

Lewis Ginter Botanical Garden, Inc.

Combined Financial Statements

March 31, 2019 and 2018



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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, 2019 and 2018, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements. We have audited the combined statement of functional expenses of the Organization for the year ended March 31, 2019.

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). As a result of this adoption, net assets are now presented as net assets without donor restrictions and net assets with donor restrictions. In addition, there are additional disclosures related to an analysis of expenses by function and nature, and disclosures of quantitative and qualitative information regarding liquidity and availability of resources. Our opinion is not modified with respect to this matter.

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

September 13, 2019
Glen Allen, Virginia

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Financial Position
March 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Without donor restrictions	\$ 96,672	\$ 108,560
With donor restrictions	1,734,881	2,463,113
Unconditional promises to give	403,973	410,603
Accounts and other receivables	43,717	23,989
Inventory, gift shop	298,291	303,189
Prepaid expenses	136,240	102,980
Investments:		
Without donor restrictions	6,333,064	5,867,006
With donor restrictions	15,259,298	15,378,409
Real estate with life interest	1,053,534	1,053,534
Real estate held for sale	516,000	516,000
Assets held in trust - deferred compensation plans	137,924	111,541
Assets held in trust - gift annuities	516,518	535,859
Property and equipment, net	<u>18,466,177</u>	<u>19,367,370</u>
Total assets	<u>\$ 44,996,289</u>	<u>\$ 46,242,153</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 73,994	\$ 120,301
Accrued expenses	260,524	241,627
Security deposits and deferred rent	181,287	242,094
Deferred membership revenue	382,602	382,602
Deferred travel, education, and other revenue	39,079	25,004
Real estate with life interest - deferred use revenue	190,998	190,998
Liability under deferred compensation plans	137,924	111,541
Liability under gift annuities	<u>393,369</u>	<u>403,033</u>
Total liabilities	<u>1,659,777</u>	<u>1,717,200</u>
Net assets:		
Without donor restrictions:		
Undesignated	18,619,611	19,410,460
Board designated	<u>6,333,064</u>	<u>5,867,006</u>
Total without donor restrictions	24,952,675	25,277,466
With donor restrictions	<u>18,383,837</u>	<u>19,247,487</u>
Total net assets	<u>43,336,512</u>	<u>44,524,953</u>
Total liabilities and net assets	<u>\$ 44,996,289</u>	<u>\$ 46,242,153</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2019, with Summarized Financial Information for 2018

	Without Donor Restrictions				2018 Comparative Total	
	Undesignated	Board Designated	Total Without Donor Restrictions	With Donor Restrictions		2019 Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 42,103	\$ 320,000	\$ 362,103	\$ 1,555,287	\$ 1,917,390	\$ 2,981,364
Grants	10,000	-	10,000	30,000	40,000	-
Trust income	303,687	-	303,687	-	303,687	277,017
Revenues:						
Memberships	1,166,646	-	1,166,646	-	1,166,646	1,012,831
Admissions	1,500,540	-	1,500,540	-	1,500,540	1,396,076
Educational	360,204	-	360,204	-	360,204	334,689
Sponsorships and special events	304,508	-	304,508	43,500	348,008	201,574
Gift shop and plant sales, net of discounts and costs of sales of \$643,266	568,083	-	568,083	-	568,083	533,931
Facility and rental income	573,939	-	573,939	32,752	606,691	649,625
Investment income, net of fees	146,383	86,409	232,792	203,208	436,000	283,404
Net realized and unrealized gain on investments	28,985	267,358	296,343	269,403	565,746	1,830,409
Other	68,191	-	68,191	52,848	121,039	113,890
Change in value of real estate with life interest	-	-	-	-	-	2,186
Total revenues, gains and other support	<u>5,073,269</u>	<u>673,767</u>	<u>5,747,036</u>	<u>2,186,998</u>	<u>7,934,034</u>	<u>9,616,996</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	2,009,514	-	2,009,514	(2,009,514)	-	-
Satisfaction of capital asset acquisition restrictions	496,773	-	496,773	(496,773)	-	-
Investment return designated for operations	725,855	(207,709)	518,146	(518,146)	-	-
Total net assets released from restrictions	<u>3,232,142</u>	<u>(207,709)</u>	<u>3,024,433</u>	<u>(3,024,433)</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, 2019, with Summarized Financial Information for 2018

