

# **Lewis Ginter Botanical Garden, Inc.**

Combined Financial Statements

March 31, 2018 and 2017



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# LEWIS GINTER BOTANICAL GARDEN, INC.

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors of  
Lewis Ginter Botanical Garden, Inc.  
Richmond, Virginia

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Lewis Ginter Botanical Garden, Inc., its subsidiary, and its related organization (collectively, the "Organization"), which comprise the combined statements of financial position as of March 31, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 entity'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lewis Ginter Botanical Garden, Inc., subsidiary, and related organization as of March 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

September 12, 2018  
Glen Allen, Virginia

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statements of Financial Position  
March 31, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents:		
Unrestricted	\$ 108,560	\$ 106,373
Temporarily restricted	2,463,113	1,749,739
Unconditional promises to give	410,603	370,515
Accounts and other receivables	23,989	14,686
Inventory, gift shop	303,189	311,429
Prepaid expenses	102,980	77,216
Investments:		
Board designated	5,867,006	5,489,407
Temporarily restricted	3,906,263	3,260,127
Permanently restricted	11,472,146	11,472,146
Real estate with life interest	1,053,534	1,053,534
Real estate held for sale	516,000	-
Assets held in trust - deferred compensation plans	111,541	80,029
Assets held in trust - gift annuities	535,859	549,304
Property and equipment, net	<u>19,367,370</u>	<u>20,563,986</u>
Total assets	<u>\$ 46,242,153</u>	<u>\$ 45,098,491</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 120,301	\$ 12,709
Accrued expenses	241,627	226,878
Security deposits and deferred rent	242,094	204,407
Deferred membership revenue	382,602	382,602
Deferred travel, education, and other revenue	25,004	21,511
Real estate with life interest - deferred use revenue	190,998	193,184
Liability under deferred compensation plans	111,541	80,029
Liability under gift annuities	<u>403,033</u>	<u>412,607</u>
Total liabilities	<u>1,717,200</u>	<u>1,533,927</u>
Net assets:		
Unrestricted:		
Undesignated	19,410,460	20,225,583
Board designated	5,867,006	5,489,407
Temporarily restricted	7,775,341	6,377,428
Permanently restricted	<u>11,472,146</u>	<u>11,472,146</u>
Total net assets	<u>44,524,953</u>	<u>43,564,564</u>
Total liabilities and net assets	<u>\$ 46,242,153</u>	<u>\$ 45,098,491</u>

See accompanying notes to combined financial statements.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statement of Activities  
Year Ended March 31, 2018

	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Comparative Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 2,379	\$ -	\$ 2,978,985	\$ -	\$ 2,981,364	\$ 1,642,303
Trust income	277,017	-	-	-	277,017	263,434
Revenues:						
Memberships	1,012,831	-	-	-	1,012,831	903,176
Admissions	1,396,076	-	-	-	1,396,076	1,537,811
Educational	334,689	-	-	-	334,689	314,445
Sponsorships and special events	175,074	-	26,500	-	201,574	276,666
Gift shop and plant sales, net of discounts and costs of sales of \$585,484	533,931	-	-	-	533,931	557,262
Facility and rental income	614,771	-	34,854	-	649,625	677,593
Investment income, net of fees	172,033	67,900	43,471	-	283,404	207,335
Net realized and unrealized gain on investments	49,553	541,786	1,239,070	-	1,830,409	1,969,945
Other	60,091	-	53,799	-	113,890	108,181
Change in value of real estate with life interest	-	-	2,186	-	2,186	-
Total revenues, gains and other support	<u>4,628,445</u>	<u>609,686</u>	<u>4,378,865</u>	<u>-</u>	<u>9,616,996</u>	<u>8,458,151</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	2,162,816	-	(2,162,816)	-	-	-
Satisfaction of capital asset acquisition restrictions	252,077	-	(252,077)	-	-	-
Investment return designated for operations	<u>771,841</u>	<u>(232,087)</u>	<u>(539,754)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>3,186,734</u>	<u>(232,087)</u>	<u>(2,954,647)</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to combined financial statements.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statement of Activities, Continued  
Year Ended March 31, 2018

