ 3,144,487</u>

Continued

16

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

7. SPONSORSHIP AGREEMENT

During the year ended June 30, 2020, the Foundation entered into a 10-year sponsorship agreement for naming right of the Live at the Garden Stage. The total sponsorship is \$750,000, to be paid over the life of the 10-year agreement. Sponsorship revenue for this agreement is recognized on a straight-line basis over the life of the agreement. For the year ended June 30, 2021, \$75,000 was recognized in the statement of activities, and \$18,750 is included in deferred revenue in the statement of financial position at June 30, 2021. The remaining payments per the agreement are as follows:

<u>Year</u>	
2022	\$ 125,000
2023	125,000
2024	125,000
2025	150,000
2026	25,000
Thereafter	<u>75,000</u>
	<u>\$ 625,000</u>

8. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan (the “401(k) Plan”) covering employees meeting certain age and service requirements. The Foundation has the option to make matching contributions to the Plan on behalf of each participant. Foundation matching contributions to the 401(k) Plan were \$16,491 for the year ended June 30, 2021.

9. CONTRIBUTED SERVICES

A substantial number of volunteers, as well as employees of the City of Memphis, have made significant contributions of their time to the ongoing maintenance of the Garden and the operations of the Foundation. The value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded.

10. RELATED PARTY TRANSACTIONS

The Foundation received management fees from the City of Memphis in the amount of \$170,819 during the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Memphis Botanic Garden Foundation, Inc.
June 30, 2021

11. EXHIBIT COLLECTION

In conformity with the practice of many not-for-profit organizations, items donated for use in the permanent or teaching collections of the Foundation are not included in the statement of financial position or statement of activities.

12. AVAILABILITY OF RESOURCES AND LIQUIDITY

The following represents the Foundation's financial assets at June 30, 2021:

Cash and cash equivalents	\$ 2,878,530
Contributions receivables, net	1,374,335
Rental and other receivables	23,670
Investments, at fair value	<u>3,855,108</u>
Total financial assets	<u>\$ 8,131,643</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	\$ 5,335,097
Less net assets with purpose restrictions to be met within one year	(726,000)
Long term contributions receivable	713,947
Board designated net assets	<u>1,206,862</u>
	<u>6,529,906</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,601,737</u>

The Foundation also maintains a \$500,000 line of credit to meet cash flow needs if necessary.