

**BROOKLYN BOTANIC GARDEN
CORPORATION**

**Financial Statements
for year ended
June 30, 2018
(with summarized comparative
information for 2017)**

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 June 30, 2018 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 June 30, 2018 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.

Report on Summarized Comparative Information

We have previously audited the Garden's 2017 financial statements, and our report dated October 6, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McElroy & Donnelly LLP

October 9, 2018

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Financial Position

Assets

	June 30	
	2018	2017
Cash and cash equivalents	\$ 12,170,748	\$ 7,597,955
Investments, at fair value	65,190,672	61,224,678
Accounts receivable	5,020,386	1,237,300
Pledges and grants receivable, net	611,108	1,892,913
Inventory	36,323	51,900
Prepaid expenses	72,141	127,080
Property and equipment, net	21,975,638	22,251,075
Trusts held by third parties – permanently restricted	2,780,071	2,631,181
Total assets	\$ 107,857,087	\$ 97,014,082

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 2,940,675	\$ 3,008,648
Contracts payable	2,500,435	337,972
Postretirement benefits	11,581,701	12,117,932
Bond payable	685,594	663,851
Term loan, net	4,951,306	-
Total liabilities	22,659,711	16,128,403

Net assets

Unrestricted		
General	5,295,065	4,423,664
Board-designated endowment	47,600,813	43,991,073
Building	5,462,315	6,364,112
Operating reserve, capital fund and opportunity fund	1,260,000	1,060,000
Total unrestricted	59,618,193	55,838,849
Temporarily restricted	19,978,288	19,594,825
Permanently restricted	5,600,895	5,452,005
Total net assets	85,197,376	80,885,679
Total liabilities and net assets	\$ 107,857,087	\$ 97,014,082

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Activities
For the Year Ended June 30, 2018
(with Summarized Comparative Information for Year Ended June 30, 2017)

