

**BROOKLYN BOTANIC GARDEN
CORPORATION**

**Financial Statements
for the Year Ended
December 31, 2019**

Independent Auditor's Report

To the Board of Trustees
Brooklyn Botanic Garden Corporation

We have audited the accompanying financial statements of Brooklyn Botanic Garden Corporation (the "Garden") which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to in the first paragraph on the previous page present fairly, in all material respects, the financial position of Brooklyn Botanic Garden Corporation as of December 31, 2019 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McIntyre & Donnelly LLP

BROOKLYN BOTANIC GARDEN CORPORATION

**Statement of Financial Position
December 31, 2019**

Assets

Cash and cash equivalents	\$ 4,493,954
Investments, at fair value	71,812,358
Accounts receivable	2,732,040
Pledges and grants receivable, net	2,800,315
Inventory	28,717
Prepaid expenses	222,493
Property and equipment, net	28,417,754
Trusts held by third parties – with donor restrictions in perpetuity	<u>3,074,364</u>
Total assets	<u>\$ 113,581,995</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 2,965,508
Contracts payable	2,293,379
Postretirement benefits	12,959,866
Bond payable	719,393
Term loan, net	3,576,575
Deferred revenue	<u>108,431</u>
Total liabilities	<u>22,623,152</u>

Net assets

Without donor restrictions	70,643,534
With donor restrictions	<u>20,315,309</u>
Total net assets	<u>90,958,843</u>
Total liabilities and net assets	<u>\$113,581,995</u>

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions						With Donor Restrictions						Total
	General	Board-Designated Endowment	Building	Operating Reserve Capital Fund and Opportunity Fund	Capital Campaign	Total Net Assets Without Donor Restrictions	General	Building	Capital Campaign	Total Net Assets with Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total Net Assets With Donor Restrictions	
Revenue and support													
Appropriations by the City of New York	\$ 4,886,172	\$ -	\$ -	\$ -	\$ -	\$ 4,886,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,886,172
Contributions	2,292,505	639,636	-	-	-	2,932,141	875,415	-	2,319,724	3,195,139	100,000	3,295,139	6,227,280
Grants	2,573,403	-	-	-	-	2,573,403	104,368	-	-	104,368	-	104,368	2,677,771
Special events, net of direct costs of \$531,643	641,198	-	-	-	-	641,198	-	-	-	-	-	-	641,198
Interest and dividends	126,228	967,409	-	-	-	1,093,637	56,922	-	15,228	72,150	-	72,150	1,165,787
Plants and gardens publications	58,750	-	-	-	-	58,750	-	-	-	-	-	-	58,750
Membership dues	1,882,393	-	-	-	-	1,882,393	-	-	-	-	-	-	1,882,393
Sale of plants and other items	207,859	-	-	-	-	207,859	-	-	-	-	-	-	207,859
Educational programs	660,022	-	-	-	-	660,022	-	-	-	-	-	-	660,022
Special fees	1,784,490	-	-	-	-	1,784,490	-	-	-	-	-	-	1,784,490
Admissions	3,547,459	-	-	-	-	3,547,459	-	-	-	-	-	-	3,547,459
Investment return allocation	3,325,576	(3,325,576)	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	1,158,592	56,922	6,309,243	-	69,420	7,594,177	(1,215,514)	(37,898)	(6,340,765)	(7,594,177)	-	(7,594,177)	-
Total revenue and support	23,144,647	(1,661,609)	6,309,243	-	69,420	27,861,701	(178,809)	(37,898)	(4,005,813)	(4,222,520)	100,000	(4,122,520)	23,739,181
Expenses													
Program services													
Horticulture	4,024,552	-	974,660	-	-	4,999,212	-	-	-	-	-	-	4,999,212
Maintenance	3,763,592	-	645,148	-	-	4,408,740	-	-	-	-	-	-	4,408,740
Education	3,954,449	-	131,200	-	-	4,085,649	-	-	-	-	-	-	4,085,649
Security	2,879,197	-	26,337	-	-	2,905,534	-	-	-	-	-	-	2,905,534
Publications	491,637	-	3,429	-	-	495,066	-	-	-	-	-	-	495,066
Program enhancement	1,635,088	-	2,189	92,575	-	1,729,852	-	-	-	-	-	-	1,729,852
Admissions	539,491	-	2,927	-	-	542,418	-	-	-	-	-	-	542,418
Membership	857,858	-	1,688	-	-	859,546	-	-	-	-	-	-	859,546
Capital campaign	-	-	-	-	32,850	32,850	-	-	-	-	-	-	32,850
Total program services	18,145,864	-	1,787,578	92,575	32,850	20,058,867	-	-	-	-	-	-	20,058,867
Supporting activities													
Administration	2,127,010	-	249,193	-	-	2,376,203	-	-	-	-	-	-	2,376,203
Fundraising – Development	1,390,786	-	-	-	-	1,390,786	-	-	-	-	-	-	1,390,786
Fundraising – Capital Campaign	-	-	-	-	36,570	36,570	-	-	-	-	-	-	36,570
Total supporting activities	3,517,796	-	249,193	-	36,570	3,803,559	-	-	-	-	-	-	3,803,559
Total expenses	21,663,660	-	2,036,771	92,575	69,420	23,862,426	-	-	-	-	-	-	23,862,426
Increase (decrease) in net assets before other additions (deductions)	1,480,987	(1,661,609)	4,272,472	(92,575)	-	3,999,275	(178,809)	(37,898)	(4,005,813)	(4,222,520)	100,000	(4,122,520)	(123,245)
Other additions (deductions)													
Post retirement benefits	(434,314)	-	-	-	-	(434,314)	-	-	-	-	-	-	(434,314)
Effect of post-retirement adjustment	(1,205,857)	-	-	-	-	(1,205,857)	-	-	-	-	-	-	(1,205,857)
Realized and unrealized gain, net	-	12,680,113	-	-	-	12,680,113	-	-	(9)	(9)	-	(9)	12,680,104
Third party trusts unrealized gain, net	-	-	-	-	-	-	-	-	-	-	475,865	475,865	475,865
Increase (decrease) in net assets	(159,184)	11,018,504	4,272,472	(92,575)	-	15,039,217	(178,809)	(37,898)	(4,005,822)	(4,222,529)	575,865	(3,646,664)	11,392,553
Net assets, beginning of year	4,905,441	42,661,322	6,777,554	1,260,000	-	55,604,317	575,303	363,813	17,603,534	18,542,650	5,419,323	23,961,973	79,566,290
Net assets, end of year	\$ 4,746,257	\$ 53,679,826	\$ 11,050,026	\$ 1,167,425	\$ -	\$ 70,643,534	\$ 396,494	\$ 325,915	\$ 13,597,712	\$ 14,320,121	\$ 5,995,188	\$ 20,315,309	\$ 90,958,843

