

GREATER DES MOINES BOTANICAL GARDEN
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Des Moines Botanical Garden

We have audited the accompanying financial statements of Greater Des Moines Botanical Garden (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 above present fairly, in all material respects, the financial position of Greater Des Moines Botanical Garden as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brooks Lodden, P.C.

West Des Moines, Iowa
October 3, 2019

GREATER DES MOINES BOTANICAL GARDEN

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

ASSETS

| | |
|--|----------------------|
| Cash and cash equivalents | \$ 843,344 |
| Unconditional donor promises to give | 5,825 |
| Accounts receivable | 42,752 |
| Prepaid expenses | 36,979 |
| Garden shop inventory | 83,961 |
| Investment in assets held at the Community Foundation of Greater Des Moines | 275,187 |
| Beneficial interest | 7,763 |
| Property and equipment, net of accumulated depreciation of \$2,737,670 | 13,624,842 |
| Intangibles, net of accumulated amortization of \$48,363 | 50,719 |
| Restricted for capital improvements: | |
| Unconditional donor promises to give, net discount of \$1,048 | 384,893 |
| Restricted for endowment: | |
| Investment in assets held at the Community Foundation of Greater Des Moines | 2,402,561 |
| Beneficial interest | 305,490 |
| | |
| Total assets | <u>\$ 18,064,316</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|-------------------|-------------------|
| Accounts payable | \$ 79,669 |
| Accrued expenses | 97,658 |
| Deferred revenue | 289,207 |
| Total liabilities | <u>\$ 466,534</u> |

NET ASSETS

| | |
|---|----------------------|
| Net assets without donor restrictions: | |
| Board-designated endowment | \$ 2,000,000 |
| Undesignated | 12,706,261 |
| Total net assets without donor restrictions | <u>\$ 14,706,261</u> |
| | |
| Net assets with donor restrictions: | |
| Perpetual in nature | \$ 708,051 |
| Purpose restricted | 1,792,752 |
| Time restricted | 5,825 |
| Time and purpose restricted | 384,893 |
| Total net assets with donor restrictions | <u>\$ 2,891,521</u> |
| | |
| Total net assets | <u>\$ 17,597,782</u> |
| | |
| Total liabilities and net assets | <u>\$ 18,064,316</u> |

See Notes to Financial Statements.

GREATER DES MOINES BOTANICAL GARDEN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

| | <u>Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------|-------------------------------|------------------------------------|-----------------------------|
| PUBLIC SUPPORT AND REVENUE | | | |
| Admission | \$ 442,814 | \$ - | \$ 442,814 |
| Facility rentals and catering | 471,164 | - | 471,164 |
| Merchandise sales | 293,784 | - | 293,784 |
| Membership dues | 190,551 | - | 190,551 |
| Contributions and grants | 901,880 | 69,861 | 971,741 |
| Programs and outreach | 290,142 | - | 290,142 |
| Horticultural services | 18,497 | - | 18,497 |
| In-kind support | 484,895 | - | 484,895 |
| Investment income | 93,555 | 17,944 | 111,499 |
| Net assets released from restriction | 244,886 | (244,886) | - |
| Total public support and revenue | <u>\$ 3,432,168</u> | <u>\$ (157,081)</u> | <u>\$ 3,275,087</u> |
| EXPENSES | | | |
| Program services | \$ 3,654,589 | \$ - | \$ 3,654,589 |
| Management and general | 165,608 | - | 165,608 |
| Fundraising | 101,204 | - | 101,204 |
| Total expenses | <u>\$ 3,921,401</u> | <u>\$ -</u> | <u>\$ 3,921,401</u> |
| CHANGE IN NET ASSETS | \$ (489,233) | \$ (157,081) | \$ (646,314) |
| NET ASSETS | | | |
| Beginning | <u>15,195,494</u> | <u>3,048,602</u> | <u>18,244,096</u> |
| Ending | <u><u>\$ 14,706,261</u></u> | <u><u>\$ 2,891,521</u></u> | <u><u>\$ 17,597,782</u></u> |

See Notes to Financial Statements.