	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Comparative Total
Expenses and losses:						
Program services:						
Operations	\$ 924,397	\$ -	\$ -	\$ -	\$ 924,397	\$ 873,094
Horticulture	1,755,730	-	-	-	1,755,730	1,885,444
Education	1,392,234	-	-	-	1,392,234	1,424,317
Conservatory	592,814	-	-	-	592,814	566,975
Volunteer programs	40,593	-	-	-	40,593	49,694
Visitor services	1,009,751	-	-	-	1,009,751	1,097,668
Public relations and events	603,112	-	-	-	603,112	641,443
Fundraising	231,388	-	-	-	231,388	238,713
Development	997,517	-	-	-	997,517	921,944
Gift shop	367,025	-	-	-	367,025	387,748
Administrative	708,999	-	-	-	708,999	665,642
Gifts in kind	6,742	-	-	-	6,742	9,638
	<u>8,630,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,630,302</u>	<u>8,762,320</u>
Total expenses						
Change in value of real estate with life interest	-	-	-	-	-	28,884
Loss on gift annuities liability adjustment	-	-	26,305	-	26,305	39,789
	<u>8,630,302</u>	<u>-</u>	<u>26,305</u>	<u>-</u>	<u>8,656,607</u>	<u>8,830,993</u>
Total expenses and losses						
Change in net assets	(815,123)	377,599	1,397,913	-	960,389	(372,842)
Net assets at beginning of year	<u>20,225,583</u>	<u>5,489,407</u>	<u>6,377,428</u>	<u>11,472,146</u>	<u>43,564,564</u>	<u>43,937,406</u>
Net assets at end of year	<u>\$ 19,410,460</u>	<u>\$ 5,867,006</u>	<u>\$ 7,775,341</u>	<u>\$ 11,472,146</u>	<u>\$ 44,524,953</u>	<u>\$ 43,564,564</u>

See accompanying notes to combined financial statements.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statement of Activities  
Year Ended March 31, 2017

	<u>Undesignated</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:					
Public support:					
Contributions	\$ 14,898	\$ -	\$ 1,527,405	\$ 100,000	\$ 1,642,303
Trust income	263,434	-	-	-	263,434
Revenues:					
Memberships	903,176	-	-	-	903,176
Admissions	1,537,811	-	-	-	1,537,811
Educational	314,445	-	-	-	314,445
Sponsorships and special events	140,000	-	136,666	-	276,666
Gift shop and plant sales, net of discounts and costs of sales of \$585,484	557,262	-	-	-	557,262
Facility and rental income	638,036	-	39,557	-	677,593
Investment income	145,922	61,413	-	-	207,335
Net realized and unrealized gain on investments	17,265	562,942	1,389,738	-	1,969,945
Other	58,749	-	49,432	-	108,181
Total revenues, gains and other support	<u>4,590,998</u>	<u>624,355</u>	<u>3,142,798</u>	<u>100,000</u>	<u>8,458,151</u>
Net assets released from restrictions:					
Satisfaction of program restrictions	1,307,193	-	(1,307,193)	-	-
Satisfaction of capital asset acquisition restrictions	166,845	-	(166,845)	-	-
Investment return designated for operations	966,133	(274,472)	(691,661)	-	-
Total net assets released from restrictions	<u>2,440,171</u>	<u>(274,472)</u>	<u>(2,165,699)</u>	<u>-</u>	<u>-</u>

See accompanying notes to combined financial statements.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statement of Activities, Continued  
Year Ended March 31, 2017

	<u>Undesignated</u>	Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Expenses and losses:					
Program services:					
Operations	\$ 873,094	\$ -	\$ -	\$ -	\$ 873,094
Horticulture	1,885,444	-	-	-	1,885,444
Education	1,424,317	-	-	-	1,424,317
Conservatory	566,975	-	-	-	566,975
Volunteer programs	49,694	-	-	-	49,694
Visitor services	1,097,668	-	-	-	1,097,668
Public relations and events	641,443	-	-	-	641,443
Fundraising	238,713	-	-	-	238,713
Development	921,944	-	-	-	921,944
Gift shop	387,748	-	-	-	387,748
Administrative	665,642	-	-	-	665,642
Gifts in kind	9,638	-	-	-	9,638
	<u>8,762,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,762,320</u>
Total expenses	8,762,320	-	-	-	8,762,320
Change in value of real estate with life interest	-	-	28,884	-	28,884
Loss on gift annuities liability adjustment	-	-	39,789	-	39,789
	<u>-</u>	<u>-</u>	<u>39,789</u>	<u>-</u>	<u>39,789</u>
Total expenses and losses	<u>8,762,320</u>	<u>-</u>	<u>68,673</u>	<u>-</u>	<u>8,830,993</u>
Change in net assets	(1,731,151)	349,883	908,426	100,000	(372,842)
Net assets at beginning of year	<u>21,956,734</u>	<u>5,139,524</u>	<u>5,469,002</u>	<u>11,372,146</u>	<u>43,937,406</u>
Net assets at end of year	<u>\$ 20,225,583</u>	<u>\$ 5,489,407</u>	<u>\$ 6,377,428</u>	<u>\$ 11,472,146</u>	<u>\$ 43,564,564</u>

