

Lewis Ginter Botanical Garden, Inc.

Combined Financial Statements

March 31, 2022 and 2021



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LEWIS GINTER BOTANICAL GARDEN, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, 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.

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., its subsidiary, and its related organization as of March 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



January 17, 2023
Glen Allen, Virginia

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Financial Position
March 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents:		
Without donor restrictions	\$ 281,698	\$ 1,069,244
With donor restrictions	12,875,181	9,382,137
Unconditional promises to give	705,479	994,290
Accounts and other receivables	-	3,880
Inventory, gift shop	355,028	258,260
Prepaid expenses	144,686	14,292
Investments:		
Without donor restrictions	7,765,704	7,498,324
With donor restrictions	20,718,017	18,969,255
Real estate with life interest	1,053,534	1,053,534
Assets held in trust - gift annuities	502,897	538,470
Property and equipment, net	<u>15,675,573</u>	<u>16,273,653</u>
Total assets	<u>\$ 60,077,797</u>	<u>\$ 56,055,339</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 180,682	\$ 51,318
Accrued expenses	194,656	251,499
Security deposits and deferred rent	183,313	135,617
Deferred membership revenue	415,670	415,542
Deferred education and other revenue	118,341	77,688
Real estate with life interest - deferred use revenue	139,607	160,045
Liability under deferred compensation plans	139,351	204,351
Liability under gift annuities	348,290	358,318
PPP loans payable (see Note 10)	<u>-</u>	<u>1,418,607</u>
Total liabilities	<u>1,719,910</u>	<u>3,072,985</u>
Net assets:		
Without donor restrictions:		
Undesignated	16,782,930	15,269,058
Board designated	<u>7,765,704</u>	<u>7,498,324</u>
Total without donor restrictions	24,548,634	22,767,382
With donor restrictions	<u>33,809,253</u>	<u>30,214,972</u>
Total net assets	<u>58,357,887</u>	<u>52,982,354</u>
Total liabilities and net assets	<u>\$ 60,077,797</u>	<u>\$ 56,055,339</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2022, with Summarized Financial Information for 2021

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021 Comparative Total
	Undesignated	Board Designated	Total Without Donor Restrictions			
Revenues, gains and other support:						
Public support:						
Contributions	\$ 49	\$ -	\$ 49	\$ 3,805,184	\$ 3,805,233	\$ 5,737,831
Grants	-	-	-	18,469	18,469	-
Trust income	295,678	-	295,678	-	295,678	293,567
Revenues:						
Memberships	1,298,112	-	1,298,112	-	1,298,112	869,189
Admissions	2,467,603	-	2,467,603	-	2,467,603	1,081,685
Educational	211,405	-	211,405	-	211,405	45,543
Sponsorships and special events	210,000	-	210,000	98,500	308,500	185,500
Gift shop and plant sales, net of discounts and costs of sales of \$727,754	699,675	-	699,675	-	699,675	289,678
Facility and rental income	376,015	-	376,015	33,704	409,719	96,297
Net realized and unrealized gain on investments	6,915	571,044	577,959	1,460,930	2,038,889	7,459,469
Change in value of real estate with life interest	-	-	-	20,438	20,438	30,953
Other	1,458,174	-	1,458,174	52,453	1,510,627	77,701
Total revenues, gains and other support	<u>7,023,626</u>	<u>571,044</u>	<u>7,594,670</u>	<u>5,489,678</u>	<u>13,084,348</u>	<u>16,167,413</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	643,446	-	643,446	(643,446)	-	-
Satisfaction of capital asset acquisition restrictions	602,174	-	602,174	(602,174)	-	-
Investment return designated for operations	<u>899,656</u>	<u>(275,528)</u>	<u>624,128</u>	<u>(624,128)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>2,145,276</u>	<u>(275,528)</u>	<u>1,869,748</u>	<u>(1,869,748)</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, 2022, with Summarized Financial Information for 2021