GREATER DES MOINES BOTANICAL GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|---------------------------------------|--------------------|---------------------|
| Salaries and benefits | \$ 1,328,302 | \$ 111,624 | \$ 68,214 | \$ 1,508,140 |
| Horticulture supplies, materials, and maintenance | 465,387 | 1,179 | 720 | 467,286 |
| Services and professional fees | 466,118 | 31,866 | 19,474 | 517,458 |
| Office and occupancy | 312,131 | 973 | 595 | 313,699 |
| Supplies and travel | 244,664 | 9,563 | 5,844 | 260,071 |
| Cost of merchandise | 139,976 | - | - | 139,976 |
| Depreciation | 596,346 | 1,860 | 1,136 | 599,342 |
| Other expenses | 101,665 | 8,543 | 5,221 | 115,429 |
| | <u>\$ 3,654,589</u> | <u>\$ 165,608</u> | <u>\$ 101,204</u> | <u>\$ 3,921,401</u> |

See Notes to Financial Statements.

GREATER DES MOINES BOTANICAL GARDEN

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Change in net assets | \$ (646,314) |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | |
| Depreciation and amortization | 599,342 |
| Outside endowment contribution to beneficial interest | (2,200) |
| Accretion of promises to give discount | (3,750) |
| Capital campaign contributions | (62,911) |
| Gain on investment in assets held at the Community Foundation of Greater Des Moines | (99,054) |
| Investment gain on beneficial interest | (11,229) |
| Proceeds from capital campaign contributions | 214,646 |
| Changes in operating assets and liabilities: | |
| Increase in unconditional donor promises to give | (3,892) |
| Increase in accounts receivable | (30,468) |
| Increase in prepaid expenses | (21,825) |
| Increase in garden shop inventory | (21,290) |
| Increase in accounts payable and accrued expenses | 13,126 |
| Increase in deferred revenue | 21,442 |
| Net cash (used in) operating activities | <u>\$ (54,377)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-------------------|
| Purchases of property and equipment | \$ (160,078) |
| Contributions - Investment in assets held at the Community Foundation of Greater Des Moines | (1,000) |
| Distributions - Investment in assets held at the Community Foundation of Greater Des Moines | 125,463 |
| Distributions - beneficial interest | <u>31,318</u> |
| Net cash (used in) investing activities | <u>\$ (4,297)</u> |

Net (decrease) in cash \$ (58,674)

CASH AND CASH EQUIVALENTS

| | |
|-----------|--------------------------|
| Beginning | <u>902,018</u> |
| Ending | <u><u>\$ 843,344</u></u> |

See Notes to Financial Statements.

GREATER DES MOINES BOTANICAL GARDEN

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Organization and Significant Accounting Policies

Nature of organization:

Greater Des Moines Botanical Garden (the Garden), a non-profit corporation, is dedicated to exploring, explaining and celebrating the world of plants. Beyond the beauty and inspiration of its urban setting, the Garden is dedicated to creating signature, memorable experiences through progressive garden design and innovative programming. People, plants and passion are the focus of the Garden. By educating and enriching the lives of the guests, the Garden provides a valuable resource for the community and forges partnership stronger than the sum of each individual part. Since 2011 when the Botanical Garden evolved out of the former Friends of the Des Moines Botanical Center, Inc. more than \$19.5 million has been raised through a multi-phased capital campaign, which includes establishing a \$3 million endowment to support the Garden. The multi-phased capital campaign funded the first seven acres of outdoor gardens, updates to the original 1979 facility, including replacing all panels and associated hardware on the geodesic conservatory.

In January 2013, the Greater Des Moines Botanical Garden assumed the lease for the 14 acre property, taking on the leadership of the operation following 34 years of municipal leadership. Since the transition in leadership, the Botanical Garden has welcomed more than 780,000 visitors and engaged more than 40,000 people through their mission driven educational programs. The Garden continues to grow steadily, working diligently to grow the institution's capacity and impact in balanced ways. To that end, the Greater Des Moines Botanical Garden is laying the road map for future site development and program development, to embrace the full 14 acres of the leasehold and magnify the mission to positively impact the community.

A summary of the organization's significant accounting policies is as follows:

Cash and cash equivalents:

The Garden considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out method.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Organization and Significant Accounting Policies (*Continued*)

A summary of the organization's significant accounting policies is as follows (*Continued*)

Promises to give:

The Garden distinguishes between contributions received with donor restrictions and those without donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions unless the Garden meets the donor-imposed restriction on all or a portion of the amount contributed in the same reporting period in which the contribution was received. In those cases the contributions, to the extent the restrictions have been met, are reported as increases in net assets without donor restrictions. Receipts of unconditional promises to give with payments due in future periods are reported as increases in net assets with donor restrictions unless it is clear that the donor intended the gift to be used to support activities in the current period.