	Without Donor Restrictions			With Donor Restrictions	2019 Total	2018
	Undesignated	Board Designated	Total Without Donor Restrictions			Comparative Total
Expenses and losses:						
Program services:						
Operations	\$ 933,968	\$ -	\$ 933,968	\$ -	\$ 933,968	\$ 931,139
Horticulture	1,856,174	-	1,856,174	-	1,856,174	1,755,730
Education	1,629,883	-	1,629,883	-	1,629,883	1,392,234
Conservatory	537,600	-	537,600	-	537,600	592,814
Volunteer programs	47,936	-	47,936	-	47,936	40,593
Visitor services	1,547,358	-	1,547,358	-	1,547,358	1,376,776
Public relations and events	645,510	-	645,510	-	645,510	603,112
Total program services	7,198,429	-	7,198,429	-	7,198,429	6,692,398
Management and general	1,611,043	-	1,611,043	-	1,611,043	1,706,516
Fundraising	286,788	-	286,788	-	286,788	231,388
Total expenses	9,096,260	-	9,096,260	-	9,096,260	8,630,302
Loss on gift annuities liability adjustment	-	-	-	26,215	26,215	26,305
Total expenses and losses	9,096,260	-	9,096,260	26,215	9,122,475	8,656,607
Change in net assets	(790,849)	466,058	(324,791)	(863,650)	(1,188,441)	960,389
Net assets at beginning of year	19,410,460	5,867,006	25,277,466	19,247,487	44,524,953	43,564,564
Net assets at end of year	\$ 18,619,611	\$ 6,333,064	\$ 24,952,675	\$ 18,383,837	\$ 43,336,512	\$ 44,524,953

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2018

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
Revenues, gains and other support:					
Public support:					
Contributions	\$ 2,379	\$ -	\$ 2,379	\$ 2,978,985	\$ 2,981,364
Trust income	277,017	-	277,017	-	277,017
Revenues:					
Memberships	1,012,831	-	1,012,831	-	1,012,831
Admissions	1,396,076	-	1,396,076	-	1,396,076
Educational	334,689	-	334,689	-	334,689
Sponsorships and special events	175,074	-	175,074	26,500	201,574
Gift shop and plant sales, net of discounts and costs of sales of \$585,484	533,931	-	533,931	-	533,931
Facility and rental income	614,771	-	614,771	34,854	649,625
Investment income, net of fees	172,033	67,900	239,933	43,471	283,404
Net realized and unrealized gain on investments	49,553	541,786	591,339	1,239,070	1,830,409
Other	60,091	-	60,091	53,799	113,890
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>5,238,131</u>	<u>4,378,865</u>	<u>9,616,996</u>
Net assets released from restrictions:					
Satisfaction of program restrictions	2,162,816	-	2,162,816	(2,162,816)	-
Satisfaction of capital asset acquisition restrictions	252,077	-	252,077	(252,077)	-
Investment return designated for operations	<u>771,841</u>	<u>(232,087)</u>	<u>539,754</u>	<u>(539,754)</u>	<u>-</u>
Total net assets released from restrictions	<u>3,186,734</u>	<u>(232,087)</u>	<u>2,954,647</u>	<u>(2,954,647)</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