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021
	Undesignated	Board Designated	Total Without Donor Restrictions			Comparative Total
Expenses and losses:						
Program services:						
Operations	\$ 806,401	\$ -	\$ 806,401	\$ -	\$ 806,401	\$ 650,334
Horticulture	1,526,539	-	1,526,539	-	1,526,539	1,362,294
Education	1,271,978	-	1,271,978	-	1,271,978	1,100,977
Conservatory	358,866	-	358,866	-	358,866	347,894
Volunteer programs	35,390	-	35,390	-	35,390	23,281
Visitor services	1,576,840	-	1,576,840	-	1,576,840	1,146,438
Public relations and events	556,572	-	556,572	-	556,572	392,925
Total program services	6,132,586	-	6,132,586	-	6,132,586	5,024,143
Management and general	1,154,177	-	1,154,177	-	1,154,177	1,030,027
Fundraising	368,310	-	368,310	-	368,310	150,644
Total expenses	7,655,073	-	7,655,073	-	7,655,073	6,204,814
Investment loss (income), net of fees	(43)	28,136	28,093	3,829	31,922	(63,934)
Loss on gift annuities liability adjustment	-	-	-	21,820	21,820	31,669
Total expenses and losses	7,655,030	28,136	7,683,166	25,649	7,708,815	6,172,549
Change in net assets	1,513,872	267,380	1,781,252	3,594,281	5,375,533	9,994,864
Net assets at beginning of year	15,269,058	7,498,324	22,767,382	30,214,972	52,982,354	42,987,490
Net assets at end of year	<u>\$ 16,782,930</u>	<u>\$ 7,765,704</u>	<u>\$ 24,548,634</u>	<u>\$ 33,809,253</u>	<u>\$ 58,357,887</u>	<u>\$ 52,982,354</u>

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2021

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
Revenues, gains and other support:					
Public support:					
Contributions	\$ 80	\$ -	\$ 80	\$ 5,737,751	\$ 5,737,831
Trust income	293,567	-	293,567	-	293,567
Revenues:					
Memberships	869,189	-	869,189	-	869,189
Admissions	1,081,685	-	1,081,685	-	1,081,685
Educational	45,543	-	45,543	-	45,543
Sponsorships and special events	116,000	-	116,000	69,500	185,500
Gift shop and plant sales, net of discounts and costs of sales of \$306,851	289,678	-	289,678	-	289,678
Facility and rental income	89,468	-	89,468	6,829	96,297
Investment income, net of fees	5,514	(24,393)	(18,879)	82,813	63,934
Net realized and unrealized gain on investments	186,544	2,171,534	2,358,078	5,101,391	7,459,469
Change in value of real estate with life interest	-	-	-	30,953	30,953
Other	27,700	-	27,700	50,001	77,701
Total revenues, gains and other support	3,004,968	2,147,141	5,152,109	11,079,238	16,231,347
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)	-
Total net assets released from restrictions	1,567,190	(259,833)	1,307,357	(1,307,357)	-

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities, Continued
Year Ended March 31, 2021

	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total Without Donor Restrictions		
Expenses and losses:					
Program services:					
Operations	\$ 650,334	\$ -	\$ 650,334	\$ -	\$ 650,334
Horticulture	1,362,294	-	1,362,294	-	1,362,294
Education	1,100,977	-	1,100,977	-	1,100,977
Conservatory	347,894	-	347,894	-	347,894
Volunteer programs	23,281	-	23,281	-	23,281
Visitor services	1,146,438	-	1,146,438	-	1,146,438
Public relations and events	392,925	-	392,925	-	392,925
Total program services	5,024,143	-	5,024,143	-	5,024,143
Management and general	1,030,027	-	1,030,027	-	1,030,027
Fundraising	150,644	-	150,644	-	150,644
Total expenses	6,204,814	-	6,204,814	-	6,204,814
Loss on gift annuities liability adjustment	-	-	-	31,669	31,669
Total expenses and losses	6,204,814	-	6,204,814	31,669	6,236,483
Change in net assets	(1,632,656)	1,887,308	254,652	9,740,212	9,994,864
Net assets at beginning of year	16,901,714	5,611,016	22,512,730	20,474,760	42,987,490
Net assets at end of year	\$ 15,269,058	\$ 7,498,324	\$ 22,767,382	\$ 30,214,972	\$ 52,982,354