	2018										2017	
	Unrestricted					Temporarily Restricted					Total	Total
	General	Board-Designated Endowment	Building	Operating Reserve Capital Fund and Opportunity Fund	Capital Campaign	Total Unrestricted	General	Building	Capital Campaign	Total Temporarily Restricted		
Revenue and support	\$ 4,352,649	\$ -	\$ -	\$ -	\$ -	\$ 4,352,649	\$ 1,883,398	\$ 206,000	\$ 1,412,599	\$ -	\$ 4,352,649	\$ 4,327,105
Appropriations by the City of New York	3,685,985	455,123	-	-	-	4,141,108	-	-	-	-	7,643,105	7,167,321
Contributions and grants	-	-	-	-	-	-	-	-	-	-	-	-
Special events, net of direct costs of \$503,294 in 2018 and \$483,091 in 2017	817,321	-	-	-	-	817,321	172,234	-	-	-	817,321	839,103
Interest and dividends	106,424	863,883	-	-	-	970,307	-	3,656	-	-	1,146,197	642,143
Plants and gardens publications	61,379	-	-	-	-	61,379	-	-	-	-	61,379	53,565
Membership dues	2,010,474	-	-	-	-	2,010,474	-	-	-	-	2,010,474	1,661,850
Sale of plants and other items	192,950	-	-	-	-	192,950	-	-	-	-	192,950	186,478
Educational programs	604,114	-	-	-	-	604,114	-	-	-	-	604,114	557,199
Special fees	1,794,100	-	-	-	-	1,794,100	-	-	-	-	1,794,100	1,611,659
Admissions	3,743,442	-	-	-	-	3,743,442	-	-	-	-	3,743,442	3,286,301
Investment return allocation	2,086,181	(2,286,181)	-	200,000	-	2,086,181	-	-	-	-	-	-
Net assets released from restrictions	1,897,839	172,234	1,116,546	107,794	107,794	3,294,413	(2,070,073)	(1,224,340)	-	(3,294,413)	-	-
Total revenue and support	21,352,858	(794,941)	1,116,546	200,000	200,000	21,982,257	(14,441)	206,000	191,915	383,474	22,365,731	20,332,724
Expenses												
Program services												
Horticulture	4,088,876	-	932,351	-	-	5,021,227	-	-	-	-	5,021,227	4,659,843
Maintenance	3,863,315	-	637,199	-	-	4,500,514	-	-	-	-	4,500,514	4,333,970
Education	3,731,891	-	130,658	-	-	3,862,549	-	-	-	-	3,862,549	3,786,679
Security	2,525,082	-	28,343	-	-	2,553,425	-	-	-	-	2,553,425	2,391,005
Digital/print	603,259	-	2,334	-	-	605,593	-	-	-	-	605,593	553,828
Program enhancement	1,520,948	-	1,095	-	-	1,522,043	-	-	-	-	1,522,043	1,547,805
Admissions	467,183	-	2,927	-	-	470,110	-	-	-	-	470,110	343,997
Membership	818,696	-	1,688	-	-	820,384	-	-	-	-	820,384	854,337
Capital campaign	-	-	-	33,098	33,098	33,098	-	-	-	-	33,098	80,829
Total program services	17,619,250	-	1,736,925	-	33,098	19,388,943	-	-	-	-	19,388,943	18,552,233
Supporting activities												
Administration	2,049,529	-	281,748	-	-	2,331,277	-	-	-	-	2,331,277	2,312,787
Fundraising - Development	1,348,909	-	-	-	-	1,348,909	-	-	-	-	1,348,909	1,158,074
Fundraising - Capital Campaign	-	-	-	74,696	74,696	74,696	-	-	-	-	74,696	341,460
Total supporting activities	3,398,438	-	281,748	-	74,696	3,754,882	-	-	-	-	3,754,882	3,812,321
Total expenses	21,017,688	-	2,018,343	-	107,794	23,143,825	-	-	-	-	23,143,825	22,364,554
Increase (decrease) in net assets before other additions (deductions) and transfer	335,170	(794,941)	(901,797)	200,000	-	(1,161,568)	(14,441)	206,000	191,915	383,474	(778,094)	(2,031,830)
Other additions (deductions) and transfer	(619,327)	-	-	-	-	(619,327)	-	-	-	-	(619,327)	(821,304)
Post retirement benefits	1,155,558	-	-	-	-	1,155,558	-	-	-	-	1,155,558	1,254,075
Effect of post-retirement adjustment	-	4,404,681	-	-	-	4,404,681	-	-	(11)	(11)	4,404,670	6,841,500
Realized and unrealized gain (loss), net	-	-	-	-	-	-	-	-	-	-	-	-
Third party trusts unrealized gain, net	-	-	-	-	-	-	-	-	-	-	148,890	171,589
Increase (decrease) in net assets	871,401	3,609,740	(901,797)	200,000	-	3,779,344	(14,441)	206,000	191,904	383,463	4,311,697	5,414,030
Net assets, beginning of year	4,423,664	43,991,073	6,364,112	1,060,000	-	55,838,849	322,321	25,313	19,247,191	19,594,825	80,885,679	75,471,649
Net assets, end of year	\$ 5,295,065	\$ 47,600,813	\$ 5,462,315	\$ 1,260,000	\$ -	\$ 59,618,193	\$ 307,880	\$ 231,313	\$ 19,439,095	\$ 19,978,288	\$ 85,197,376	\$ 80,885,679