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
Expenses and losses:					
Program services:					
Operations	\$ 931,139	\$ -	\$ 931,139	\$ -	\$ 931,139
Horticulture	1,755,730	-	1,755,730	-	1,755,730
Education	1,392,234	-	1,392,234	-	1,392,234
Conservatory	592,814	-	592,814	-	592,814
Volunteer programs	40,593	-	40,593	-	40,593
Visitor services	1,376,776	-	1,376,776	-	1,376,776
Public relations and events	603,112	-	603,112	-	603,112
Total program services	6,692,398	-	6,692,398	-	6,692,398
Management and general	1,706,516	-	1,706,516	-	1,706,516
Fundraising	231,388	-	231,388	-	231,388
Total expenses	8,630,302	-	8,630,302	-	8,630,302
Loss on gift annuities liability adjustment	-	-	-	26,305	26,305
Total expenses and losses	8,630,302	-	8,630,302	26,305	8,656,607
Change in net assets	(815,123)	377,599	(437,524)	1,397,913	960,389
Net assets at beginning of year	20,225,583	5,489,407	25,714,990	17,849,574	43,564,564
Net assets at end of year	\$ 19,410,460	\$ 5,867,006	\$ 25,277,466	\$ 19,247,487	\$ 44,524,953

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Functional Expenses Year Ended March 31, 2019

	Program Services							Supporting Services				Totals
	Operations	Horticulture	Education	Conservatory	Volunteer Programs	Visitor Services	Public Relations and Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, wages, and employee benefits	\$ 570,985	\$ 883,580	\$ 729,449	\$ 84,302	\$ -	\$ 632,839	\$ 280,382	\$ 3,181,537	\$ 868,843	\$ 262,250	\$ 1,131,093	\$ 4,312,630
Advertising	2,183	13	295	-	-	351	224,812	227,654	833	-	833	228,487
Computer services	6,334	9,192	24,172	4,832	6,516	22,189	7,276	80,511	44,703	-	44,703	125,214
Contracted labor	5,243	64,069	500	5,336	-	-	-	75,148	-	-	-	75,148
Equipment rent	1,584	3,360	2,736	1,788	938	3,135	938	14,479	4,308	-	4,308	18,787
Gifts in kind	-	1,216	1,530	16,124	-	-	-	18,870	-	22,824	22,824	41,694
Insurance	2,358	14,739	27,304	13,652	-	30,006	13,652	101,711	27,304	-	27,304	129,015
Licenses, permits, and fees	814	1,204	216	144	285	2,210	3,633	8,506	555	-	555	9,061
Maintenance	138,808	55,713	10,736	12,870	1,497	15,152	1,156	235,932	10,140	-	10,140	246,072
Meals and entertainment	805	799	3,028	240	1,964	1,210	356	8,402	21,698	-	21,698	30,100
Membership	-	100	607	-	100	-	2,425	3,232	10,287	-	10,287	13,519
Other	1,621	2,991	3,248	-	10,921	155	65	19,001	30,294	-	30,294	49,295
Outreach	-	-	-	-	-	-	-	-	36,111	-	36,111	36,111
Professional fees	187	187	2,361	187	187	654	10,645	14,408	162,455	-	162,455	176,863
Security	17,612	30	-	-	-	19,064	-	36,706	-	-	-	36,706
Service charges	-	-	29,109	-	537	105,867	-	135,513	136,548	-	136,548	272,061
Special events	43,234	32,847	342,757	74,040	13,885	120,538	7,977	635,278	81,446	-	81,446	716,724
Supplies	45,818	183,635	83,761	13,536	4,092	34,576	76,628	442,046	133,483	-	133,483	575,529
Taxes	151	47	115	47	47	94	47	548	7,142	-	7,142	7,690
Training	1,112	3,568	5,926	113	113	1,292	113	12,237	1,417	-	1,417	13,654
Travel	552	2,240	4,291	-	-	6,979	-	14,062	1,273	-	1,273	15,335
Utilities	46,828	31,324	64,606	48,065	3,990	155,579	11,305	361,697	26,713	-	26,713	388,410
	886,229	1,290,854	1,336,747	275,276	45,072	1,151,890	641,410	5,627,478	1,605,553	285,074	1,890,627	7,518,105
Depreciation and amortization	47,739	565,320	293,136	262,324	2,864	395,468	4,100	1,570,951	5,490	1,714	7,204	1,578,155
	<u>\$ 933,968</u>	<u>\$ 1,856,174</u>	<u>\$ 1,629,883</u>	<u>\$ 537,600</u>	<u>\$ 47,936</u>	<u>\$ 1,547,358</u>	<u>\$ 645,510</u>	<u>\$ 7,198,429</u>	<u>\$ 1,611,043</u>	<u>\$ 286,788</u>	<u>\$ 1,897,831</u>	<u>\$ 9,096,260</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (1,188,441)	\$ 960,389
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,578,155	1,583,787
Net realized and unrealized gains on investments	(565,746)	(1,830,409)
Net reinvested earnings on investments	(436,000)	(283,404)
Donated real estate	-	(516,000)
Change in fair value of real estate with life interest - deferred use revenue	-	(2,186)
(Increase) decrease in assets:		
Unconditional promises to give	6,630	(40,088)
Accounts and other receivables	(19,728)	(9,303)
Inventory, gift shop	4,898	8,240
Prepaid expenses	(33,260)	(25,764)
Increase (decrease) in liabilities:		
Accounts payable	(46,307)	107,592
Accrued expenses	18,897	14,749
Security deposits and deferred rent	(60,807)	37,687
Deferred travel, education, and other revenue	14,075	3,493
Liability under deferred compensation plans	26,383	31,512
Net cash (used in) provided by operating activities	(701,251)	40,295
Cash flows from investing activities:		
Purchase of property and equipment	(676,962)	(387,171)
Sales of investments, net	654,799	1,090,078
Net cash (used in) provided by investing activities	(22,163)	702,907