See accompanying notes to combined financial statements.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statements of Cash Flows  
Years Ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 960,389	\$ (372,842)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,583,787	1,881,477
Net realized and unrealized gains on investments	(1,830,409)	(1,969,945)
Net reinvested earnings on investments	(283,404)	(56,554)
Endowment contribution	-	(100,000)
Donated real estate	(516,000)	-
Change in fair value of real estate with life interest - deferred use revenue	(2,186)	28,884
(Increase) decrease in assets:		
Unconditional promises to give	(40,088)	(276,709)
Accounts and other receivables	(9,303)	(4,663)
Inventory, gift shop	8,240	(7,856)
Prepaid expenses	(25,764)	58,698
Increase (decrease) in liabilities:		
Accounts payable	107,592	(9,018)
Accrued expenses	14,749	10,714
Security deposits and deferred rent	37,687	5,336
Deferred membership revenue	-	51,735
Deferred travel, education, and other revenue	3,493	(8,141)
Liability under deferred compensation plans	31,512	(1,433)
Net cash provided by (used in) operating activities	40,295	(770,317)
Cash flows from investing activities:		
Purchase of property and equipment	(387,171)	(255,628)
Sales of investments, net	1,090,078	592,439
Net cash provided by investing activities	702,907	336,811

See accompanying notes to combined financial statements.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Combined Statements of Cash Flows, Continued  
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from financing activities:		
Assets held in trust - deferred compensation plans	\$ (31,512)	\$ 1,433
Assets held in trust - gift annuities	13,445	8,680
Liability under gift annuities	(9,574)	3,910
Receipt of endowment contribution	<u>-</u>	<u>100,000</u>
Net cash (used in) provided by financing activities	<u>(27,641)</u>	<u>114,023</u>
 Change in cash and cash equivalents	 715,561	 (319,483)
Cash and cash equivalents:		
Beginning of year:		
Unrestricted	106,373	114,870
Temporarily restricted	<u>1,749,739</u>	<u>2,060,725</u>
	<u>1,856,112</u>	<u>2,175,595</u>
End of year:		
Unrestricted	108,560	106,373
Temporarily restricted	<u>2,463,113</u>	<u>1,749,739</u>
	<u>\$ 2,571,673</u>	<u>\$ 1,856,112</u>
 Supplemental disclosure of non-cash information:		
Donated real estate	<u>\$ 516,000</u>	<u>\$ -</u>

See accompanying notes to combined financial statements.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements

#### 1. Summary of Significant Accounting Policies:

**Nature of Organization:** Lewis Ginter Botanical Garden, Inc. is a Virginia non-stock corporation located in Richmond, Virginia, established by court decree to create, operate, manage and improve the Lewis Ginter Botanical Garden as a public park and botanical garden consistent with the charitable intent expressed under the will of Grace E. Arents. Lewis Ginter Botanical Garden, Inc. is supported through contributions, trust income and grants, in addition to its membership, admissions and income from plant sales, gift shop operations, and similar activities.

During 2000, Lewis Ginter Botanical Garden Foundation was established as a 509(a)(3) supporting organization to exclusively support Lewis Ginter Botanical Garden, Inc. and its operations. During June 2017, Ericaceae, LLC (the "Company") was formed as a single member limited liability company under the laws of the Commonwealth of Virginia for the purpose of receiving and holding donated real estate. Lewis Ginter Botanical Garden, Inc. is the sole member of the Company.

The accompanying combined financial statements include the resources and the financial activities of Lewis Ginter Botanical Garden, Inc., its subsidiary, Ericaceae, LLC, and its related organization, Lewis Ginter Botanical Garden Foundation (collectively, the "Organization"). The activities conducted by the subsidiary and the related organization are reflected in the accompanying combined financial statements. All significant transactions and accounts are eliminated.

**Basis of Accounting:** The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

**Estimates:** The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Reclassifications:** Certain prior year balances have been reclassified to conform with the current year presentation.

**Cash and Cash Equivalents:** The Organization considers as cash equivalents all short-term, highly liquid investments with maturities of three months or less at date of acquisition.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 1. Summary of Significant Accounting Policies, Continued:

**Classification of Net Assets:** The combined financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) accounting guidance for financial statements of not-for-profit organizations, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted reflected based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

**Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include the revenues and expenses of the primary operations of the Organization. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board designated within unrestricted net assets. Board-designated assets totaled \$5,867,006 at March 31, 2018 and \$5,489,407 at March 31, 2017.