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

**Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Summarized Information for the Year Ended June 30, 2017)**

	Program Services										Total
	Horticulture	Maintenance	Education	Security	Digital/ Print	Program Enhancement	Admissions	Membership	Capital Campaign	Total	
Salaries	\$ 2,409,996	\$ 1,577,615	\$ 2,154,347	\$ 1,531,672	\$ 350,725	\$ 698,176	\$ 326,597	\$ 292,626	\$ -	\$ 9,341,754	
Fringe benefits	1,172,319	904,417	840,113	692,671	130,675	289,088	78,880	99,519	-	4,207,682	
Total salaries and benefits	3,582,315	2,482,032	2,994,460	2,224,343	481,400	987,264	405,477	392,145	-	13,549,436	
Supplies and materials	167,733	215,125	169,566	29,056	188	25,285	4,349	3,427	-	614,729	
Equipment	57,631	17,534	41,599	4,913	1,035	78,538	2,387	5,751	8,193	217,581	
Outside services	51,045	192,930	157,129	109,809	18,864	158,301	43,742	100,009	20,604	852,433	
IT allocation	118,554	108,340	113,082	98,491	14,591	40,126	-	11,308	-	504,492	
Printing	761	-	72,922	433	31,392	17,728	3,080	106,126	17	232,459	
Repairs	16,744	193,217	6,234	5,427	-	-	915	-	-	222,537	
Accounting and legal	-	-	-	-	-	-	-	-	-	-	
Professional services	7,850	-	17,648	-	19,133	8,761	-	64,500	-	117,892	
Postage	1,648	7	12,116	102	3,011	1,738	28	75,909	358	94,917	
Telephone and utilities	17,411	600,708	12,105	9,331	1,253	4,839	-	971	1,116	647,734	
Insurance	52,238	48,686	49,575	32,071	7,258	20,190	6,942	11,551	-	228,511	
Travel	13,034	4,736	43,228	5,582	4,128	45,582	263	29,152	1,816	147,521	
Promotion	1,734	-	1,142	324	19,129	131,851	-	17,847	994	173,021	
Books and periodicals	178	-	41,085	-	1,877	745	-	-	-	43,885	
Depreciation	932,351	637,199	130,658	28,343	2,334	1,095	2,927	1,688	-	1,736,595	
Other	-	-	-	5,200	-	-	-	-	-	5,200	
Totals	\$ 5,021,227	\$ 4,500,514	\$ 3,862,549	\$ 2,553,425	\$ 605,593	\$ 1,522,043	\$ 470,110	\$ 820,384	\$ 33,098	\$ 19,388,943	
	Supporting Activities										
	Fundraising										
	Capital Campaign										
Administration	Development	Total	Total 2018 Expenses	Total 2017 Expenses							
\$ 1,291,162	\$ 828,801	\$ 2,119,963	\$11,461,717	\$ 11,198,530							
629,442	335,309	964,951	5,172,633	5,080,354							
1,920,604	1,164,310	3,084,914	16,634,350	16,278,884							
Supplies and materials	6,806	45,019	659,748	632,625							
Equipment	1,907	60,777	278,358	262,124							
Outside services	65,790	239,139	1,091,572	1,039,786							
IT allocation	39,761	(504,492)	-	-							
Printing	18,534	27,981	260,440	281,509							
Repairs	3,403	3,403	225,940	159,650							
Accounting and legal	-	175,012	175,012	135,799							
Professional services	60,756	1,271	127,628	218,913							
Postage	6,593	7,652	14,245	117,213							
Telephone and utilities	9,128	3,812	12,940	660,674							
Insurance	42,340	25,604	67,944	316,896							
Travel	53,964	42,941	99,598	238,400							
Promotion	24,434	529	24,963	213,057							
Books and periodicals	749	1,666	2,415	37,430							
Depreciation	281,748	-	281,748	1,904,315							
Other	30,296	(31,256)	(8,352)	(36,787)							
Totals	\$ 2,331,277	\$ 1,348,909	\$ 3,754,882	\$ 22,364,554							
			\$ 23,143,825	\$ 22,364,554							

