

Lewis Ginter Botanical Garden, Inc.

Combined Financial Statements

March 31, 2021 and 2020



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LEWIS GINTER BOTANICAL GARDEN, INC.

Table of Contents

	<u>Page</u>
Report of Independent Accountants	1
Combined Financial Statements:	
Combined Statements of Financial Position	3
Combined Statements of Activities	4
Combined Statements of Functional Expenses	8
Combined Statements of Cash Flows	10
Notes to Combined Financial Statements	12

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, 2021 and 2020, and the related combined statements of activities, functional expenses, 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, 2021 and 2020, 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, flowing script.

January 27, 2022
Glen Allen, Virginia

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Financial Position
March 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents:		
Without donor restrictions	\$ 1,069,244	\$ 139,580
With donor restrictions	9,382,137	4,658,669
Unconditional promises to give	994,290	1,061,625
Accounts and other receivables	3,880	18,746
Inventory, gift shop	258,260	344,514
Prepaid expenses	14,292	76,217
Investments:		
Without donor restrictions	7,498,324	5,611,016
With donor restrictions	18,969,255	13,779,335
Real estate with life interest	1,053,534	1,053,534
Assets held in trust - deferred compensation plans	-	151,017
Assets held in trust - gift annuities	538,470	471,093
Property and equipment, net	<u>16,273,653</u>	<u>17,250,789</u>
Total assets	<u>\$ 56,055,339</u>	<u>\$ 44,616,135</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 51,318	\$ 9,149
Accrued expenses	251,499	288,803
Security deposits and deferred rent	135,617	121,439
Deferred membership revenue	415,542	415,442
Deferred education and other revenue	77,688	93,299
Real estate with life interest - deferred use revenue	160,045	190,998
Liability under deferred compensation plans	204,351	151,017
Liability under gift annuities	358,318	358,498
PPP loans payable (see Note 10)	<u>1,418,607</u>	<u>-</u>
Total liabilities	<u>3,072,985</u>	<u>1,628,645</u>
Net assets:		
Without donor restrictions:		
Undesignated	15,269,058	16,901,714
Board designated	<u>7,498,324</u>	<u>5,611,016</u>
Total without donor restrictions	22,767,382	22,512,730
With donor restrictions	<u>30,214,972</u>	<u>20,474,760</u>
Total net assets	<u>52,982,354</u>	<u>42,987,490</u>
Total liabilities and net assets	<u>\$ 56,055,339</u>	<u>\$ 44,616,135</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2021, with Summarized Financial Information for 2020

	Without Donor Restrictions			With Donor Restrictions	2021 Total	2020
	Undesignated	Board Designated	Total Without Donor Restrictions			Comparative
						Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 80	\$ -	\$ 80	\$ 5,737,751	\$ 5,737,831	\$ 4,279,539
Grants	-	-	-	-	-	105,000
Trust income	293,567	-	293,567	-	293,567	279,876
Revenues:						
Memberships	869,189	-	869,189	-	869,189	1,172,651
Admissions	1,081,685	-	1,081,685	-	1,081,685	1,822,300
Educational	45,543	-	45,543	-	45,543	344,063
Sponsorships and special events	116,000	-	116,000	69,500	185,500	373,079
Gift shop and plant sales, net of discounts and costs of sales of \$306,851	289,678	-	289,678	-	289,678	568,789
Facility and rental income	89,468	-	89,468	6,829	96,297	630,177
Investment income (loss), net of fees	5,514	(24,393)	(18,879)	82,813	63,934	202,424
Net realized and unrealized gain on investments	186,544	2,171,534	2,358,078	5,101,391	7,459,469	-
Gain on sale of real estate held for sale	-	-	-	-	-	129,485
Change in value of real estate with life interest	-	-	-	30,953	30,953	-
Other	27,700	-	27,700	50,001	77,701	131,132
	<u>3,004,968</u>	<u>2,147,141</u>	<u>5,152,109</u>	<u>11,079,238</u>	<u>16,231,347</u>	<u>10,038,515</u>
Total revenues, gains and other support						
Net assets released from restrictions:						
Satisfaction of program restrictions	397,515	-	397,515	(397,515)	-	-
Satisfaction of capital asset acquisition restrictions	319,898	-	319,898	(319,898)	-	-
Investment return designated for operations	849,777	(259,833)	589,944	(589,944)	-	-
	<u>1,567,190</u>	<u>(259,833)</u>	<u>1,307,357</u>	<u>(1,307,357)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions						