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	Program Services									
	<u>Horticulture</u>	<u>Maintenance</u>	<u>Education</u>	<u>Security</u>	<u>Publications</u>	<u>Program Enhancement</u>	<u>Admissions</u>	<u>Membership</u>	<u>Capital Campaign</u>	<u>Total</u>
Salaries	\$ 2,337,426	\$ 1,444,322	\$ 2,246,106	\$ 1,760,033	\$ 267,240	\$ 687,034	\$ 398,382	\$ 309,901	\$ -	\$ 9,450,444
Fringe benefits	<u>1,156,422</u>	<u>913,992</u>	<u>914,805</u>	<u>770,433</u>	<u>118,743</u>	<u>278,907</u>	<u>76,059</u>	<u>111,373</u>	-	<u>4,340,734</u>
Total salaries and benefits	3,493,848	2,358,314	3,160,911	2,530,466	385,983	965,941	474,441	421,274	-	13,791,178
Supplies and materials	175,069	192,229	167,778	34,031	539	12,521	3,783	1,939	52	587,941
Equipment	72,728	38,186	63,139	45,244	713	81,526	4,648	7,320	20,912	334,416
Outside services	49,697	245,487	158,554	110,719	19,513	236,274	44,061	94,715	563	959,583
IT allocation	123,123	108,199	123,123	100,737	18,655	37,310	-	14,925	-	526,072
Printing	47	-	80,110	507	25,556	34,930	1,894	127,382	56	270,482
Repairs	8,373	113,881	7,894	1,264	-	-	2,826	-	-	134,238
Accounting and legal	10,118	-	-	-	-	-	-	-	-	10,118
Professional services	-	3,370	33,205	-	8,488	118,556	-	73,500	-	237,119
Postage	420	282	12,267	102	1,672	1,183	21	65,250	34	81,231
Telephone and utilities	16,271	648,109	12,086	8,367	1,452	3,548	-	1,133	826	691,792
Insurance	55,268	49,588	54,603	36,137	9,297	19,984	7,817	13,015	-	245,709
Travel	17,378	5,947	52,524	6,599	1,691	48,096	-	19,076	113	151,424
Promotion	1,444	-	1,812	324	18,078	163,177	-	18,329	555	203,719
Books and periodicals	768	-	26,443	-	-	4,617	-	-	-	31,828
Depreciation	974,660	645,148	131,200	26,337	3,429	2,189	2,927	1,688	-	1,787,578
Other	-	-	-	4,700	-	-	-	-	9,739	14,439
Totals	\$ 4,999,212	\$ 4,408,740	\$ 4,085,649	\$ 2,905,534	\$ 495,066	\$ 1,729,852	\$ 542,418	\$ 859,546	\$ 32,850	\$ 20,058,867