**Temporarily Restricted Net Assets:** Net assets that are subject to donor or grant-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

**Permanently Restricted Net Assets:** Net assets that are subject to donor-imposed stipulations that require the Organization maintain them permanently.

**Recognition of Contributions and Grants:** Contributions and grants are recognized when the donor makes a promise to give to the Organization that is in substance unconditional. All other donor-restricted contributions and grants are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted.

The Organization uses the reserve method of accounting for bad debts. No reserve was considered necessary at March 31, 2018 and 2017.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 1. Summary of Significant Accounting Policies, Continued:

**Investments:** Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statements of financial position (See Notes 3 and 6). Certain less marketable investments are generally carried at values determined by the respective investment managers. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the combined financial statements. Unrealized gains and losses are included in the combined statements of activities.

**Concentrations of Credit Risk:** Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and unconditional promises to give. The Organization places its cash and cash equivalents with financial institutions located in Richmond, Virginia. At times, these balances are in excess of the FDIC insurance limit.

Promises to give are from individuals, corporations and foundations located primarily in the Richmond metropolitan area. The Organization believes its credit risk related to these promises to give is limited due to the nature of its donors.

**Inventory:** Inventory is stated at average cost.

**Real Estate:** Donated real estate is carried at the lower of cost or fair value. Management evaluates the investments for impairment in accordance with GAAP. The Organization did not identify any impairments during 2018 and 2017.

**Property and Equipment:** Purchased property and equipment is stated at cost. The Organization follows the practice of capitalizing all material expenditures for property and equipment. Material donated assets are stated at the lower of appraised or market value at the time of the donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Estimated useful lives by asset class are as follows:

Antiques	Nondepreciable
Buildings	40 years
Leasehold improvements	15 years
Furniture and fixtures	5 years
Equipment	5 years
Library books	Nondepreciable
Master plan development	40 years
Vehicles	3 years

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 1. Summary of Significant Accounting Policies, Continued:

**Development Expenses:** Development expenditures relate primarily to the management of membership benefits with goods and services and administration processing provided in return for dues.

**Advertising Expenses:** All costs related to marketing and advertising are charged to operations as incurred and amounted to \$187,263 in 2018 and \$242,218 in 2017.

**Contributed Materials and Services:** The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed, amounted to \$6,742 in 2018 and \$9,638 in 2017 and have been recognized in the combined financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations and various committee assignments. The value of these services are not recognized in the combined financial statements, but are estimated by management to amount to \$710,423 in 2018 and \$742,978 in 2017.

**Tax Status:** Lewis Ginter Botanical Garden, Inc. is exempt from income taxes under Section 509(a)(2) of the Internal Revenue Code, and Lewis Ginter Botanical Garden Foundation is exempt from income taxes under Section 509(a)(3) of the Internal Revenue Code. Lewis Ginter Botanical Garden, Inc. and Lewis Ginter Botanical Garden Foundation have been determined to be charitable organizations which qualifies contributions, bequests, and legacies as deductions by the donor for income, estate and gift tax purposes.

No provision for income taxes has been provided in these combined financial statements for Ericaceae, LLC since all income, losses, deductions, and credits are passed to and are reported by the member on its respective income tax return.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant combined financial statement exposure to uncertain income tax positions at March 31, 2018 and 2017. The Organization is not currently under audit by any tax jurisdiction.

**Subsequent Events:** Management has evaluated subsequent events through September 12, 2018, the date the combined financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying combined financial statements other than noted below.

The Organization received a gift of real estate during 2018 valued at \$516,000 which was included as real estate held for sale on the combined statement of financial position as of March 31, 2018. During July 2018, the Organization entered into a purchase and sale agreement for the price of \$675,000, however, there are certain contingencies included in the agreement that would allow for the purchaser to terminate the agreement.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 2. Unconditional Promises to Give:

At March 31, 2018 and 2017, unconditional promises to give were as follows:

	2018	2017
Receivable in less than one year	\$ 226,375	\$ 178,500
Receivable in one to four years	192,425	200,000
	418,800	378,500
Less discount (3.00% in 2018 and 2.76% in 2017)	8,197	7,985
Total unconditional promises to give	\$ 410,603	\$ 370,515

Unconditional promises to give have been recognized as temporarily restricted net assets. Uncollectible promises are expected to be insignificant.