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities, Continued
Year Ended March 31, 2021, with Summarized Financial Information for 2020

	Without Donor Restrictions			With Donor Restrictions	2021 Total	2020
	Undesignated	Board Designated	Total Without Donor Restrictions			Comparative Total
Expenses and losses:						
Program services:						
Operations	\$ 650,334	\$ -	\$ 650,334	\$ -	\$ 650,334	\$ 1,008,524
Horticulture	1,362,294	-	1,362,294	-	1,362,294	1,816,780
Education	1,100,977	-	1,100,977	-	1,100,977	1,814,032
Conservatory	347,894	-	347,894	-	347,894	503,374
Volunteer programs	23,281	-	23,281	-	23,281	44,478
Visitor services	1,146,438	-	1,146,438	-	1,146,438	1,562,189
Public relations and events	<u>392,925</u>	<u>-</u>	<u>392,925</u>	<u>-</u>	<u>392,925</u>	<u>671,642</u>
Total program services	5,024,143	-	5,024,143	-	5,024,143	7,421,019
Management and general	1,030,027	-	1,030,027	-	1,030,027	1,306,683
Fundraising	<u>150,644</u>	<u>-</u>	<u>150,644</u>	<u>-</u>	<u>150,644</u>	<u>280,728</u>
Total expenses	6,204,814	-	6,204,814	-	6,204,814	9,008,430
Net realized and unrealized loss on investments	-	-	-	-	-	1,379,107
Loss on gift annuities liability adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,669</u>	<u>31,669</u>	<u>-</u>
Total expenses and losses	<u>6,204,814</u>	<u>-</u>	<u>6,204,814</u>	<u>31,669</u>	<u>6,236,483</u>	<u>10,387,537</u>
Change in net assets	(1,632,656)	1,887,308	254,652	9,740,212	9,994,864	(349,022)
Net assets at beginning of year	<u>16,901,714</u>	<u>5,611,016</u>	<u>22,512,730</u>	<u>20,474,760</u>	<u>42,987,490</u>	<u>43,336,512</u>
Net assets at end of year	<u>\$ 15,269,058</u>	<u>\$ 7,498,324</u>	<u>\$ 22,767,382</u>	<u>\$ 30,214,972</u>	<u>\$ 52,982,354</u>	<u>\$ 42,987,490</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
Revenues, gains and other support:					
Public support:					
Contributions	\$ 160	\$ -	\$ 160	\$ 4,279,379	\$ 4,279,539
Grants	-	-	-	105,000	105,000
Trust income	279,876	-	279,876	-	279,876
Revenues:					
Memberships	1,172,651	-	1,172,651	-	1,172,651
Admissions	1,822,300	-	1,822,300	-	1,822,300
Educational	344,063	-	344,063	-	344,063
Sponsorships and special events	209,129	-	209,129	163,950	373,079
Gift shop and plant sales, net of discounts and costs of sales of \$620,264	568,789	-	568,789	-	568,789
Facility and rental income	597,015	-	597,015	33,162	630,177
Investment income, net of fees	13,680	37,774	51,454	150,970	202,424
Gain on sale of real estate held for sale	129,485	-	129,485	-	129,485
Other	77,252	-	77,252	53,880	131,132
Total revenues, gains and other support	5,214,400	37,774	5,252,174	4,786,341	10,038,515
Net assets released from restrictions:					
Satisfaction of program restrictions	1,079,830	-	1,079,830	(1,079,830)	-
Satisfaction of capital asset acquisition restrictions	216,055	-	216,055	(216,055)	-
Investment return designated for operations	806,269	(236,288)	569,981	(569,981)	-
Total net assets released from restrictions	2,102,154	(236,288)	1,865,866	(1,865,866)	-