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

**Statement of Functional Expenses
For Year Ended June 30, 2017**

	Program Services							Capital Campaign	Total	
	Horticulture	Maintenance	Education	Security	Digital/Print	Program Enhancement	Admissions			Membership
Salaries	\$ 2,242,981	\$ 1,583,324	\$ 2,126,541	\$ 1,434,546	\$ 338,256	\$ 700,665	\$ 243,172	\$ 304,910	\$ 8,432	\$ 8,982,827
Fringe benefits	1,076,401	913,840	821,531	676,526	125,880	322,004	51,759	98,612	2,684	4,089,237
Total salaries and benefits	3,319,382	2,497,164	2,948,072	2,111,072	464,136	1,022,669	294,931	403,522	11,116	13,072,064
Supplies and materials	188,434	197,615	155,867	20,305	791	23,265	4,362	1,816	595	593,050
Equipment	47,641	28,026	35,320	3,825	860	76,014	330	1,892	5,711	199,619
Outside services	43,969	197,023	162,283	72,539	20,704	150,282	35,920	98,838	34,559	816,117
IT allocation	114,553	104,684	112,790	98,692	13,746	35,247	-	14,451	352	494,515
Printing	190	-	74,170	527	22,885	25,994	1,195	122,718	91	247,770
Repairs	15,054	134,692	2,804	6,874	-	-	226	-	-	159,650
Accounting and legal	-	-	-	-	-	788	-	-	-	788
Professional services	-	-	19,540	-	1,775	10,325	-	76,268	550	108,458
Postage	810	26	12,853	138	2,926	2,919	15	80,445	316	100,448
Telephone and utilities	17,660	503,059	12,611	9,704	1,207	4,534	-	1,269	862	550,906
Insurance	51,758	49,969	50,357	31,593	7,523	22,212	3,652	11,715	11,353	240,132
Travel	16,112	5,513	36,987	5,964	1,005	36,700	379	25,246	29	127,935
Promotion	1,754	-	1,816	195	15,618	136,318	-	14,469	15,295	185,465
Books and periodicals	72	-	33,795	-	32	538	-	-	-	34,437
IDepreciation	842,454	616,199	127,414	26,977	620	-	2,927	1,688	-	1,618,279
Other	-	-	-	2,600	-	-	-	-	-	2,600
Totals	\$ 4,659,843	\$ 4,333,970	\$ 3,786,679	\$ 2,391,005	\$ 553,828	\$ 1,547,805	\$ 343,937	\$ 854,337	\$ 80,829	\$ 18,552,233

	Supporting Activities		Total	Total 2017 Expenses
	Administration	Development		
Salaries	\$ 1,351,717	\$ 707,702	\$ 2,215,703	\$ 11,198,530
Fringe benefits	641,546	286,763	991,117	5,080,354
Total salaries and benefits	1,993,263	994,465	3,206,820	16,278,884
Supplies and materials	29,513	5,045	39,575	632,625
Equipment	60,118	1,890	62,505	262,124
Outside services	153,768	43,675	223,669	1,039,786
IT allocation	(536,459)	31,722	(494,515)	-
Printing	13,338	19,324	33,739	281,509
Repairs	-	-	-	159,650
Accounting and legal	128,581	1,430	135,011	135,799
Professional services	25,910	750	110,455	218,913
Postage	4,937	11,602	226	117,213
Telephone and utilities	9,304	3,632	898	564,740
Insurance	45,050	22,713	9,001	316,896
Travel	46,292	44,290	19,883	238,400
Promotion	26,257	612	723	213,057
Books and periodicals	1,661	1,332	2,993	37,430
IDepreciation	286,036	-	286,036	1,904,315
Other	25,218	(24,408)	(40,197)	(36,787)
Totals	\$ 2,312,787	\$ 1,158,074	\$ 3,812,321	\$ 22,364,554

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 4,311,697	\$ 5,414,030
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	2,018,343	1,904,315
Fair value of donated securities	(189,240)	(1,134,494)
Proceeds from sales of donated securities	187,534	1,133,857
Contributions restricted for long-term endowment	-	(740)
Realized and unrealized (gain)	(4,404,670)	(6,841,500)
Third party trusts unrealized (gain)	(148,890)	(171,589)
Accretion of bond payable discount	21,743	20,997
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(3,783,086)	2,805,355
Decrease in pledges and grants receivable, net	1,281,805	1,927,463
Decrease in inventory	15,577	16,099
Decrease in prepaid expenses	54,939	34,194
Increase (decrease) in accounts payable and accrued expenses	(67,973)	482,913
(Decrease) in postretirement benefits	(536,231)	(432,771)
(Decrease) in deferred revenue and deposits	-	(464,767)
Net cash provided by (used in) operating activities	<u>(1,238,452)</u>	<u>4,693,362</u>
Cash flows from investing activities		
Purchases of investments	(9,893,680)	(29,359,166)
Proceeds from sale of investments	10,334,062	30,432,142
Purchases of property and equipment	(1,742,906)	(2,019,431)
Increase (decrease) in contracts payable	<u>2,162,463</u>	<u>(2,132,574)</u>
Net cash provided by (used in) investing activities	<u>859,939</u>	<u>(3,079,029)</u>
Cash flows from financing activities		
Proceeds from term loan	5,000,000	-
Expenditures for deferred loan costs	(48,694)	-
Contributions restricted for long-term endowment	<u>-</u>	<u>740</u>
Net cash provided by financing activities	<u>4,951,306</u>	<u>740</u>
Net increase in cash and cash equivalents	4,572,793	1,615,073
Cash and cash equivalents, beginning of year	<u>7,597,955</u>	<u>5,982,882</u>
Cash and cash equivalents, end of year	<u>\$ 12,170,748</u>	<u>\$ 7,597,955</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements June 30, 2018

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.