	Supporting Activities				Total Expenses
	<u>Administration</u>	<u>Development</u>	<u>Capital Campaign</u>	<u>Total</u>	
Salaries	\$ 1,272,238	\$ 804,351	\$ -	\$ 2,076,589	\$ 11,527,033
Fringe benefits	<u>620,266</u>	<u>314,850</u>	-	<u>935,116</u>	<u>5,275,850</u>
Total salaries and benefits	1,892,504	1,119,201	-	3,011,705	16,802,883
Supplies and materials	34,071	6,824	153	41,048	628,989
Equipment	62,237	-	-	62,237	396,653
Outside services	162,309	56,199	6	218,514	1,178,097
IT allocation	(567,113)	41,041	-	(526,072)	-
Printing	5,629	18,006	-	23,635	294,117
Repairs	1,011	-	-	1,011	135,249
Accounting and legal	159,960	22,344	5,000	187,304	197,422
Professional services	215,177	1,050	375	216,602	453,721
Postage	7,070	8,702	-	15,772	97,003
Telephone and utilities	9,433	3,803	-	13,236	705,028
Insurance	45,034	26,706	-	71,740	317,449
Travel	50,035	49,355	-	99,390	250,814
Promotion	25,031	735	-	25,766	229,485
Books and periodicals	1,993	-	-	1,993	33,821
Depreciation	249,193	-	-	249,193	2,036,771
Other	<u>22,629</u>	<u>36,820</u>	<u>31,036</u>	<u>90,485</u>	<u>104,924</u>
Totals	\$ 2,376,203	\$ 1,390,786	\$ 36,570	\$ 3,803,559	\$ 23,862,426

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

**Statement of Cash Flows
For the Year Ended December 31, 2019**

Cash flows from operating activities	
Increase in net assets	\$ 11,392,553
Adjustments to reconcile increase in net assets to net cash (used in) operating activities	
Depreciation	2,036,771
Amortization of deferred loan costs	9,739
Fair value of donated securities	(180,066)
Proceeds from sales of donated securities	180,066
Contributions designated and restricted for the long-term endowment	(739,636)
Realized and unrealized (gain)	(12,680,104)
Third party trusts unrealized (gain)	(475,865)
Accretion of bond payable discount	22,754
Change in assets and liabilities	
Decrease in accounts receivable	831,344
(Increase) in pledges and grants receivable, net	(2,084,991)
Decrease in inventory	12,641
Decrease in prepaid expenses	25,351
(Decrease) in accounts payable and accrued expenses	(60,226)
(Decrease) in post-retirement benefits	1,640,171
(Decrease) in deferred revenue	<u>(15,122)</u>
Net cash (used in) operating activities	<u>(84,620)</u>
Cash flows from investing activities	
Purchases of investments	(6,269,251)
Proceeds from sale of investments	8,439,768
Purchases of property and equipment	(6,796,055)
Contracts payable	<u>(33,901)</u>
Net cash (used in) investing activities	<u>(4,659,439)</u>
Cash flows from financing activities	
Repayments on term loan payable	(935,955)
Contributions designated and restricted for the long-term endowment	<u>739,636</u>
Net cash (used in) financing activities	<u>(196,319)</u>
Net (decrease) in cash and cash equivalents	(4,940,378)
Cash and cash equivalents, beginning of year	<u>9,434,332</u>
Cash and cash equivalents, end of year	<u>\$ 4,493,954</u>
Supplemental disclosure of cash flows information:	
Cash paid for interest (capitalized in 2019)	<u>\$ 177,546</u>

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements December 31, 2019

Note 1 – Nature of organization

Brooklyn Botanic Garden Corporation (the “Garden”) was originally created in 1910 through private enterprise and individual generosity on grounds belonging to New York City. The Garden was incorporated in 1977 as a separate entity apart from the Brooklyn Institute of Arts and Sciences. The Garden’s mission is:

Brooklyn Botanic Garden is an urban botanic garden that connects people to the world of plants, fostering delight and curiosity while inspiring an appreciation and sense of stewardship of the environment.