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities, Continued
Year Ended March 31, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
Expenses and losses:					
Program services:					
Operations	\$ 1,008,524	\$ -	\$ 1,008,524	\$ -	\$ 1,008,524
Horticulture	1,816,780	-	1,816,780	-	1,816,780
Education	1,814,032	-	1,814,032	-	1,814,032
Conservatory	503,374	-	503,374	-	503,374
Volunteer programs	44,478	-	44,478	-	44,478
Visitor services	1,562,189	-	1,562,189	-	1,562,189
Public relations and events	671,642	-	671,642	-	671,642
Total program services	7,421,019	-	7,421,019	-	7,421,019
Management and general	1,306,683	-	1,306,683	-	1,306,683
Fundraising	280,728	-	280,728	-	280,728
Total expenses	9,008,430	-	9,008,430	-	9,008,430
Net realized and unrealized loss on investments	26,021	523,534	549,555	829,552	1,379,107
Total expenses and losses	9,034,451	523,534	9,557,985	829,552	10,387,537
Change in net assets	(1,717,897)	(722,048)	(2,439,945)	2,090,923	(349,022)
Net assets at beginning of year	18,619,611	6,333,064	24,952,675	18,383,837	43,336,512
Net assets at end of year	\$ 16,901,714	\$ 5,611,016	\$ 22,512,730	\$ 20,474,760	\$ 42,987,490

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Functional Expenses Year Ended March 31, 2021

	Program Services							Supporting Services				Totals
	Operations	Horticulture	Education	Conservatory	Volunteer		Public Relations and Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	
					Programs	Visitor Services						
Salaries, wages, and employee benefits	\$ 413,350	\$ 694,009	\$ 602,091	\$ 44,026	\$ 317	\$ 512,236	\$ 324,845	\$ 2,590,874	\$ 672,685	\$ 149,219	\$ 821,904	\$ 3,412,778
Advertising	220	-	334	-	-	14	20,497	21,065	634	-	634	21,699
Computer services	5,482	5,732	19,433	4,484	5,185	25,375	14,871	80,562	41,757	-	41,757	122,319
Contracted labor	792	51,689	-	1,826	-	2,451	-	56,758	-	-	-	56,758
Equipment rent	1,040	1,040	2,125	1,040	1,040	2,080	1,040	9,405	4,896	-	4,896	14,301
Insurance	8,247	8,247	16,641	8,247	147	16,494	8,247	66,270	16,193	-	16,193	82,463
Licenses, permits, and fees	317	460	-	20	13	360	-	1,170	670	-	670	1,840
Maintenance	94,899	31,614	1,198	10,560	592	15,281	592	154,736	1,600	-	1,600	156,336
Meals and entertainment	90	101	63	-	13	676	75	1,018	3,564	-	3,564	4,582
Membership	129	150	350	-	-	950	-	1,579	3,463	-	3,463	5,042
Other	5	144	457	5	6,098	126	505	7,340	68,827	-	68,827	76,167
Outreach	-	-	-	-	-	-	-	-	1,188	-	1,188	1,188
Professional fees	-	-	-	-	-	-	-	-	89,662	-	89,662	89,662
Security	15,193	-	-	1,578	-	486	-	17,257	-	-	-	17,257
Service charges	-	-	9,989	-	392	31,125	-	41,506	20,166	-	20,166	61,672
Special events	12,524	591	135,895	10,388	400	61,419	724	221,941	11,803	-	11,803	233,744
Supplies	22,035	64,357	3,697	1,924	481	5,570	2,519	100,583	55,049	-	55,049	155,632
Taxes	204	94	267	94	94	188	94	1,035	266	-	266	1,301
Training	-	706	50	-	50	25	344	1,175	100	-	100	1,275
Utilities	36,129	33,478	64,739	45,663	6,078	142,877	15,164	344,128	32,941	-	32,941	377,069
	610,656	892,412	857,329	129,855	20,900	817,733	389,517	3,718,402	1,025,464	149,219	1,174,683	4,893,085
Depreciation and amortization	39,678	469,882	243,648	218,039	2,381	328,705	3,408	1,305,741	4,563	1,425	5,988	1,311,729
	<u>\$ 650,334</u>	<u>\$ 1,362,294</u>	<u>\$ 1,100,977</u>	<u>\$ 347,894</u>	<u>\$ 23,281</u>	<u>\$ 1,146,438</u>	<u>\$ 392,925</u>	<u>\$ 5,024,143</u>	<u>\$ 1,030,027</u>	<u>\$ 150,644</u>	<u>\$ 1,180,671</u>	<u>\$ 6,204,814</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Functional Expenses Year Ended March 31, 2020