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows, Continued
Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Assets held in trust - deferred compensation plans	\$ (26,383)	\$ (31,512)
Assets held in trust - gift annuities	19,341	13,445
Liability under gift annuities	<u>(9,664)</u>	<u>(9,574)</u>
Net cash used in financing activities	<u>(16,706)</u>	<u>(27,641)</u>
Change in cash and cash equivalents	(740,120)	715,561
Cash and cash equivalents:		
Beginning of year:		
Without donor restrictions	108,560	106,373
With donor restrictions	<u>2,463,113</u>	<u>1,749,739</u>
	<u>2,571,673</u>	<u>1,856,112</u>
End of year:		
Without donor restrictions	96,672	108,560
With donor restrictions	<u>1,734,881</u>	<u>2,463,113</u>
	<u>\$ 1,831,553</u>	<u>\$ 2,571,673</u>
Supplemental disclosure of non-cash information:		
Donated real estate	<u>\$ -</u>	<u>\$ 516,000</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”).

Newly Adopted Accounting Standard: In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The significant changes related to presentation and disclosure now require the Organization to: consolidate the classes of net assets into two classes (net assets with donor restrictions and net assets without donor restrictions), show underwater endowment balances within the net assets with donor restrictions class, provide expenses by nature and function, and enhance disclosure relating to liquidity and availability of resources. The Organization adopted this ASU as of and for the year ended March 31, 2019 on a retrospective basis. As allowed by the ASU, the information presented in the combined statement of functional expenses is presented for 2019 only.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which modifies the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The major change is that a rollforward for Level 3 fair value measurements is not required for nonpublic entities, instead required disclosure is limited to transfers into and out of Level 3 of the fair value hierarchy and purchase and issues of Level 3 assets and liabilities. The Organization has adopted this ASU as of and for the year ended March 31, 2019, with the presentation shown retrospectively.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Use of 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.

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.

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 two classes of net assets – net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization. Donor-restricted contributions, sponsorships and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Board designated endowment funds as assessed by the Board of Directors are a component of net assets without donor restrictions and consists of amounts included within the endowment for use of future mission related projects. Additions to the board endowment funds occur as determined necessary by the Board of Directors and disbursements from the board endowment funds follow the endowment spending policy (see Note 11), but may depart from this policy if warranted by specific facts and circumstances at the discretion of the Board of Directors.