In the Garden, in its community, and well beyond, the Garden inspires people of all ages through the conservation, display, and enjoyment of plants; with educational programs that emphasize learning by doing; and with research focused on understanding and conserving regional plants and plant communities.

Note 2 – Summary of significant accounting policies

Change in year end

Effective July 1, 2018, the Garden changed its fiscal year from a year ending on June 30th to a year ending on December 31st. The Garden is primarily an outdoor venue and its operations are highly seasonal, with peak activity in the spring. This change will shift the peak season to the first half of the fiscal year, which will allow for better budget management. In connection with this year-end change, the Garden has presented single-year financial statements as of and for the year ended December 31, 2019.

Basis of presentation

The financial statements of the Garden have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The following comprise the significant accounting policies of the Garden.

Under accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Garden are classified and reported as follows:

Net assets without donor restrictions represent resources that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Garden. These include general, board-designated endowment, building, operating reserve, capital fund and opportunity fund and capital campaign net assets.

Net assets with temporary donor restrictions represent resources that are subject to donor-imposed stipulations that may or will be met either by actions of the Garden and/or the passage of time. As the restrictions are satisfied, net assets with temporary restrictions are reclassified to net assets without restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
December 31, 2019****Note 2 – Summary of significant accounting policies (continued)**Basis of presentation (continued)

Net assets with perpetual donor restrictions represent resources that are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or removed by actions of the Garden.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in banks and money market funds, with the exception of money market funds included in investments, as it is management's intent to reinvest these funds for long term investment purposes (Note 5).

Investments

The Garden's investments in equity securities with readily determinable fair values and all debt securities are reported at fair value with gains and losses (unrealized and realized) included in the accompanying statement of activities. Securities transactions are recorded on a trade-date basis.

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted market prices and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less active markets).

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2019:

- Equities and fixed income investments are valued at the closing price reported on the active market in which these securities are traded.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
December 31, 2019****Note 2 – Summary of significant accounting policies (continued)**Investment return allocation

The Board of the Garden adopted a policy whereby interest, dividends and net realized and unrealized gains and losses are all considered part of the Garden's total investment return. The Garden's long-term spending rate, designated by the Board, permits the Garden to use up to 5.5% of the rolling twelve-quarter average of the total investment portfolio's market value to support its operations annually. The Garden compares the rolling twelve-quarter average to the twenty-quarter average to ensure compliance with the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Allowance for doubtful accounts

The Garden has provided for an allowance for doubtful accounts of \$86,971 for pledges and grants receivable that may not be collectible as of December 31, 2019. Such estimate, which is equal to approximately 3% of pledges and grants receivable at December 31, 2019, is based on management's experience, the aging of the receivables, subsequent receipts and the current economic conditions.

Property and equipment

The Garden capitalizes machinery, equipment, Garden-owned buildings and leasehold improvements to City-owned buildings in excess of \$5,000. These items are depreciated or amortized on the straight-line basis over their estimated useful lives, which range from 5 to 32 years.

Land and building

During July 2009, the Garden entered into a license agreement (the "license") with the City of New York (the "City") for the exclusive use of the premises located at 1000 Washington Avenue, Brooklyn, New York. The license is for a period of twenty-five years with a one-time option to extend the license for an additional twenty-five years and requires that the Garden pay an annual license fee of \$1.

Inventory

The Garden maintains an inventory of books and other items for general sale. The inventory is valued at the lower of cost (first-in, first-out) or market value.

Collections

The Garden's collections, which consist of rare books and artwork, are not capitalized in the statement of financial position. Purchases of items are expensed in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
December 31, 2019****Note 2 – Summary of significant accounting policies (continued)**Trusts held by third parties

The Garden is the beneficiary of the revenue from certain trusts that are administered by independent third party trustees. Distributions are made to the Garden in accordance with the trust agreement for each trust. These trusts are invested in cash and cash equivalents, fixed income funds, mutual funds, convertible securities and equities. The Garden records its interest in these trusts at fair value. Interest and dividends earned on these trusts for the year ended December 31, 2019 were \$126,228 and are classified as support without donor restriction in the accompanying statement of activities. Unrealized gains (losses) on these trusts are classified as net assets with perpetual donor restrictions in the accompanying statement of activities. These trusts exist in perpetuity and they have been accounted for at fair value.