#### 3. Investments:

At March 31, 2018 and 2017, the carrying value and market value of investments were as follows:

	2018		2017	
	Cost	Market	Cost	Market
	Value	Value	Value	Value
Cash and cash equivalents	\$ 857,544	\$ 857,544	\$ 1,790,110	\$ 1,790,110
Equities	4,502,018	8,743,343	1,990,177	5,643,368
Mutual funds	229,813	231,169	-	-
Fixed income	2,582,909	2,865,190	1,590,039	1,868,557
Richmond Fund	6,813,707	8,548,169	9,649,523	10,919,645
	\$ 14,985,991	\$ 21,245,415	\$ 15,019,849	\$ 20,221,680

The Organization invests its assets to preserve the purchasing power of the principal, and to earn a fair return relative to the risks of investing under the overall balanced approach to include cash equivalents, equities, and fixed income securities. A reasonable time frame is generally considered a full market or economic cycle, or a five-to seven-year period. Due in part to the University of Richmond's (the "University") performance record in accomplishing these objectives with its own endowment, in 2011, the Organization entered into an investment partnership with the University called The Richmond Fund, L.P. (the "Richmond Fund"). The general partner of the Richmond Fund is the Richmond Fund Management Company, LLC, a subsidiary of Spider Management Company, LLC ("SMC"), the investment company for the University's endowment. A rate of return agreement is used to equalize the quarterly rate of return of the University's pooled endowment managed by SMC and the Richmond Fund's rate of return.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 3. Investments, Continued:

The Organization's investment in the Richmond Fund amounted to \$8,548,169 at March 31, 2018 and \$10,919,645 at March 31, 2017. The asset allocation of the Richmond Fund at March 31, 2018 is as follows:

<u>Assets</u>	<u>Allocation</u>
Equity	42.2 %
Private equity and venture capital	15.6
Multi-strategy	12.9
Credit	12.2
Real assets	8.7
Cash	4.5
Real estate	3.9
	<u>100.0 %</u>

Under the Organization's endowment spending policy, a percentage of the trailing three-year average of the December 31<sup>st</sup> fair market value of General Endowment, as well as the restricted endowments, was appropriated to support current operations. The endowment draw percentage for the General Endowment in 2017-18 was 3.86%, and for the restricted endowments, including the Greenhouse Structure Endowment, was 3.76%. The endowment draw percentage for the General Endowment in 2016-17 was 4.25%, and for the restricted endowments, including the Greenhouse Structure Endowment, was 4.25%. The Organization's typical practice is for the endowment draws to fall between 3.50% and 4.50%.

#### 4. Grace E. Arents Trust:

The Organization was established by court decree to carry out the charitable intent of a trust under the will of Grace E. Arents. Lewis Ginter Botanical Garden, Inc. received \$277,017 in 2018 and \$263,434 in 2017 in bequests from the Grace E. Arents Trust under the will of Grace E. Arents. Based upon unaudited information from the trustee, assets and invested income in the Grace E. Arents Trust account carried a cost value of \$5,236,816 and a market value of \$5,978,709 at March 31, 2018. At March 31, 2017, the account carried a cost value of \$5,094,817 and a market value of \$5,494,869. The assets of the Grace E. Arents Trust are not included in the accompanying combined financial statements.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 5. Real Estate with Life Interest:

As part of a life estate, the Organization was gifted approximately 80 acres of real estate in Rockville, Virginia. The deed of gift was dated July 20, 2015 and the Organization valued the real estate at \$1,053,534. The gift included use restrictions on the property in the form of maintaining the residence and grounds located on the property including certain gardens, nature trails, and the habitat of indigenous animals and wildlife. The Organization entered into a lease agreement for the property less the personal residence used by the donors, and are responsible for maintenance and repair of the leased premises in its current physical condition in lieu of rental payments. Under the lease, the Organization is not allowed to use the property for public purposes, unless otherwise approved by the lessors. The Organization recognized \$194,668 at the date of gift as deferred revenue for the use obligation of the leased residence. The use obligation amounted to \$190,998 as of March 31, 2018 and \$193,184 as of March 31, 2017.

#### 6. Fair Value Measurements:

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets and liabilities carried or disclosed at fair value:

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 6. Fair Value Measurements, Continued:

**Cash and cash equivalents:** Valued at the realizable cash value equivalent to the specific sum of cash held by the Organization at year end.

**Common Stocks and mutual funds:** Valued at closing prices reported on the active market on which the individual securities are traded.