Net Assets With Donor Restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

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 net assets with donor restrictions unless the restrictions are met in the same reporting period in which case they are reported as net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

The Organization uses the reserve method of accounting for bad debts. No reserve was considered necessary at March 31, 2019 and 2018.

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 4 and 7). 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 2019 and 2018.

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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment, Continued:

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

Advertising Expenses: All costs related to marketing and advertising are charged to operations as incurred and amounted to \$228,487 in 2019 and \$187,263 in 2018.

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 \$41,694 in 2019 and \$6,742 in 2018 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 \$810,272 in 2019 and \$710,423 in 2018.

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, 2019 and 2018. The Organization is not currently under audit by any tax jurisdiction.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The cost of providing various program and support activities have been summarized on a functional basis in the combined statements of activities. The combined statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among various functional areas on several bases and estimates. Costs related to personnel are allocated amongst functions based upon the percent of time each employee spends performing each function. Building costs are allocated to the department occupying the space and utilities are allocated based on square footage. Certain supplies and services have been allocated based on usage. Vehicle costs and maintenance have been allocated between operations and horticulture based on usage. Most other costs are evaluated on a per invoice basis to determine what functions have been served.

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

Subsequent Events: Management has evaluated subsequent events through September 13, 2019, 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 statements of financial position as of March 31, 2019 and 2018. During May 2019, the Organization sold the real estate for \$675,000.

2. Unconditional Promises to Give:

At March 31, 2019 and 2018, unconditional promises to give were as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 267,686	\$ 226,375
Receivable in one to four years	<u>144,189</u>	<u>192,425</u>
	411,875	418,800
Less discount (3.20% in 2019 and 3.00% in 2018)	<u>7,902</u>	<u>8,197</u>
Total unconditional promises to give	<u>\$ 403,973</u>	<u>\$ 410,603</u>

Unconditional promises to give have been recognized as net assets with donor restrictions. Uncollectible promises are expected to be insignificant.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

3. Conditional Promise to Give:

The Organization received a pledge for \$7,500,000 during 2019 that is conditional in nature. The pledge provides matching donations for funds raised by the Organization that are gifted towards matching the conditional promise to give. Payments will be received annually beginning December 2019 for a maximum amount of \$1,500,000 each year through December 2023 with a total of \$7,480,000 being restricted for the conservatory expansion and \$20,000 being available for the annual fund.

4. Investments:

At March 31, 2019 and 2018, the carrying value and market value of investments were as follows:

	2019		2018	
	Cost Value	Market Value	Cost Value	Market Value
Cash and cash equivalents	\$ 526,342	\$ 526,342	\$ 857,544	\$ 857,544
Equities	4,665,670	9,453,077	4,502,018	8,743,343
Mutual funds	131,762	123,454	229,813	231,169
Fixed income	3,086,022	3,143,677	2,582,909	2,865,190
Richmond Fund	6,984,727	8,345,812	6,813,707	8,548,169
	<u>\$ 15,394,523</u>	<u>\$ 21,592,362</u>	<u>\$ 14,985,991</u>	<u>\$ 21,245,415</u>

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

4. Investments, Continued:

The Organization's investment in the Richmond Fund amounted to \$8,345,812 at March 31, 2019 and \$8,548,169 at March 31, 2018. The asset allocation of the Richmond Fund at March 31, 2019 is as follows:

<u>Assets</u>	<u>Allocation</u>
Equity	44 %
Private equity and venture capital	18
Multi-strategy	11
Credit	11
Real assets	8
Cash	4
Real estate	4
	<u>100 %</u>

5. 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 \$303,687 in 2019 and \$277,017 in 2018 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 \$5,099,792 and a market value of \$5,798,152 at March 31, 2019. At March 31, 2018, the account carried a cost value of \$5,236,816 and a market value of \$5,978,709. The assets of the Grace E. Arents Trust are not included in the accompanying combined financial statements.

6. 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, 2019 and 2018.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. 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. There were no changes in Level 3 classifications during 2019 or 2018.