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Functional Expenses
Year Ended March 31, 2022

	Program Services							Supporting Services			Totals	
	Operations	Horticulture	Education	Conservatory	Volunteer	Visitor	Public	Total	Management and General	Fundraising		Total
					Programs	Services	Relations and Events	Program Services				Supporting Services
Salaries, wages, and employee benefits	\$ 465,933	\$ 810,546	\$ 642,597	\$ 47,772	\$ -	\$ 663,018	\$ 351,017	\$ 2,980,883	\$ 778,993	\$ 366,925	\$ 1,145,918	\$ 4,126,801
Advertising	8,659	5,614	792	756	-	2,771	134,610	153,202	2,112	-	2,112	155,314
Computer services	7,504	11,446	15,550	5,545	7,204	23,655	19,592	90,496	47,110	-	47,110	137,606
Contracted labor	13,714	48,580	273	3,813	-	-	-	66,380	-	-	-	66,380
Equipment rent	1,173	3,329	2,346	1,173	1,173	2,346	1,173	12,713	4,161	-	4,161	16,874
Insurance	9,844	9,844	19,688	9,844	-	19,688	9,844	78,752	19,687	-	19,687	98,439
Licenses, permits, and fees	516	1,325	126	33	106	2,310	1,635	6,051	904	-	904	6,955
Maintenance	169,216	44,663	3,173	18,062	554	2,682	554	238,904	1,251	-	1,251	240,155
Meals and entertainment	318	563	5,483	210	557	863	409	8,403	5,494	-	5,494	13,897
Membership	129	500	3,187	-	-	1,794	2,350	7,960	5,305	-	5,305	13,265
Other	120	353	1,238	-	11,757	734	68	14,270	26,029	-	26,029	40,299
Outreach	-	-	-	-	-	-	-	-	19,330	-	19,330	19,330
Professional fees	-	-	-	-	-	-	-	-	50,433	-	50,433	50,433
Security	8,331	-	-	660	25	3,984	-	13,000	-	-	-	13,000
Service charges	-	-	25,536	-	1,123	321,941	-	348,600	33,035	-	33,035	381,635
Special events	16,342	4,347	208,227	1,744	4,316	27,351	1,602	263,929	20,458	-	20,458	284,387
Supplies	30,858	91,663	27,561	5,069	985	13,017	12,961	182,114	92,823	-	92,823	274,937
Taxes	160	81	162	81	81	162	81	808	279	-	279	1,087
Training	2,651	5,166	8,273	32	2,211	8,480	3,821	30,634	12,356	-	12,356	42,990
Travel	-	-	1,334	-	-	2,507	-	3,841	3,233	-	3,233	7,074
Utilities	32,375	31,906	69,664	52,191	2,985	160,115	13,543	362,779	26,750	-	26,750	389,529
	767,843	1,069,926	1,035,210	146,985	33,077	1,257,418	553,260	4,863,719	1,149,743	366,925	1,516,668	6,380,387
Depreciation and amortization	38,558	456,613	236,768	211,881	2,313	319,422	3,312	1,268,867	4,434	1,385	5,819	1,274,686
	<u>\$ 806,401</u>	<u>\$ 1,526,539</u>	<u>\$ 1,271,978</u>	<u>\$ 358,866</u>	<u>\$ 35,390</u>	<u>\$ 1,576,840</u>	<u>\$ 556,572</u>	<u>\$ 6,132,586</u>	<u>\$ 1,154,177</u>	<u>\$ 368,310</u>	<u>\$ 1,522,487</u>	<u>\$ 7,655,073</u>