**Government and corporate bonds:** Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

**Commonfund:** Valued at the net asset value ("NAV") of shares held of the funds by the Organization at year end. The equity fund allocates assets across a broad spectrum of equity strategies, including common stock of U.S. companies and other equity securities of foreign companies in both developed and emerging markets. The fixed income fund allocates assets across a broad spectrum of fixed income sectors, including investing directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. As of March 31, 2018 and 2017, the equity and fixed income funds have no unfunded commitments and can be redeemed within 30 calendar days upon notice with no other redemption restrictions. The Organization values its investment in the Commonfund using NAV as a practical expedient.

**Richmond Fund:** Valued by the general partner based on several criteria established in the Richmond Fund agreement. The Richmond Fund operates as a fund of funds and as such the general partner reviews the fair values of each underlying fund based on available information. The Richmond Fund undergoes semi-annual independent audit. Withdrawals from the Richmond Fund are limited to an amount not to exceed 10% of its capital account each quarter by informing the Richmond Fund within 60 days of the redemption date. The Organization values its investment in the Richmond Fund using NAV as a practical expedient.

**Unconditional promises to give:** Valued at the original gift amount, less payments and a discount to account for payments expected in future periods beyond one year.

**Assets held in trust:** Valued at the sum of underlying securities in the trust vehicle, which are valued at the closing price reported on the active market on which the individual securities are traded.

**Real estate with life interest – deferred use revenue:** Valued at the net present value of the estimated fair value of rental revenue for the real estate, calculated using observable inputs including the IRC 7520 rate and the Internal Revenue Service mortality tables.

**Liability under deferred compensation plans:** Valued at the fair value of the related asset.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Notes to Combined Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

**Liability under gift annuities:** Valued at the sum of estimated future cash flows calculated using observable inputs including the IRC 7520 rate and the Internal Revenue Service mortality tables.

The following table summarizes investments measured at fair value based on NAV per share as of March 31, 2018:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Richmond Fund	\$8,548,169	No	Quarterly	60 calendar days advance written notice
The Commonfund	\$8,011,506	No	Daily	30 calendar days advance written notice

The following table summarizes investments measured at fair value based on NAV per share as of March 31, 2017:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Richmond Fund	\$10,919,645	No	Quarterly	60 calendar days advance written notice
The Commonfund	\$7,511,925	No	Daily	30 calendar days advance written notice

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Notes to Combined Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

In accordance with GAAP, investments valued at NAV as a practical expedient are not included in the fair value hierarchy. Assets and liabilities measured at fair value on a recurring basis at March 31, 2018 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Cash and cash equivalents	\$ 857,544	\$ -	\$ -	\$ 857,544
Mutual funds	231,169	-	-	231,169
Common stocks	2,627,672	-	-	2,627,672
Government and corporate bonds	969,355	-	-	969,355
Unconditional promises to give	-	-	410,603	410,603
Assets held in trusts	-	647,400	-	647,400
Total assets in the fair value hierarchy	\$ 4,685,740	\$ 647,400	\$ 410,603	5,743,743
Investments measured at NAV				16,559,675
Total assets at fair value				\$ 22,303,418
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 190,998	\$ -	\$ 190,998
Liability under deferred compensation plan	-	111,541	-	111,541
Liability under gift annuities	-	403,033	-	403,033
Total liabilities at fair value	\$ -	\$ 705,572	\$ -	\$ 705,572

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Notes to Combined Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

Assets and liabilities measured at fair value on a recurring basis at March 31, 2017 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Cash and cash equivalents	\$ 1,790,110	\$ -	\$ -	\$ 1,790,110
Unconditional promises to give	-	-	370,515	370,515
Assets held in trusts	-	629,333	-	629,333
Total assets in the fair value hierarchy	\$ 1,790,110	\$ 629,333	\$ 370,515	2,789,958
Investments measured at NAV				18,431,570
Total assets at fair value				\$ 21,221,528
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 193,184	\$ -	\$ 193,184
Liability under deferred compensation plans	-	80,029	-	80,029
Liability under gift annuities	-	412,607	-	412,607
Total liabilities at fair value	\$ -	\$ 685,820	\$ -	\$ 685,820

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Notes to Combined Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

The following table provides reconciliation between the beginning and ending balances of assets measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

	Unconditional Promises to Give
Balance at April 1, 2016	\$ 93,806
New pledges	384,500
Payments	(100,000)
Change in discount	(7,791)
Balance at March 31, 2017	370,515
New pledges	1,381,215
Payments	(1,340,915)
Change in discount	(212)
Balance at March 31, 2018	\$ 410,603