Annuities

The Garden accepts charitable gift annuities from donors, which obligate the Garden to pay beneficiaries an annuity for life.

Charitable gift annuities are irrevocable gifts without donor restrictions under which the Garden agrees in turn to pay a life annuity to the donor, or designated beneficiary. The contributed funds and related liabilities are reflected in the accompanying statement of financial position in accounts payable and accrued expenses.

Revenue recognition

The Garden reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue when the promise is received.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

Concentration of support

The Garden receives a substantial amount of its operating support from state and local governments. Any significant reduction in the level of this support could have an adverse effect on the Garden's programs.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
December 31, 2019****Note 2 – Summary of significant accounting policies (continued)**Functional allocation of expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities and are presented in the statement of functional expenses by both their natural and functional classifications. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Costs that are not directly associated with specific services or activities have been allocated based upon the head count of the respective program services or supporting activities benefitted.

Deferred loan costs

Deferred loan costs are being amortized over the life of the term loan (see note 13).

Concentrations of credit risk

The Garden's financial assets that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, investments and receivables. The Garden places its cash and cash equivalents with what it believes to be quality financial institutions and invests primarily in mutual stock and bond funds. At times, cash balances exceeded the FDIC insurance limit. The Garden has not experienced any losses in these accounts to date. Investments are exposed to various risks such as interest rate, market volatility, liquidity, and credit. Due to the level of uncertainty related to changes in the foregoing, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position as of December 31, 2019. The Garden routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. The Garden's management monitors the collectability of the pledges, grants and accounts receivable. As a consequence, concentrations of credit risk are limited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

The Garden has evaluated events and transactions for potential recognition or disclosure through April 7, 2020, which is the date the financial statements were available to be issued.

On March 13, 2020, President Trump declared a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, due to extraordinary circumstances resulting from coronavirus. The Garden has taken steps to mitigate the unprecedented operational economic impact related to the crisis including significant lost revenue as a result of closing its facilities during its peak season. The total economic impact of these circumstances is not readily determinable. The Garden has also experienced volatile market conditions relating to the investment portfolio which has resulted in an approximate 16.8% decline in the fair value of the portfolio as of March 31, 2020 as compared to the value as of December 31, 2019.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 3 – Liquidity and availability of financial assets

The following is a summary of the Garden's financial assets as of December 31, 2019 that are available for general expenditures that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date:

Cash and cash equivalents	\$ 4,493,954
Investments, at fair value	71,812,358
Accounts receivable	2,732,040
Pledges and grants receivable, net	<u>2,800,315</u>
Total financial assets	81,838,667
Less: Net assets designated by the board for endowment	(53,679,826)
Net assets designated by the board as operating reserve, capital fund and opportunity fund	(1,167,425)
Net assets with perpetual donor restrictions	(2,920,823)
Add: Investment return appropriated for 2020 operations	<u>3,535,152</u>
Total	<u>\$ 27,605,745</u>

The Garden's endowment funds consist of donor restricted endowments and a board-designated endowment. As described in note 2, the Garden's endowment has an annual spending rate of 5.5% of the rolling twelve-quarter average fair value of the investment portfolio. An appropriation of \$3,535,152 from the endowment funds will be available within the next twelve months as of December 31, 2019.

As part of the Garden's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Garden invests cash in excess of daily requirements in short-term investments. The Garden's board-designated endowment assets total \$53,679,826 and the board-designated operating reserve, capital fund and opportunity fund totaled \$1,167,425 at December 31, 2019. Although the Garden does not normally spend from its board-designated endowment or operating reserve, capital fund and opportunity fund other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board-designated funds could be made available, when deemed necessary.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 4 – Composition of net assets

Net assets without donor restrictions as of December 31, 2019 have been designated by the Board of Trustees for use as follows:

General	\$ 4,746,257
Board-designated endowment	53,679,826
Building	11,050,026
Operating reserve, capital fund and opportunity fund	<u>1,167,425</u>
Total	<u>\$ 70,643,534</u>

The Garden follows NYPMIFA provisions which apply to endowment funds existing on or established after the date it was enacted. The Garden's endowment consists of several funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and a fund designated by the Board of Trustees to function as an endowment. The Garden is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Garden classifies as net assets with perpetual donor restrictions the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions are classified as net assets without donor restrictions and net assets with temporary donor restrictions based on donor stipulations.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 4 – Composition of net assets (continued)

The following is a summary of the activity of the board-designated and net assets with temporary donor restrictions for the year ended December 31, 2019:

	Balance at December 31, <u>2018</u>	Support and Other <u> </u>	Investment Return <u> </u>	Released from Designations and Restrictions <u> </u>	Balance at December 31, <u>2019</u>
Board-designated endowment	\$ 42,661,322	\$ 639,636	\$ 13,647,522	\$ (3,268,654)	\$ 53,679,826
Operating reserve, capital fund and opportunity fund	<u>1,260,000</u>	<u>-</u>	<u>-</u>	<u>(92,575)</u>	<u>1,167,425</u>
With temporary donor restrictions					
Purpose restrictions:					
General operating support	247,783	41,701	-	(97,784)	191,700
Garden apprentice program	108,460	178,700	-	(257,533)	29,627
Brooklyn Academy of Science and the Environment	31,559	131,090	-	(147,483)	15,166
Children's education	95,977	281,425	-	(318,925)	58,477
Horticulture	-	131,029	-	(81,029)	50,000
Other programs	<u>91,524</u>	<u>215,838</u>	<u>-</u>	<u>(255,838)</u>	<u>51,524</u>
Sub-total	575,303	979,783	-	(1,158,592)	396,494
Building	363,813	-	-	(37,898)	325,915
Capital campaign	17,603,534	2,319,724	15,219	(6,340,765)	13,597,712
Endowment fund investment return	<u>-</u>	<u>-</u>	<u>56,922</u>	<u>(56,922)</u>	<u>-</u>
Total net assets with temporary donor restrictions	<u>18,542,650</u>	<u>3,299,507</u>	<u>72,141</u>	<u>(7,594,177)</u>	<u>14,320,121</u>
Total endowment and temporary donor restricted funds	<u>\$ 62,463,972</u>	<u>\$ 3,939,143</u>	<u>\$ 13,719,663</u>	<u>\$(10,955,406)</u>	<u>\$ 69,167,372</u>

Net assets with perpetual donor restrictions are restricted as follows as of December 31, 2019:

Investments in perpetuity, revenue to support general operations	\$ 2,920,824
Third party trusts	<u>3,074,364</u>
Total	<u>\$ 5,995,188</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 5 – Investments

The following is a summary of the fair values of the investments held by the Garden as of December 31, 2019:

Cash and cash equivalents	\$ 1,021,537
Mutual fund – equity	781,982
Multi-strategy equity	49,054,860
Multi-strategy bond	<u>20,953,979</u>
Total	<u>\$ 71,812,358</u>

The following table presents the Garden’s financial assets that are measured at fair value on a recurring basis at December 31, 2019:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual fund – equity	\$ 781,982	\$ 781,982	\$ -	\$ -
Multi-strategy equity fund	49,054,860	-	49,054,860	-
Multi-strategy bond fund	20,953,979	-	20,953,979	-
Trusts held by third parties	<u>3,074,365</u>	<u>3,045,264</u>	<u>-</u>	<u>29,101</u>
Sub-total	73,865,186	<u>\$ 3,827,246</u>	<u>\$70,008,839</u>	<u>\$ 29,101</u>
Cash and cash equivalents	<u>1,021,537</u>			
Total assets at fair value	<u>\$74,886,723</u>			

The following is a summary of changes in the fair value of the Garden’s Level 3 investments for the year ended December 31, 2019:

	<u>Trusts Held by Third Parties</u>
Balance, December 31, 2018	\$ 26,641
Capital contributions	8,724
Distributions	(7,597)
Net unrealized (loss)	(109)
Net realized gain	<u>1,442</u>
Balance, December 31, 2019	<u>\$ 29,101</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 6 – Property and equipment

Property and equipment consisted of the following as of December 31, 2019:

Machinery and equipment	\$ 3,808,317
Leasehold improvements	43,761,711
Improvements in progress	<u>9,982,925</u>
Total	57,552,953
Less: accumulated depreciation and amortization	<u>29,135,199</u>
Net property and equipment	<u>\$ 28,417,754</u>

During 2019, the Garden disposed of fully depreciated machinery and equipment no longer in use with an original cost basis of \$556,812.

Capital expenditures to the Garden's facilities, in the amounts of \$5,736,862 were made by the City of New York during the year ended December 31, 2019. The City of New York has spent \$58,737,177 on capital expenditures from the 2002 fiscal year through December 31, 2019. The City has entered into contracts for a capital expansion of the Garden. In accordance with a directive from the City of New York, all capital expenditures paid for by the City belong to the City of New York and are not included in these financial statements.