The following is a description of the valuation methodologies used for assets and liabilities carried or disclosed at fair value:

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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

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, 2019 and 2018, 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.

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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

The following table summarizes investments measured at fair value based on NAV per share as of March 31, 2019:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Richmond Fund	\$8,345,812	No	Quarterly	60 calendar days advance written notice
The Commonfund	\$8,574,879	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, 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

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. 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, 2019 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Cash and cash equivalents	\$ 526,342	\$ -	\$ -	\$ 526,342
Mutual funds	123,454	-	-	123,454
Common stocks	2,991,877	-	-	2,991,877
Government and corporate bonds	-	1,029,998	-	1,029,998
Unconditional promises to give	-	-	403,973	403,973
Assets held in trusts	-	654,442	-	654,442
Total assets in the fair value hierarchy	<u>\$ 3,641,673</u>	<u>\$ 1,684,440</u>	<u>\$ 403,973</u>	5,730,086
Investments measured at NAV				<u>16,920,691</u>
Total assets at fair value				<u>\$ 22,650,777</u>
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 190,998	\$ -	\$ 190,998
Liability under deferred compensation plan	-	137,924	-	137,924
Liability under gift annuities	-	393,369	-	393,369
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 722,291</u>	<u>\$ -</u>	<u>\$ 722,291</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

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	<u>\$ 3,716,385</u>	<u>\$ 1,616,755</u>	<u>\$ 410,603</u>	5,743,743
Investments measured at NAV				<u>16,559,675</u>
Total assets at fair value				<u>\$ 22,303,418</u>
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 190,998	\$ -	\$ 190,998
Liability under deferred compensation plans	-	111,541	-	111,541
Liability under gift annuities	-	403,033	-	403,033
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 705,572</u>	<u>\$ -</u>	<u>\$ 705,572</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

8. Property and Equipment:

At March 31, 2019 and 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Antiques	\$ 517,747	\$ 517,747
Building and ground improvements	46,198,092	46,086,988
Furniture and fixtures	2,099,138	2,027,455
Equipment	1,811,756	1,752,085
Library books	57,513	57,513
Master plan	1,129,628	1,129,628
Vehicles	149,084	133,694
Construction in process	<u>561,492</u>	<u>142,380</u>
	52,524,450	51,847,490
Less accumulated depreciation	<u>(34,058,273)</u>	<u>(32,480,120)</u>
Net property and equipment	<u>\$ 18,466,177</u>	<u>\$ 19,367,370</u>

Depreciation and amortization expense amounted to \$1,578,155 in 2019 and \$1,583,787 in 2018.

9. Line of Credit:

The Organization has a \$500,000 revolving line of credit (the "Line") with a commercial bank which expires on December 5, 2020. 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% (4.31% at March 31, 2019 and 3.69% at March 31, 2018). There was no balance outstanding at March 31, 2019 and 2018.

10. Restrictions on Assets:

At March 31, 2019 and 2018, net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Annual fund gifts	\$ 470,571	\$ 532,048
Real estate with life interest, net	862,536	862,536
Employee benefits	121,644	133,740
Gift annuities	123,149	132,826
Capital improvements	2,099,857	2,123,713
Ethel C. Kelly Bequest	<u>37,023</u>	<u>748,032</u>
	<u>\$ 3,714,780</u>	<u>\$ 4,532,895</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

10. Restrictions on Assets, Continued:

Net assets with donor restrictions to be held in perpetuity consist of endowment fund investments to be held indefinitely, the income from which is expended to support the activities of the Organization (see Note 11).

11. 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.