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 Programs	Visitor Services	Public Relations and Events	Total Program Services	Management and General	Fundraising		Total Supporting 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 Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 5,375,533	\$ 9,994,864
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,274,686	1,311,729
Net realized and unrealized gains on investments	(2,038,889)	(7,459,469)
Net losses (reinvested earnings) on investments	31,922	(63,934)
Gain on net present value of real estate with life interest	(20,438)	(30,953)
PPP loan forgiveness	(1,418,607)	-
(Increase) decrease in assets:		
Unconditional promises to give	288,811	67,335
Accounts and other receivables	3,880	14,866
Inventory, gift shop	(96,768)	86,254
Prepaid expenses	(130,394)	61,925
Increase (decrease) in liabilities:		
Accounts payable	129,364	42,169
Accrued expenses	(56,843)	(37,304)
Security deposits and deferred rent	47,696	14,178
Deferred membership revenue	128	100
Deferred travel, education, and other revenue	40,653	(15,611)
Liability under deferred compensation plans	(65,000)	53,334
	3,365,734	4,039,483
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(676,606)	(334,593)
Net (purchases) sales of investments	(9,175)	446,175
	(685,781)	111,582
Net cash (used in) provided by investing activities		

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows, Continued
Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Assets held in trust - deferred compensation plans	\$ -	\$ 151,017
Assets held in trust - gift annuities	35,573	(67,377)
Liability under gift annuities	(10,028)	(180)
Proceeds from PPP loans (see Note 10)	<u>-</u>	<u>1,418,607</u>
Net cash provided by financing activities	<u>25,545</u>	<u>1,502,067</u>
Change in cash and cash equivalents	2,705,498	5,653,132
Cash and cash equivalents:		
Beginning 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>
End of year:		
Without donor restrictions	281,698	1,069,244
With donor restrictions	<u>12,875,181</u>	<u>9,382,137</u>
	<u>\$ 13,156,879</u>	<u>\$ 10,451,381</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, 2022 and 2021.

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. Contract liabilities were \$415,670 as of March 31, 2022, \$415,542 as of March 31, 2021, and \$415,442 as of April 1, 2020. 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. Contract liabilities were \$183,313 as of March 31, 2022, \$135,617 as of March 31, 2021, and \$121,439 as of April 1, 2020. 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. Contract liabilities were \$118,341 as of March 31, 2022, \$77,688 as of March 31, 2021, and \$93,299 as of April 1, 2020.

Recognition of Gift Shop and Plant Sales Revenue: The Organization recognizes revenue from the gift shop and plant sales 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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Inventory: Inventory is stated at the lower of average cost or net realizable value.

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 2022 and 2021.

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 recorded the loans as debt until the loans were partially or entirely forgiven and the Organization was legally released, which occurred in 2022. The loans are included as PPP loans payable on the accompanying 2021 combined statement of financial position.

Advertising Expenses: All costs related to marketing and advertising are charged to operations as incurred and amounted to \$155,314 in 2022 and \$21,699 in 2021.

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 2022 or 2021. 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 \$629,778 in 2022 and \$251,273 in 2021.

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, 2022 and 2021. 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: In September 2022, the Organization entered into a joint agreement with the County of Henrico for the Organization to acquire an adjacent building and surrounding land. The total purchase price will be \$1,900,000, of which the Organization is responsible for \$1,150,000, and the County of Henrico will contribute \$750,000. The purchase price will be paid in \$250,000 installments over three years, with the balance of the price to be paid in July 2025 at which point ownership of the property will transfer to the Organization.

Management has evaluated subsequent events through January 17, 2023, the date the combined financial statements were available to be issued, and has determined that other than the purchase described above, 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, 2022 and 2021, unconditional promises to give were as follows:

	2022	2021
Receivable in less than one year	\$ 465,466	\$ 563,690
Receivable in one to four years	247,425	435,624
	712,891	999,314
Less discount (2.09% in 2022 and 0.74% in 2021)	7,412	5,024
 Total unconditional promises to give	 \$ 705,479	 \$ 994,290

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 \$4,494,000 as of March 31, 2022.