**7. Property and Equipment:**

At March 31, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Antiques	\$ 517,747	\$ 517,746
Building and ground improvements	46,086,988	45,943,645
Furniture and fixtures	2,027,455	2,026,666
Equipment	1,752,085	1,658,677
Library books	57,513	57,513
Master plan	1,129,628	1,129,628
Vehicles	133,694	126,444
Construction In Process	142,380	-
	51,847,490	51,460,319
Less accumulated depreciation	(32,480,120)	(30,896,333)
Net property and equipment	\$ 19,367,370	\$ 20,563,986

Depreciation and amortization expense amounted to \$1,583,787 in 2018 and \$1,881,477 in 2017.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 8. Line of Credit:

The Organization has a \$500,000 revolving line of credit (the "Line") with a commercial bank which expires on December 5, 2018. The Line is unsecured with a negative pledge on substantially all of the Organization's assets and requires monthly interest payments at the one-month London Interbank Offered Rate ("LIBOR") plus 1.75% (3.69% at March 31, 2018 and 2.81% at March 31, 2017). There was no balance outstanding at March 31, 2018 and 2017.

#### 9. Restrictions on Assets:

At March 31, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Annual fund gifts	\$ 532,048	\$ 624,036
Endowment fund income	3,242,446	2,495,751
Real estate with life interest, net	862,536	860,350
Employee benefits	133,740	138,404
Gift annuities	132,826	136,697
Capital improvements	2,123,713	1,379,670
Ethel C. Kelly Bequest	<u>748,032</u>	<u>742,520</u>
	<u>\$ 7,775,341</u>	<u>\$ 6,377,428</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expended to support the activities of the Organization (see Note 10).

#### 10. Endowment Funds:

There are seven endowment funds at the Organization. These endowment funds were established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 10. Endowment Funds, Continued:

**Interpretation of Relevant Law:** The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (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 funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**Return Objectives and Risk Parameters:** The objective of the Organization's investment policy is to preserve the purchasing power of the principal, and to earn a return relative to the risks of investing under an overall balanced approach to include cash equivalents, fixed income securities, and equities. A reasonable time frame to achieve these objectives is generally considered a full market or economic cycle, or a three to five-year time period.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 10. Endowment Funds, Continued:

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

	<u>Minimum</u>	<u>Maximum</u>
Fixed income	25%	60%
Equities	30%	75%
Alternative investments*	5%	20%
Cash equivalents	0%	30%

\*Can include, but are not limited to marketable alternative strategies including: hedge funds, private capital, energy and natural resources, private equity real estate, and distressed debt.

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy:**

The Organization has a policy of appropriating for expenditure each year four percent of the endowment funds' average fair value. The average fair value is determined by calculating a trailing three-year average as of the calendar year-end preceding the fiscal year ended. In establishing this policy, the Organization considered the long-term expected return on the endowments. Accordingly, over the long term, the Organization expects the current spending policy to allow the endowments to continue to grow at an average of 3 – 4 percent annually.

**Funds with Deficits:** From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported as unrestricted net assets. There were no such deficiencies at March 31, 2018 and 2017.

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Notes to Combined Financial Statements, Continued

**10. Endowment Funds, Continued:**

Endowment net asset composition by type of fund was as follows as of March 31, 2018:

	Unrestricted		Temporarily	Permanently	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 3,242,446	\$ 11,472,146	\$ 14,714,592
Board-designated endowment funds	<u>-</u>	<u>5,867,006</u>	<u>-</u>	<u>-</u>	<u>5,867,006</u>
	<u>\$ -</u>	<u>\$ 5,867,006</u>	<u>\$ 3,242,446</u>	<u>\$ 11,472,146</u>	<u>\$ 20,581,598</u>

Endowment net asset composition by type of fund was as follows as of March 31, 2017:

	Unrestricted		Temporarily	Permanently	
	<u>Undesignated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 2,495,751	\$ 11,472,146	\$ 13,967,897
Board-designated endowment funds	<u>-</u>	<u>5,489,407</u>	<u>-</u>	<u>-</u>	<u>5,489,407</u>
	<u>\$ -</u>	<u>\$ 5,489,407</u>	<u>\$ 2,495,751</u>	<u>\$ 11,472,146</u>	<u>\$ 19,457,304</u>

**LEWIS GINTER BOTANICAL GARDEN, INC.**

Notes to Combined Financial Statements, Continued

**10. Endowment Funds, Continued:**

Changes in endowment net assets were as follows for the years ended March 31, 2018 and 2017:

	Unrestricted Undesignated	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, April 1, 2016	\$ (3,905)	\$ 5,139,524	\$ 1,680,988	\$ 11,372,146	\$ 18,188,753
Investment income:					
Investment income, net	-	61,413	116,686	-	178,099
Unrealized gain on investments, net	3,905	562,942	508,271	-	1,075,118
Realized gain on investments, net	-	-	881,467	-	881,467
Total investment income	<u>3,905</u>	<u>624,355</u>	<u>1,506,424</u>	<u>-</u>	<u>2,134,684</u>
New gifts	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Appropriations for expenditure	<u>-</u>	<u>(274,472)</u>	<u>(691,661)</u>	<u>-</u>	<u>(966,133)</u>
Net assets, March 31, 2017	<u>-</u>	<u>5,489,407</u>	<u>2,495,751</u>	<u>11,472,146</u>	<u>19,457,304</u>
Investment income:					
Investment income, net	-	67,900	43,471	-	111,371
Unrealized gain on investments, net	-	541,786	758,436	-	1,300,222
Realized gain on investments, net	<u>-</u>	<u>-</u>	<u>484,542</u>	<u>-</u>	<u>484,542</u>
Total investment income	<u>-</u>	<u>609,686</u>	<u>1,286,449</u>	<u>-</u>	<u>1,896,135</u>
Appropriations for expenditure	<u>-</u>	<u>(232,087)</u>	<u>(539,754)</u>	<u>-</u>	<u>(771,841)</u>
Net assets, March 31, 2018	<u>\$ -</u>	<u>\$ 5,867,006</u>	<u>\$ 3,242,446</u>	<u>\$ 11,472,146</u>	<u>\$ 20,581,598</u>

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 11. Commitments and Contingencies:

The Organization has a perpetual lease on property willed to the City of Richmond (the "City"). The City was directed by Grace E. Arents, under her will, to establish a botanical garden and public park on the property. The lease is conditional upon the Organization maintaining the property as a botanical garden and public park; no other consideration is required under the lease.

From time to time, the Organization is involved in litigation arising from the normal course of business. The Organization believes it has sufficient insurance coverage to cover any potential losses incurred.

The Organization leases a postage meter and copying equipment under operating leases. The leases requires monthly payments between \$181 and \$1,264 and expire at various terms through March 2022. Future minimum lease payments under the leases are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2019	\$ 4,965
2020	4,965
2021	4,499
2022	<u>2,172</u>
	<u>\$ 16,601</u>

Rental expense on operating leases amounted to \$8,758 in 2018 and \$7,695 in 2017.

#### 12. Retirement Plan:

The Organization has a defined contribution retirement plan covering all eligible employees. Contributions are made only by the Organization and are discretionary as determined by the Board of Directors annually. The Organization made contributions of \$85,516 in 2018 and \$81,718 in 2017.

#### 13. Deferred Compensation Plans:

The Organization established deferred compensation plans for certain key employees under Section 457(b) of the Internal Revenue Code. The Organization contributes to the plans in accordance with Internal Revenue Service guidelines.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 13. Deferred Compensation Plans, Continued:

Under the 457(b) plans, the Organization will contribute annually the maximum permitted by IRS regulations until the key employees' retirement. The Organization contributed \$18,000 to these plans in 2018 and 2017. One employee received full payout of the plan in 2017. The balance in the remaining deferred compensation plan's assets amounted to \$111,541 at March 31, 2018 and \$80,029 at March 31, 2017. The deferred compensation plan's liabilities amounted to \$111,541 at March 31, 2018 and \$80,029 at March 31, 2017.

#### 14. Guarantees:

Pursuant to its Articles of Incorporation, the Organization has certain obligations to indemnify its officers and directors for certain events or occurrences that happen by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of the Organization. The term of the indemnification period is for the officer's or director's lifetime. The maximum liability under these obligations is limited by the Code of Virginia. In addition, the Organization's insurance policies serve to limit its exposure.

#### 15. New Accounting Guidance:

FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt.

## LEWIS GINTER BOTANICAL GARDEN, INC.

### Notes to Combined Financial Statements, Continued

#### 15. **New Accounting Guidance, Continued:**

During 2014, the FASB issued a new standard for revenue recognition, ASU 2014-09. The standard defines a process for evaluating revenue recognition including 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations, and 5) recognize revenue when (or as) the organization satisfies a performance obligation. One of the key concepts in the standard is that revenue should be recognized when a customer has control over a good or service. The standard also requires an entity to enhance revenue recognition disclosures in the accounting policy footnote including both quantitative and qualitative information, significant judgments involved in the process, and the amount and timing of remaining performance obligations. The standard is effective for private entities for annual reporting periods beginning after December 15, 2018.