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 net assets with donor restrictions (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 restricted in perpetuity are only reclassified as net assets without donor restrictions when those amounts appropriate 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 five to seven-year time period.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

11. 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 4.25% 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 net assets with donor restrictions. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. There were no such deficiencies at March 31, 2019 and 2018.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

11. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of March 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 14,669,057	\$ 14,669,057
Board-designated endowment funds	<u>6,333,064</u>	<u>-</u>	<u>6,333,064</u>
	<u>\$ 6,333,064</u>	<u>\$ 14,669,057</u>	<u>\$ 21,002,121</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 14,714,592	\$ 14,714,592
Board-designated endowment funds	<u>5,867,006</u>	<u>-</u>	<u>5,867,006</u>
	<u>\$ 5,867,006</u>	<u>\$ 14,714,592</u>	<u>\$ 20,581,598</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

11. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the years ended March 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Net assets, April 1, 2017	<u>\$ 5,489,407</u>	<u>\$ 13,967,897</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>484,542</u>	<u>484,542</u>
Total investment income	<u>609,686</u>	<u>1,286,449</u>	<u>1,896,135</u>
Appropriations for expenditure	<u>(232,087)</u>	<u>(539,754)</u>	<u>(771,841)</u>
Net assets, March 31, 2018	<u>5,867,006</u>	<u>14,714,592</u>	<u>20,581,598</u>
Investment income:			
Investment income, net	86,409	203,208	289,617
Unrealized gain (loss) on investments, net	267,358	(299,791)	(32,433)
Realized gain on investments, net	-	<u>569,194</u>	<u>569,194</u>
Total investment income	<u>353,767</u>	<u>472,611</u>	<u>826,378</u>
New gifts	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Appropriations for expenditure	<u>(207,709)</u>	<u>(518,146)</u>	<u>(725,855)</u>
Net assets, March 31, 2019	<u>\$ 6,333,064</u>	<u>\$ 14,669,057</u>	<u>\$ 21,002,121</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

12. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position date, comprise the following:

Financial assets available within one year:	
Cash and cash equivalents	\$ 1,831,553
Unconditional promises to give, collectable in one year	267,686
Accounts and other receivables	43,717
Inventory, gift shop	298,291
Investments, short-term and liquid	21,592,362
Real estate held for sale	675,000
Fiscal year 2020 budgeted endowment appropriation and Grace E. Arents Trust bequests	<u>1,011,828</u>
 Total financial assets available within one year	 <u>25,720,437</u>
Less those unavailable for general expenditure within one year:	
Net assets with donor restrictions	18,383,837
Net assets with board designations	<u>6,333,064</u>
 Total amounts unavailable for general expenditures within one year	 <u>24,716,901</u>
 Financial assets available within one year for general expenditure	 <u>\$ 1,003,536</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$500,000 which it could draw upon. Net assets with donor restrictions includes \$470,571 of funds that are restricted to purposes that support various annual operating initiatives of the Organization (see Note 10). Further, the Organization generates undesignated revenue to be used for general expenditure through membership and admissions which amounted to \$2,667,186 for 2019. Educational programs, gift shop sales, and facility rentals also support ongoing operations on an annual basis.

Although there is no intention to spend from the board designated endowment fund (other than amounts appropriated from general expenditure as part of the spending policy), these amounts could be made available if necessary and totaled \$6,333,064 as of March 31, 2019.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

13. 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 \$233 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>
2020	\$ 4,965
2021	4,499
2022	<u>1,991</u>
	<u>\$ 11,455</u>

Rental expense on operating leases amounted to \$4,965 in 2019 and \$8,758 in 2018.

14. 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 \$87,734 in 2019 and \$85,516 in 2018.

15. 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.

Under the 457(b) plans, the Organization will contribute annually the maximum permitted by IRS regulations until the key employees' retirement. The Organization contributed \$18,500 to these plans in 2019 and \$18,000 in 2018. The balance in the remaining deferred compensation plan's assets amounted to \$137,924 at March 31, 2019 and \$111,541 at March 31, 2018. The deferred compensation plan's liabilities amounted to \$137,924 at March 31, 2019 and \$111,541 at March 31, 2018.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

16. 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.

17. New Accounting Guidance:

Accounting Standard Update: 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.

In June 2018, the FASB issued ASU No. 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made", which presents a new methodology for determining whether a grant contribution or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This new standard is effective for fiscal years beginning after December 31, 2018, for entities receiving contributions and fiscal years beginning after December 31, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.