Starting in 2019, the Garden will shift to a calendar fiscal year ending December 31. 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. To transition into the new year, the Garden will have a partial bridge year covering a six month period from July 1, 2018 to December 31, 2018.

Note 2 – Summary of significant accounting policies

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:

Unrestricted net assets – Net assets 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.

Temporarily restricted net assets – Net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2018****Note 2 – Summary of significant accounting policies (continued)****Basis of presentation (continued)**

Permanently restricted net assets – Net assets 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 consists 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 4).

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 June 30, 2018 and June 30, 2017:

- 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)
June 30, 2018****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 \$20,179 for pledges and grants receivable that may not be collectible as of June 30, 2018. Such estimate, which is equal to approximately 3% of pledges and grants receivable at June 30, 2018, 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)
June 30, 2018****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 years ended June 30, 2018 and June 30, 2017 were \$106,424 and \$122,250, respectively, and are classified as unrestricted support in the accompanying statement of activities. Unrealized gains (losses) on these trusts are classified as permanently restricted net assets 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 unrestricted irrevocable gifts 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2018****Note 2 – Summary of significant accounting policies (continued)****Comparative financial information**

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Garden's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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 June 30, 2018. 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 October 9, 2018, which is the date the financial statements were available to be issued.

BROOKLYN BOTANIC GARDEN CORPORATION

**Notes to Financial Statements (continued)
June 30, 2018**

Note 3 – Composition of net assets

Unrestricted net assets as of June 30, 2018 and June 30, 2017 have been designated by the Board of Trustees for use as follows:

	<u>2018</u>	<u>2017</u>
General	\$ 5,295,065	\$ 4,423,664
Board-designated endowment	47,600,813	43,991,073
Building	5,462,315	6,364,112
Operating reserve, capital fund and opportunity fund	<u>1,260,000</u>	<u>1,060,000</u>
Total	<u>\$ 59,618,193</u>	<u>\$ 55,838,849</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 permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted and temporarily restricted net assets based on donor stipulations.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2018

Note 3 – Composition of net assets (continued)

The following is a summary of the activity of the board-designated and temporarily restricted net assets for the year ended June 30, 2018:

	Balance at June 30, 2017	Support and Other	Investment Return	Released from Designations and Restrictions	Balance at June 30, 2018
Board-designated endowment	\$43,991,073	\$ 455,123	\$ 5,268,564	\$(2,113,947)	\$47,600,813
Operating reserve, capital fund and opportunity fund	1,060,000	-	200,000	-	1,260,000
Temporarily restricted					
Purpose restrictions:					
General operating support	19,335	104,176	-	(17,500)	106,011
Garden apprentice program	80,716	260,900	-	(252,017)	89,599
Brooklyn Academy of Science and the Environment	-	31,750	-	(31,750)	-
Composting	-	667,866	-	(667,866)	-
Children's education	58,477	556,245	-	(606,245)	8,477
Horticulture	-	115,840	-	(115,840)	-
Other programs	163,793	146,621	-	(206,621)	103,793
Sub-total	322,321	1,883,398	-	(1,897,839)	307,880
Building	25,313	206,000	-	-	231,313
Capital campaign	19,247,191	1,412,599	3,645	(1,224,340)	19,439,095
Endowment fund investment return	-	-	172,234	(172,234)	-
Total temporarily restricted	19,594,825	3,501,997	175,879	(3,294,413)	19,978,288
Total endowment and temporarily restricted funds	\$64,645,898	\$ 3,957,120	\$ 5,644,443	\$(5,408,360)	\$68,839,101

Permanently restricted net assets are restricted as follows as of June 30, 2018 and 2017:

	2018	2017
Investments in perpetuity, revenue to support general operations	\$ 2,820,824	\$ 2,820,824
Third party trusts	2,780,071	2,631,181
Total	\$ 5,600,895	\$ 5,452,005