	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	\$ 656,677	\$ 895,582	\$ 851,723	\$ 87,995	\$ -	\$ 659,799	\$ 332,806	\$ 3,484,582	\$ 858,650	\$ 279,098	\$ 1,137,748	\$ 4,622,330
Advertising	2,478	372	252	-	-	1,102	228,038	232,242	-	-	-	232,242
Computer services	6,636	4,949	22,291	4,992	6,314	28,449	12,903	86,534	44,057	-	44,057	130,591
Contracted labor	5,174	70,290	669	6,803	-	-	-	82,936	-	-	-	82,936
Equipment rent	1,338	2,998	3,746	3,228	1,085	2,205	1,085	15,685	3,454	-	3,454	19,139
Insurance	12,331	12,331	24,822	12,331	160	24,662	12,331	98,968	24,662	-	24,662	123,630
Licenses, permits, and fees	945	744	201	51	265	2,702	3,150	8,058	419	-	419	8,477
Maintenance	120,058	58,988	5,372	20,250	783	12,045	816	218,312	2,328	-	2,328	220,640
Meals and entertainment	1,559	1,259	1,309	154	2,194	1,691	442	8,608	16,947	-	16,947	25,555
Membership	-	631	1,501	-	100	-	3,567	5,799	9,319	-	9,319	15,118
Other	120	1,785	2,977	11	8,047	826	85	13,851	19,235	-	19,235	33,086
Outreach	-	-	-	-	-	-	-	-	23,910	-	23,910	23,910
Professional fees	-	-	269	-	-	-	11,876	12,145	125,374	-	125,374	137,519
Security	16,093	-	-	3,263	-	25,474	-	44,830	-	-	-	44,830
Service charges	-	-	33,516	-	894	105,042	34	139,486	27,079	-	27,079	166,565
Special events	48,510	6,224	423,145	56,518	12,900	125,564	8,468	681,329	39,943	-	39,943	721,272
Supplies	50,330	182,053	75,919	9,564	4,390	26,979	33,272	382,507	70,985	-	70,985	453,492
Taxes	149	39	199	39	39	78	39	582	185	-	185	767
Training	223	3,638	6,100	115	115	3,961	5,671	19,823	5,560	-	5,560	25,383
Travel	-	3,065	6,395	-	-	5,402	1,145	16,007	1,406	-	1,406	17,413
Utilities	40,496	34,118	74,805	48,545	4,468	160,051	12,014	374,497	27,949	-	27,949	402,446
	<u>963,117</u>	<u>1,279,066</u>	<u>1,535,211</u>	<u>253,859</u>	<u>41,754</u>	<u>1,186,032</u>	<u>667,742</u>	<u>5,926,781</u>	<u>1,301,462</u>	<u>279,098</u>	<u>1,580,560</u>	<u>7,507,341</u>
Depreciation and amortization	45,407	537,714	278,821	249,515	2,724	376,157	3,900	1,494,238	5,221	1,630	6,851	1,501,089
	<u>\$ 1,008,524</u>	<u>\$ 1,816,780</u>	<u>\$ 1,814,032</u>	<u>\$ 503,374</u>	<u>\$ 44,478</u>	<u>\$ 1,562,189</u>	<u>\$ 671,642</u>	<u>\$ 7,421,019</u>	<u>\$ 1,306,683</u>	<u>\$ 280,728</u>	<u>\$ 1,587,411</u>	<u>\$ 9,008,430</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 9,994,864	\$ (349,022)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,311,729	1,501,089
Net realized and unrealized (gains) losses on investments	(7,459,469)	1,379,107
Net reinvested earnings on investments	(63,934)	(202,424)
Gain on net present value of real estate with life interest	(30,953)	-
Gain on sale of real estate held for sale	-	(129,485)
(Increase) decrease in assets:		
Unconditional promises to give	67,335	(657,652)
Accounts and other receivables	14,866	24,971
Inventory, gift shop	86,254	(46,223)
Prepaid expenses	61,925	60,023
Increase (decrease) in liabilities:		
Accounts payable	42,169	(64,845)
Accrued expenses	(37,304)	28,279
Security deposits and deferred rent	14,178	(3,415)
Deferred membership revenue	100	32,840
Deferred travel, education, and other revenue	(15,611)	(2,213)
Liability under deferred compensation plans	53,334	13,093
Net cash provided by operating activities	4,039,483	1,584,123
Cash flows from investing activities:		
Purchase of property and equipment	(334,593)	(285,701)
Proceeds from sale of real estate held for sale	-	645,485
Sales of investments, net	446,175	1,025,328
Net cash provided by investing activities	111,582	1,385,112