4. Investments:

At March 31, 2022 and 2021, the carrying value and market value of investments were as follows:

	2022		2021	
	Cost Value	Market Value	Cost Value	Market Value
Cash and cash equivalents	\$ 1,897,142	\$ 1,897,142	\$ 874,305	\$ 874,305
Equities	4,129,648	12,126,178	4,794,774	11,928,764
Mutual funds	256,617	266,662	-	-
Fixed income	3,015,850	3,078,539	3,042,233	3,268,334
Richmond Fund	8,396,831	11,115,200	7,483,527	10,396,176
	 \$ 17,696,088	 \$ 28,483,721	 \$ 16,194,839	 \$ 26,467,579

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 \$11,115,200 at March 31, 2022 and \$10,396,176 at March 31, 2021. The asset allocation of the Richmond Fund at March 31, 2022 is as follows:

<u>Assets</u>	<u>Allocation</u>
Equity	25 %
Private equity and venture capital	28
Absolute return	26
Real assets	13
Cash	<u>8</u>
	<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 \$295,678 in 2022 and \$293,567 in 2021 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 \$5,553,928 and a market value of \$6,954,694 at March 31, 2022. At March 31, 2021, the account carried a cost value of \$5,261,294 and a market value of \$6,948,211. 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 \$139,607 and \$160,045 as of March 31, 2022 and 2021, 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 2022 or 2021.

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, 2022 and 2021, 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, 2022:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
The Richmond Fund	\$11,115,200	No	Quarterly	60 calendar days advance written notice
The Commonfund	\$10,504,814	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, 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

During fiscal year 2022, the Organization received \$152,000 in unconditional promises to give, and collected payments on unconditional promises to give in the amount of \$403,919. 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.

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, 2022 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Cash and cash equivalents	\$ 1,897,142	\$ -	\$ -	\$ 1,897,142
Mutual funds	266,662	-	-	266,662
Common stocks	3,862,915	-	-	3,862,915
Government and corporate bonds	-	836,988	-	836,988
Unconditional promises to give	-	-	705,479	705,479
Assets held in trusts	-	502,897	-	502,897
Total assets in the fair value hierarchy	\$ 6,026,719	\$ 1,339,885	\$ 705,479	8,072,083
Investments measured at NAV*				21,620,014
Total assets at fair value				\$ 29,692,097
Liabilities:				
Real estate with life interest - deferred use revenue	\$ -	\$ 139,607	\$ -	\$ 139,607
Liability under deferred compensation plan	-	139,351	-	139,351
Liability under gift annuities	-	348,290	-	348,290
Total liabilities at fair value	\$ -	\$ 627,248	\$ -	\$ 627,248

*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, 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 plans	-	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

8. Property and Equipment:

At March 31, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Antiques	\$ 517,747	\$ 517,747
Building and ground improvements	46,374,723	46,341,057
Furniture and fixtures	2,113,260	2,113,260
Equipment	1,994,873	1,919,824
Library books	57,513	57,513
Master plan	1,129,628	1,129,628
Vehicles	162,134	153,584
Construction in process	<u>1,471,476</u>	<u>912,135</u>
	53,821,354	53,144,748
Less accumulated depreciation	<u>(38,145,781)</u>	<u>(36,871,095)</u>
Net property and equipment	<u>\$ 15,675,573</u>	<u>\$ 16,273,653</u>

Depreciation and amortization expense amounted to \$1,274,686 in 2022 and \$1,311,729 in 2021.

9. Line of Credit:

At March 31, 2022, the Organization had a \$500,000 revolving line of credit (the "Line") with a commercial bank with an expiration date of December 5, 2023. 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% (2.15% at March 31, 2022 and 1.86% at March 31, 2021). There was no balance outstanding at March 31, 2022 and 2021.