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2018

Note 4 – Investments

The following is a summary of the fair values of the investments held by the Garden as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,045,543	\$ 1,429,200
Exchange traded funds		
Equity	43,292	7,088
Fixed income	21,264	14,820
Mutual funds		
Equity	-	45,728
Fixed income	-	34,366
Multi-strategy equity	45,138,770	43,541,593
Multi-strategy bond	<u>18,941,803</u>	<u>16,151,883</u>
Total	<u>\$ 65,190,672</u>	<u>\$ 61,224,678</u>

The following table presents the Garden's financial assets that are measured at fair value on a recurring basis at June 30, 2018:

<u>Description</u>	<u>Fair value measurements at June 30, 2018</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds				
Equity	\$ 43,292	\$ 43,292	\$ -	\$ -
Fixed income	21,264	21,264	-	-
Multi-strategy equity fund	45,138,770	-	45,138,770	-
Multi-strategy bond fund	18,941,803	-	18,941,803	-
Trusts held by third parties	<u>2,780,071</u>	<u>2,719,553</u>	<u>-</u>	<u>60,518</u>
Sub-total	66,925,200	<u>\$ 2,784,109</u>	<u>\$64,080,573</u>	<u>\$ 60,518</u>
Cash and cash equivalents	<u>1,045,543</u>			
Total assets at fair value	<u>\$67,970,743</u>			

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2018

Note 4 – Investments (continued)

The following table presents the Garden's financial assets that are measured at fair value on a recurring basis at June 30, 2017:

<u>Description</u>	<u>Fair value measurements at June 30, 2017</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds				
Equity	\$ 7,088	\$ 7,088	\$ -	\$ -
Fixed income	14,820	14,820	-	-
Mutual funds				
Equity	45,728	45,728	-	-
Fixed income	34,366	34,366	-	-
Multi-strategy equity fund	43,541,593	-	43,541,593	-
Multi-strategy bond fund	16,151,883	-	16,151,883	-
Trusts held by third parties	<u>2,631,181</u>	<u>2,584,235</u>	<u>-</u>	<u>46,946</u>
Sub-total	62,426,659	\$ 2,686,237	\$59,693,476	\$ 46,946
Cash and cash equivalents	<u>1,429,200</u>			
Total assets at fair value	<u>\$63,855,859</u>			

The following is a summary of changes in the fair value of the Garden's Level 3 investments for the years ended June 30, 2017 and June 30, 2018:

	<u>Trusts Held by Third Parties</u>
Balance, June 30, 2016	\$ 50,030
Capital contributions	20,383
Distributions	(24,391)
Net unrealized gain	36
Net realized gain	<u>888</u>
Balance, June 30, 2017	46,946
Capital contributions	21,898
Distributions	(8,041)
Net unrealized gain	285
Net realized (loss)	<u>(570)</u>
Balance, June 30, 2018	<u>\$ 60,518</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2018

Note 5 – Property and equipment

Property and equipment consisted of the following as of June 30, 2018 and June 30, 2017:

	<u>2018</u>	<u>2017</u>
Machinery and equipment	\$ 4,140,184	\$ 3,862,329
Leasehold improvements	39,630,122	37,012,449
Improvements in progress	<u>4,825,326</u>	<u>5,977,948</u>
Total	48,595,632	46,852,726
Less: accumulated depreciation and amortization	<u>26,619,994</u>	<u>24,601,651</u>
Net property and equipment	<u>\$ 21,975,638</u>	<u>\$ 22,251,075</u>

Capital expenditures to the Garden's facilities, in the amounts of \$21,301 and \$3,333,442 were made by the City of New York during the years ended June 30, 2018 and June 30, 2017, respectively. The City of New York has spent approximately \$47,593,617 on capital expenditures from the 2002 fiscal year through the 2018 fiscal year. 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 6 – Pledges and grants receivable

Pledges and grants receivable are unconditional promises from external organizations to donate cash to the Garden. For the years ended June 30, 2018 and June 30, 2017, the Garden used a discount rate of 3.0% to reduce the contributions receivable to their present value. The contributions receivable at June 30, 2018 and June 30, 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 527,056	\$ 1,810,552
Due within one to five years	<u>112,173</u>	<u>154,000</u>
Sub-total	639,229	1,964,552
Less amount to reduce the pledges receivable to their present value	(7,942)	(12,812)
Less allowance for doubtful accounts	<u>(20,179)</u>	<u>(58,827)</u>
Total	<u>\$ 611,108</u>	<u>\$ 1,892,913</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued) June 30, 2018