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows, Continued
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities:		
Assets held in trust - deferred compensation plans	\$ 151,017	\$ (13,093)
Assets held in trust - gift annuities	(67,377)	45,425
Liability under gift annuities	(180)	(34,871)
Proceeds from PPP loans (see Note 10)	<u>1,418,607</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>1,502,067</u>	<u>(2,539)</u>
Change in cash and cash equivalents	5,653,132	2,966,696
Cash and cash equivalents:		
Beginning of year:		
Without donor restrictions	139,580	96,672
With donor restrictions	<u>4,658,669</u>	<u>1,734,881</u>
	<u>4,798,249</u>	<u>1,831,553</u>
End of year:		
Without donor restrictions	1,069,244	139,580
With donor restrictions	<u>9,382,137</u>	<u>4,658,669</u>
	<u>\$ 10,451,381</u>	<u>\$ 4,798,249</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 intercompany 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").

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.

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 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 consist 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 12), 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 combined statements 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.

Recognition of Contributions and Grants Revenue: 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, 2021 and 2020.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Recognition of Membership and Admissions Revenue: Membership revenue is recognized ratably over the term of the membership which is one year and fees are collected at the start of membership. There are no initiation fees or other upfront charges for membership. Contract liabilities relate to the remaining period of membership for each member and are shown as deferred membership revenue on the combined statements of financial position. There are no contract assets. Admission revenue is recognized upon admittance.

Recognition of Facility and Rental Income: The Organization charges non-refundable security deposits on rental of facilities and receives refundable advance payments in order to reserve facilities for the dates requested. The security deposits and advance payments are considered contract liabilities and are shown as security deposits and deferred rent on the combined statements of financial position. There are no contract assets. Revenue is recognized when the event occurs and upon completion of the rental.

Recognition of Educational Program Revenue: The Organization hosts educational classes. Educational program revenue is recognized at the time the program occurs. Contract liabilities relate to fees received in advance of the class and are shown as deferred education and other revenue on the combined statements of financial position.

Recognition of Gift Shop and Plant Sales Revenue: The Organization recognizes revenue from the gift shop at the time of the sale.

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 the lower of average cost or net realizable value.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Real Estate: Donated real estate is carried at the lower of cost or fair value. Management evaluates the real estate for impairment in accordance with GAAP. The Organization did not identify any impairments during 2021 and 2020.

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

Paycheck Protection Program Loans: The Organization's policy is to account for the Paycheck Protection Program ("PPP") loans as debt (see Note 10). The Organization will continue to record the loans as debt until the loans are partially or entirely forgiven and the Organization has been legally released. The loans are included as PPP loans payable on the accompanying combined statements of financial position.

Advertising Expenses: All costs related to marketing and advertising are charged to operations as incurred and amounted to \$21,699 in 2021 and \$232,242 in 2020.

Contributed Materials and Services: The Organization recognizes as revenue the value of contributed materials and the value of contributed services that either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed. There was no value of contributed materials or services during 2021 or 2020. 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 \$251,273 in 2021 and \$836,351 in 2020.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

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, 2021 and 2020. The Organization is not currently under audit by any tax jurisdiction.

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 statements 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.