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. PPP loans were eligible for full or partial forgiveness if the funds were 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. During 2022, the Organization received forgiveness of both PPP loans, which is recognized as a component of other revenue in the accompanying 2022 combined statement of activities.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

11. Restrictions on Assets:

At March 31, 2022 and 2021, net assets with donor restrictions are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Capital improvements	\$ 11,620,844	\$ 9,921,350
Real estate with life interest, net	913,927	893,489
Annual fund gifts	1,728,387	822,736
Gift annuities	154,607	180,152
Employee benefits	143,876	133,739
Education	238,509	125,089
Federal grant	33,917	43,381
Events and exhibits	66,000	30,964
Other	61,459	49,318
	<u>\$ 14,961,526</u>	<u>\$ 12,200,218</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.

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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

12. Endowment Funds, Continued:

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.

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.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements, Continued

12. Endowment Funds, Continued:

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, 2022 and 2021.

Endowment net asset composition by type of fund was as follows as of March 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 18,847,727	\$ 18,847,727
Board-designated endowment funds	<u>7,765,704</u>	<u>-</u>	<u>7,765,704</u>
	<u>\$ 7,765,704</u>	<u>\$ 18,847,727</u>	<u>\$ 26,613,431</u>

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

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

Changes in endowment net assets were as follows for the years ended March 31, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, April 1, 2020	\$ 5,611,016	\$ 13,420,494	\$ 19,031,510
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	-	629,555	629,555
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>
Investment income (loss):			
Investment loss	(28,136)	(3,829)	(31,965)
Unrealized gain on investments, net	571,044	202,353	773,397
Realized gain on investments, net	-	1,258,577	1,258,577
Total investment income	<u>542,908</u>	<u>1,457,101</u>	<u>2,000,009</u>
Appropriations for expenditure	<u>(275,528)</u>	<u>(624,128)</u>	<u>(899,656)</u>
Net assets, March 31, 2022	<u>\$ 7,765,704</u>	<u>\$ 18,847,727</u>	<u>\$ 26,613,431</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:

	2022	2021
Financial assets available within one year:		
Cash and cash equivalents	\$ 13,156,879	\$ 10,451,381
Unconditional promises to give, collectable in one year	465,466	563,690
Accounts and other receivables	-	3,880
Inventory, gift shop	355,028	258,260
Investments	28,483,721	26,467,579
Budgeted endowment appropriation and Grace E. Arents Trust bequests	1,242,278	1,105,020
Total financial assets available within one year	43,703,372	38,849,810
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	33,569,240	29,784,372
Net assets with board designations	7,765,704	7,498,324
Total amounts unavailable for general expenditures within one year	41,334,944	37,282,696
Financial assets available within one year for general expenditure	\$ 2,368,428	\$ 1,567,114

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, 2022 and 2021, which it could draw upon (see Note 9). Net assets with donor restrictions includes \$1,728,387 and \$822,736 as of March 31, 2022 and 2021, 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 \$3,765,715 and \$1,950,874 for 2022 and 2021, 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 \$7,765,704 as of March 31, 2022 and \$7,498,324 as of March 31, 2021.

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 \$182 and \$776 and expire at various terms through March 2027. Future minimum lease payments under the leases are as follows:

Year Ending March 31	Amount
2023	\$ 11,503
2024	6,071
2025	2,191
2026	2,191
2027	2,008
	<u>\$ 23,964</u>

Rental expense on operating leases amounted to \$16,874 in 2022 and \$14,277 in 2021.

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 \$91,402 in 2022 and \$81,067 in 2021.

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 the plan in 2021. The Organization distributed \$65,000 from the plan in 2022 and \$15,000 in 2021. The balance in the remaining deferred compensation plan's assets amounted to \$139,351 at March 31, 2022 and \$204,351 at March 31, 2021. 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 statements of financial position. The deferred compensation plan's liabilities amounted to \$139,351 at March 31, 2022 and \$204,351 at March 31, 2021.

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. **New Accounting Guidance:**

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. This change is effective starting with years beginning after December 15, 2021. The Organization is determining the impact that this pronouncement will have on its financial statements and evaluating the reporting and economic implications.

Credit Losses: The FASB issued new guidance over credit losses, which replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The new standard will become effective for not-for-profit entities for fiscal years beginning after December 15, 2022, with early adoption permitted.