Note 7 – Pledges and grants receivable

Pledges and grants receivable are unconditional promises from external organizations to donate cash to the Garden. For the year ended December 31, 2019, the Garden used a discount rate of 3.0% to reduce the contributions receivable to their present value. The contributions receivable at December 31, 2019 is as follows:

Due within one year	\$ 2,754,079
Due within one to five years	<u>144,717</u>
Sub-total	2,898,796
Less: amount to reduce the pledges receivable to their present value	(11,510)
Less: allowance for doubtful accounts	<u>(86,971)</u>
Total	<u>\$ 2,800,315</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued) December 31, 2019

Note 8 – Pension and retirement plans

Multiemployer defined benefit pension plan

The Garden participates in a defined benefit pension plan, under the terms of a collective bargaining agreement which covers all eligible employees. Employees who satisfy certain age and length-of-service requirements participate in the plan. Contributions are made to the Cultural Institutions Retirement System (CIRS), an aggregation of New York City not-for-profit organizations. The risks of participating in a multiemployer plan are different from a single-employer plan in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Garden chooses to stop participating in the multiemployer plan, the Garden may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Garden's participation in the plan for the year ended December 31, 2019, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The next column lists the expiration date of the collective-bargaining agreement to which the plan is subject. The most recent Pension Protection Act zone status available in 2019 is for the plan's 2018 fiscal year-end. The zone status is based on information that the Garden received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Expiration Date of Collective Bargaining Agreement</u>	<u>Pension Protection Act Zone Status 2018</u>	<u>Contributions to the Plans 2019</u>
The Cultural Institutions Pension Plan	11-2001170 001	6/30/2020	Green	\$1,045,158

401(k) savings plan

The CIRS also has a 401(k) savings plan whereby the Garden matches an employee's contributions up to a maximum of 3% of an employee's compensation. In accordance with the Collective Bargaining Agreement, the employer match for the 401(k) savings plan has been suspended indefinitely.

The Garden's expense in connection with the aforementioned plans and certain other benefits totaled \$1,209,466 for the year ended December 31, 2019, of which \$449,156 was donated by the City and is included in the financial statements as appropriations by the City.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 8 – Pension and retirement plans (continued)

403(b) Tax-Deferred Annuity Plan

The Garden also maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code (the “Code”). Employees may elect to defer a portion of eligible compensation to the 403(b) Plan, subject to the limits established in the Code. The Garden does not make contributions to the 403(b) Plan.

Note 9 – Postretirement benefits

In addition to providing pension benefits, the Garden provides certain postretirement health and supplemental benefits for retired employees. Certain Garden employees may become eligible for those benefits if they reach retirement age while working for the Garden. The Garden funds its postretirement benefit cost on a pay-as-you-go basis.

The Garden follows the accounting standards for defined benefit pension and other postretirement plans. These standards require organizations to recognize the underfunded status of a postretirement benefit plan as a liability in its statement of financial position.

The net periodic benefit cost, which represents the estimated value of benefits earned by the plan participants, for the year ended December 31, 2019 totaled \$774,922, of which \$340,608 of benefits paid in cash has been allocated to various program and supporting services. The remaining amount of \$434,314 has been reflected as an other deduction in the statement of activities.

The benefit obligation, plan assets, contributions, payments, and funded status for the post-retirement benefit plan as of and for the year ended December 31, 2019 is summarized as follows:

Benefit obligation	\$ 12,959,866
Fair value of plan assets	<u>-</u>
Funded status	<u>\$ 12,959,866</u>
Items not yet recognized as a component of net periodic benefit cost	
Net loss	<u>\$ 1,329,503</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
December 31, 2019

Note 9 – Postretirement benefits (continued)

Accounting standards for postretirement benefits require that actuarial net losses be recognized in the financial statements over a period of time, thereby smoothing the effect of such items on the financial statements. The net loss on the previous page represents a component of the plan liability that has not yet been recognized as an expense in the Garden's financial statements. There is \$19,337 of the estimated net loss that will be amortized into net periodic benefit cost and recognized as an expense during the year ending December 31, 2020.

Employer contributions	\$ 340,608
Benefits paid	\$ 340,608

Weighted average assumption to determine benefit obligations and benefit costs for years ended December 31:

Discount rate (benefit obligation)	3.15%
Discount rate (benefit costs)	4.15%

The decrease in the discount rate from 4.15% to 3.15% increased the benefit obligation by approximately \$1,900,000.