Subsequent Events: Management has evaluated subsequent events through January 27, 2022, the date the combined financial statements were available to be issued, and has determined that other than the line of credit extension described in Note 9 and the PPP loan forgiveness described in Note 10, there are no subsequent events to be reported in the accompanying combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

2. Unconditional Promises to Give:

At March 31, 2021 and 2020, unconditional promises to give were as follows:

	2021	2020
Receivable in less than one year	\$ 563,690	\$ 686,885
Receivable in one to four years	435,624	386,900
	999,314	1,073,785
Less discount (0.74% in 2021 and 1.80% in 2020)	5,024	12,160
Total unconditional promises to give	\$ 994,290	\$ 1,061,625

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

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. The Organization has received \$2,523,657 as of March 31, 2021.

4. Investments:

At March 31, 2021 and 2020, the carrying value and market value of investments were as follows:

	2021		2020	
	Cost Value	Market Value	Cost Value	Market Value
Cash and cash equivalents	\$ 874,305	\$ 874,305	\$ 666,748	\$ 666,748
Equities	4,794,774	11,928,764	3,736,567	7,616,409
Mutual funds	-	-	116,167	111,066
Fixed income	3,042,233	3,268,334	3,180,599	3,326,584
Richmond Fund	7,483,527	10,396,176	7,216,444	7,669,544
	\$ 16,194,839	\$ 26,467,579	\$ 14,916,525	\$ 19,390,351

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

4. Investments, Continued:

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.

The Organization's investment in the Richmond Fund amounted to \$10,396,176 at March 31, 2021 and \$7,669,544 at March 31, 2020. The asset allocation of the Richmond Fund at March 31, 2021 is as follows:

<u>Assets</u>	<u>Allocation</u>
Equity	42 %
Private equity and venture capital	26
Multi-strategy	2
Credit	12
Real assets	7
Cash	7
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 \$293,567 in 2021 and \$279,876 in 2020 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 \$5,261,294 and a market value of \$6,948,211 at March 31, 2021. At March 31, 2020, the account carried a cost value of \$4,956,901 and a market value of \$5,148,392. 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

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 \$160,045 and \$190,998 as of March 31, 2021 and 2020, respectively.

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 2021 or 2020.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

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.

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, 2021 and 2020, 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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

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.

The following table summarizes investments measured at fair value based on NAV per share as of March 31, 2021:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Richmond Fund	\$10,396,176	No	Quarterly	60 calendar days advance written notice
The Commonfund	\$10,141,946	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, 2020:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Richmond Fund	\$7,669,544	No	Quarterly	60 calendar days advance written notice
The Commonfund	\$7,590,680	No	Daily	30 calendar days advance written notice

During fiscal year 2021, the Organization received \$510,500 in unconditional promises to give, and collected payments on unconditional promises to give in the amount of \$537,490. During fiscal year 2020, the Organization received \$1,196,850 in unconditional promises to give, and collected payments on unconditional promises to give in the amount of \$593,633.

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, 2021 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Cash and cash equivalents	\$ 874,305	\$ -	\$ -	\$ 874,305
Common stocks	4,110,504	-	-	4,110,504
Government and corporate bonds	-	944,648	-	944,648
Unconditional promises to give	-	-	994,290	994,290
Assets held in trusts	-	538,470	-	538,470
Total assets in the fair value hierarchy	<u>\$ 4,984,809</u>	<u>\$ 1,483,118</u>	<u>\$ 994,290</u>	7,462,217
Investments measured at NAV*				<u>20,538,122</u>
Total assets at fair value				<u>\$ 28,000,339</u>
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 160,045	\$ -	\$ 160,045
Liability under deferred compensation plan	-	204,351	-	204,351
Liability under gift annuities	-	358,318	-	358,318
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 722,714</u>	<u>\$ -</u>	<u>\$ 722,714</u>

*Certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position.

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, 2020 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Cash and cash equivalents	\$ 666,748	\$ -	\$ -	\$ 666,748
Mutual funds	111,066	-	-	111,066
Common stocks	2,216,941	-	-	2,216,941
Government and corporate bonds	-	1,135,372	-	1,135,372
Unconditional promises to give	-	-	1,061,625	1,061,625
Assets held in trusts	-	622,110	-	622,110
Total assets in the fair value hierarchy	<u>\$ 2,994,755</u>	<u>\$ 1,757,482</u>	<u>\$ 1,061,625</u>	5,813,862
Investments measured at NAV*				<u>15,260,224</u>
Total assets at fair value				<u>\$ 21,074,086</u>
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 190,998	\$ -	\$ 190,998
Liability under deferred compensation plans	-	151,017	-	151,017
Liability under gift annuities	-	358,498	-	358,498
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 700,513</u>	<u>\$ -</u>	<u>\$ 700,513</u>

*Certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the combined statements of financial position.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

8. Property and Equipment:

At March 31, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Antiques	\$ 517,747	\$ 517,747
Building and ground improvements	46,341,057	46,273,307
Furniture and fixtures	2,113,260	2,102,371
Equipment	1,919,824	1,899,703
Library books	57,513	57,513
Master plan	1,129,628	1,129,628
Vehicles	153,584	153,584
Construction in process	<u>912,135</u>	<u>676,301</u>
	53,144,748	52,810,154
Less accumulated depreciation	<u>(36,871,095)</u>	<u>(35,559,365)</u>
Net property and equipment	<u>\$ 16,273,653</u>	<u>\$ 17,250,789</u>

Depreciation and amortization expense amounted to \$1,311,729 in 2021 and \$1,501,089 in 2020.

9. Line of Credit:

At March 31, 2021, the Organization had a \$500,000 revolving line of credit (the "Line") with a commercial bank with an expiration date of December 5, 2021. 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% (1.86% at March 31, 2021 and 2.76% at March 31, 2020). There was no balance outstanding at March 31, 2021 and 2020. Subsequent to year end, the line of credit was renewed until December 5, 2023.

10. Paycheck Protection Program Loans:

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program ("PPP") was a component of the CARES Act and provided for PPP loans to provide a direct incentive for employers to keep their employees on the payroll. A PPP loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

The Organization applied for and received PPP loan proceeds in two loans in an aggregate amount of \$1,418,607. The loans accrue interest at 1.0%, but payments are not required to begin until ten months after funding of the loan. The loans are uncollateralized and fully guaranteed by the Federal government.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

10. Paycheck Protection Program Loans, Continued:

As of March 31, 2021, the Organization had used all of the proceeds from the first loan for qualifying costs and had substantially met the forgiveness requirements of the loan. The Organization applied for and received forgiveness for the first loan subsequent to year end in the full amount of \$709,300. As of March 31, 2021, the Organization had not used all of the loan proceeds from the second loan for qualifying costs but intend to over the course of 2022 and expect full forgiveness during that year. All loan proceeds have been recorded as a liability as of March 31, 2021, based on the status as of that date.

11. Restrictions on Assets:

At March 31, 2021 and 2020, net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Capital improvements	\$ 9,921,350	\$ 5,446,401
Real estate with life interest, net	893,489	862,536
Annual fund gifts	822,736	265,135
Gift annuities	180,152	112,595
Employee benefits	133,739	95,680
Education	125,089	56,900
Federal grant	43,381	72,777
Events and exhibits	30,964	97,904
Other	49,318	5,324
Ethel C. Kelly Bequest	-	39,014
	<u>\$ 12,200,218</u>	<u>\$ 7,054,266</u>

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 12).

12. 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

12. 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 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 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

12. 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, 2021 and 2020.

Endowment net asset composition by type of fund was as follows as of March 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 18,014,754	\$ 18,014,754
Board-designated endowment funds	7,498,324	-	7,498,324
	<u>\$ 7,498,324</u>	<u>\$ 18,014,754</u>	<u>\$ 25,513,078</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

12. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of March 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 13,420,494	\$ 13,420,494
Board-designated endowment funds	<u>5,611,016</u>	<u>-</u>	<u>5,611,016</u>
	<u>\$ 5,611,016</u>	<u>\$ 13,420,494</u>	<u>\$ 19,031,510</u>