Note 7 – 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 years ended June 30, 2018 and June 30, 2017, 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 2018 and 2017 is for the plan's 2017 and 2016 fiscal year-ends. 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</u>		<u>Contributions to the Plans</u>	
			<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>
The Cultural Institutions Pension Plan	11-2001170 001	9/30/2018*	Green	Green	\$1,089,395	\$1,095,481

* The Garden is currently in the process of finalizing a new collective bargaining agreement.

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.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2018

Note 7 – Pension and retirement plans (continued)

The Garden's expense in connection with the aforementioned plans and certain other benefits totaled \$1,173,972 and \$1,174,327 for the years ended June 30, 2018 and June 30, 2017, of which \$414,965 and \$418,678, respectively, was donated by the City and is included in the financial statements as appropriations by the City.

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 8 – 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 years ended June 30, 2018 and 2017 totaled \$910,817 and \$1,102,652, respectively, of which \$291,490 and \$281,348 of benefits paid in cash has been allocated to various program and supporting services. The remaining amounts of \$619,327 and \$821,304, respectively, have 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 years ended June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Benefit obligation	\$ (11,581,701)	\$ (12,117,932)
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (11,581,701)</u>	<u>\$ (12,117,932)</u>
Items not yet recognized as a component of net periodic benefit cost		
Net loss	<u>\$ 617,294</u>	<u>\$ 1,772,852</u>

BROOKLYN BOTANIC GARDEN CORPORATION

**Notes to Financial Statements (continued)
June 30, 2018**

Note 8 – 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 \$21 of the estimated net loss that will be amortized into net periodic benefit cost and recognized as an expense during the short period ending December 31, 2018.

	<u>2018</u>	<u>2017</u>
Employer contributions	\$ 291,490	\$ 281,348
Benefits paid	\$ 291,490	\$ 281,348
	<u>2018</u>	<u>2017</u>
Weighted average assumption to determine benefit obligations and benefit costs for years ended June 30:		
Discount rate (benefit obligation)	4.10%	3.75%
Discount rate (benefit costs)	3.75%	3.45%

The increase in the discount rate from 3.75% to 4.10% decreased the benefit obligation by approximately \$646,000.

The healthcare cost trend rate was assumed to be 5.6% and 7.0% for the years ended June 30, 2018 and June 30, 2017, respectively. This trend rate is assumed to decrease gradually to 5.0% by the years ended June 30, 2021/June 30, 2022.

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 June 30. Expected employer contributions to the post-retirement benefit plan for the year ending June 30, 2019 are \$407,644. For the short period ending December 31, 2018, the projected expense for the Plan is \$387,136, based on current year assumptions.

The estimated future benefit payments are shown as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 407,644
2020	465,063
2021	526,449
2022	595,961
2023	606,013
2024 – 2028	3,020,598

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2018****Note 9 – 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 will be \$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 each of the 2018 and 2017 fiscal years, 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 \$27,850,000, including change orders, as of June 30, 2018. In connection with these contracts, the Garden has recorded contracts payable totaling \$2,500,435 for work completed through June 30, 2018.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2018

Note 10 – Line of credit

The Garden has available an unsecured \$2,000,000 line of credit. Borrowings under the line bear interest at LIBOR plus 2.70%, which was 5.09% at June 30, 2018. The Garden is required to repay any outstanding balance for at least thirty consecutive days each fiscal year. The line of credit has restrictive borrowing covenants, as outlined in the agreement. At June 30, 2018, there was no outstanding balance. The line of credit matures on June 21, 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 June 30, 2018, the total balance of the bond payable was \$685,594, including accretion of interest totaling \$85,594.

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 of June 30, 2018:

Fiscal Year	Amount
2019	\$ 916,575
2020	955,834
2021	988,256
2022	1,042,131
2023	1,097,204
Total	5,000,000
Less: deferred loan costs	(48,694)
Term loan, net	\$ 4,951,306

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2018****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 the 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.