The healthcare cost trend rate was assumed to be 3.2% for the year ended December 31, 2019. This trend rate is assumed to intentionally increase then decrease gradually to 4.8% by the year ended December 31, 2025.

The Garden calculates benefit costs for a given fiscal year based on assumptions developed at the end of the previous fiscal year. The Garden measures benefit obligations as of December 31. Expected employer contributions to the post-retirement benefit plan for the year ending December 31, 2020 are \$414,823.

The estimated future benefit payments are shown as follows:

	<u>Amount</u>
2020	\$ 414,823
2021	470,014
2022	527,426
2023	525,780
2024	541,829
2025 – 2029	2,920,621

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
December 31, 2019****Note 10 – Commitments**Catering and concession services

The Garden has an agreement with an independent contractor to provide food catering and concession services. The catering and concession operations undertaken by the independent contractor for the food and beverage sales and related expenses are reflected separately in the books and records of the independent contractor and are not reflected in the accounts and records of the Garden. The agreement, which commenced October 1, 2014 and expires October 31, 2022, provides for certain financial conditions and fees payable to the Garden, as defined in the agreement. In addition, all related taxes incurred with the catering and concession operations are paid by the independent contractor.

Grant and pledge agreements

On April 1, 2009, the Garden entered into a Grant and Pledge Agreement with the Robert W. Wilson Charitable Trust (the “Trust”). The purpose of the Grant is to support the New, Restored and Expanded Garden components of BBG’s Campaign for the Next Century (the “Campaign”). The maximum amount of the Grant was \$3,000,000. The payment of the maximum amount of the Grant was conditioned on BBG receiving at least \$7,000,000 of matching contributions from private donors and receiving at least \$10,000,000 from the City of New York for the Campaign. As of June 30, 2013, BBG had submitted the quarterly reports to the Trust and requested payments totaling \$3,000,000. In the 2014 fiscal year, the full amount of this grant had been received by the Garden. The Garden has certain reporting responsibilities to the Trust with respect to this grant agreement until such time that projects funded through the Campaign have been completed.

In July 2016, the Garden and the Trust entered into a new Grant and Pledge Agreement for a maximum amount of \$7,000,000 to support the design and construction of the reimagined Overlook. The payment of the grant is subject to the completion of the Overlook on or before a specified date, as described in the agreement. At the time of the execution of the agreement, the Garden received a \$250,000 payment. The remaining portion of the grant will be paid in quarterly installments of \$250,000. During the year ended December 31, 2019, the Garden received \$1,000,000 in connection with this grant.

Capital projects

The Garden has entered into contracts for the construction of the South Garden and Overlook projects totaling approximately \$24,000,000, including change orders, as of December 31, 2019. In connection with these contracts, the Garden has recorded contracts payable totaling \$2,293,379 for work completed through December 31, 2019.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued) December 31, 2019

Note 11 – Bond payable

In May 2014, the Garden obtained a zero coupon bond payable with a face value of \$1,141,100, issued at a discounted price of \$600,000. Accretion of the discount will be calculated at a rate of 3.24% compounded on a semi-annual basis with maturity in May 2034. The bond payable does not require any payments of interest or principal until maturity. As of December 31, 2019, the total balance of the bond payable was \$719,393, including accretion of interest totaling \$119,393.

Note 12 – Term loan

During June 2018, the Garden borrowed \$5,000,000 under a term loan. The proceeds from the loan will be used to finance expenditures related to the Overlook Project until such time as the Garden receives grant funds intended for this project. The loan requires equal monthly payments of \$92,792 consisting of principal and interest at a fixed rate of 4.25% per annum through maturity in June 2023. The Garden may make prepayments on the loan without penalty. The loan is collateralized by all business assets of the Garden and contains certain financial and borrowing covenants as outlined in the agreement.

The following is a summary of the required annual principal payments under the term loan as of December 31, 2019:

Year	Amount
2020	\$ 976,671
2021	1,020,018
2022	1,064,849
2023	549,123
Total	3,610,661
Less: deferred loan costs	(34,086)
Term loan, net	\$ 3,576,575

Note 13 – Litigation

The Garden is currently involved in legal proceedings arising in the ordinary course of business. The Garden believes it has defenses for these proceedings and is vigorously defending these actions. In the opinion of management, after consultation with outside legal counsel, the final disposition of these matters will not have a material effect on the Garden's financial statements.

Note 14 – Tax status

The Garden is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Garden has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code. Donors are eligible to receive the maximum charitable tax deduction available for public charities under the Code.