Changes in endowment net assets were as follows for the years ended March 31, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, April 1, 2019	<u>\$ 6,333,064</u>	<u>\$ 14,669,057</u>	<u>\$ 21,002,121</u>
Investment income (loss):			
Investment income, net	37,774	150,970	188,744
Unrealized loss on investments, net	(523,534)	(1,386,183)	(1,909,717)
Realized gain on investments, net	<u>-</u>	<u>556,631</u>	<u>556,631</u>
Total investment loss	<u>(485,760)</u>	<u>(678,582)</u>	<u>(1,164,342)</u>
Appropriations for expenditure	<u>(236,288)</u>	<u>(569,981)</u>	<u>(806,269)</u>
Net assets, March 31, 2020	<u>5,611,016</u>	<u>13,420,494</u>	<u>19,031,510</u>
Investment income (loss):			
Investment income (loss), net	(24,393)	82,813	58,420
Unrealized gain on investments, net	2,171,534	4,471,836	6,643,370
Realized gain on investments, net	<u>-</u>	<u>629,555</u>	<u>629,555</u>
Total investment income	<u>2,147,141</u>	<u>5,184,204</u>	<u>7,331,345</u>
Appropriations for expenditure	<u>(259,833)</u>	<u>(589,944)</u>	<u>(849,777)</u>
Net assets, March 31, 2021	<u>\$ 7,498,324</u>	<u>\$ 18,014,754</u>	<u>\$ 25,513,078</u>

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

13. 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 as of March 31:

	2021	2020
Financial assets available within one year:		
Cash and cash equivalents	\$10,451,381	\$ 4,798,249
Unconditional promises to give, collectable in one year	563,690	686,885
Accounts and other receivables	3,880	18,746
Inventory, gift shop	258,260	344,514
Investments	26,467,579	19,390,351
Budgeted endowment appropriation and Grace E. Arents Trust bequests	1,105,020	1,058,814
Total financial assets available within one year	38,849,810	26,297,559
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	29,784,372	20,100,020
Net assets with board designations	7,498,324	5,611,016
Total amounts unavailable for general expenditures within one year	37,282,696	25,711,036
Financial assets available within one year for general expenditure	\$ 1,567,114	\$ 586,523

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 as of March 31, 2021 and 2020, which it could draw upon (see Note 9). Net assets with donor restrictions includes \$822,736 and \$265,135 as of March 31, 2021 and 2020, respectively, of funds that are restricted to purposes that support various annual operating initiatives of the Organization (see Note 11). Further, the Organization generates undesignated revenue to be used for general expenditure through membership and admissions which amounted to \$1,950,874 and \$2,994,951 for 2021 and 2020, respectively. Educational programs, gift shop sales, and facility rentals also support ongoing operations on an annual basis.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

13. Liquidity and Availability of Financial Assets, Continued:

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 \$7,498,324 as of March 31, 2021 and \$5,611,016 as of March 31, 2020.

14. 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 \$776 and expire at various terms through August 2024. Future minimum lease payments under the leases are as follows:

Year Ending March 31	Amount
2022	\$ 11,304
2023	9,313
2024	3,880
	<u>\$ 24,497</u>

Rental expense on operating leases amounted to \$14,277 in 2021 and \$10,397 in 2020.

15. 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 \$81,067 in 2021 and \$92,550 in 2020.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

16. 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 was to contribute annually the maximum permitted by IRS regulations until the final key employee's retirement in 2021, at which point the Organization began making scheduled payments from the plan to the retired employee. The Organization contributed \$19,000 to these plans in 2021 and \$19,000 in 2020, and the Organization distributed \$15,000 from the plan in 2021. The balance in the remaining deferred compensation plan's assets amounted to \$204,351 at March 31, 2021 and \$151,017 at March 31, 2020. During fiscal year 2021, these assets were transferred out of the trust accounting into a cash account, included as part of restricted cash in the accompanying 2021 statement of financial position. The deferred compensation plan's liabilities amounted to \$204,351 at March 31, 2021 and \$151,017 at March 31, 2020.

17. 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.

18. Uncertainties Related to COVID-19:

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. As a result of the pandemic, the Organization was required to discontinue the majority of its operations and significantly reduce staffing levels at that time. In total, the Organization applied for and received a \$1,418,607 of loans from the Paycheck Protection Program (see Note 10) and began to bring required staffing back. The Organization revised its annual budget to reflect the anticipated reduction in revenues and adjusted expenses accordingly. While the Organization has reopened, it is still operating at a reduced level of visitation and events. The full impact of the COVID-19 pandemic continues to evolve as of the date the combined financial statements were available to be issued.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

19. **New Accounting Guidance:**

In-kind Donations: In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The new standard will be effective for periods beginning after June 15, 2021 and will require entities to use a retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.