Unconditional donor promises to give with payments due in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using discount rate of 1.0%. The discount is recognized as contribution income as it is amortized using the effective yield method over the duration of the pledge.

The Garden uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management believes no allowance for uncollectible pledges is necessary at June 30, 2019.

Expiration of donor-imposed restrictions:

The Garden recognizes the expiration of donor-imposed restrictions on contributions in the period in which the restriction expires. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Expirations are recorded separately in the statement of activities as reclassifications.

Donated property and services:

Donated property or equipment is generally reflected as a contribution in the financial statements at its estimated fair market value at the date of receipt, and depreciated over its estimated useful life.

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Garden.

Investment in assets held at the Community Foundation of Greater Des Moines:

Certain donors have contributed funds to the Garden. The Garden has invested these funds at the Community Foundation of Greater Des Moines (CFGDM). The Garden reports its interest in these funds at fair value, which is determined and provided by CFGDM, as a component of net assets without donor restrictions. Income released to the Garden from the funds is calculated as a percentage of the balance each year and is reported as net assets without donor restrictions. Changes in fair value of the underlying funds are reported as unrestricted changes in investment income (loss).

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Organization and Significant Accounting Policies (Continued)

A summary of the organization's significant accounting policies is as follows (Continued)

Beneficial interests:

Certain donors have contributed funds to CFGDM through donor-designated funds where the Garden is the designated beneficiary. The Garden reports its interest in these funds at the fair value which is determined and provided by the CFGDM as a component of net assets with donor restrictions. Income released to the Garden from the funds is calculated as a percentage of the balance each year, and is reported as net assets without donor restrictions. Changes in the fair value of the funds are reported as donor restricted changes in investment income.

Property and equipment:

Additions to property and equipment are recorded at cost or, if donated, at estimated fair value at the date of gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Construction in progress is related to the design of a potential future expansion of the outdoor gardens and has not been placed in service as of June 30, 2019. The applicable accounts are relieved of costs and related accumulated depreciation when any items are sold or otherwise disposed. Gain or loss is recorded at that time.

Intangibles:

Intangible assets consist of website development costs and long-range planning costs which are presented at cost and amortized over the estimated useful life of the assets. Intangible assets are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Management believes no impairment has occurred on these intangible assets during the year ended June 30, 2019.

Deferred revenue:

The Garden rents out the venue to clients for private events, 100% of the venue rental fee is due within 30-days of booking the space and is non-refundable. This revenue is deferred until the event takes place. Deposits are also received for a garden travel study program hosted by the Garden. These deposits are held as deferred revenue until the completion of the program. The Garden also has events throughout the year that it receives sponsorships for. Sponsorships that have been received for future events are also deferred until the event takes place.

Functional allocations of expenses:

The allocation of expenses shown on the statement of functional expenses is made by management using estimates of time and effort based on historical data combined with their knowledge of the current year activities.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Organization and Significant Accounting Policies (*Continued*)

A summary of the organization's significant accounting policies is as follows (*Continued*)

Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising:

Advertising costs are expensed as incurred. Advertising expense totaled \$48,408 in 2019.

Classification of net assets:

Without donor restrictions – assets that are available for use in general operations and not subjected to donor restrictions. The Garden's governing board may earmark portions of its net assets without donor restrictions as board-designated for various purposes.

With donor restrictions – assets that are subject to donor restrictions. Some donor-imposed restrictions are temporary in nature such as those that will be met by the passage of time or by actions of the Garden meeting the purpose of the restriction. Other donor-imposed restrictions are perpetual in nature, such as endowment type funds, where the donor stipulates that resources be maintained in perpetuity.

Income tax status:

Greater Des Moines Botanical Garden is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Garden qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Subsequent events:

Management has evaluated subsequent events through October 3, 2019, the date the financial statements were available to be issued.

Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update ASU 2016-14 (the ASU), *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, enhances information provided about liquidity and availability of resources, and provides consistency in the type of information provided about expenses and investment return. The Garden has implemented the ASU and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively and did not result in any changes to or reclassifications of net assets.

NOTES TO FINANCIAL STATEMENTS

Note 2. Concentrations of Credit Risk

Financial instruments that potentially subject the Garden to concentrations of credit risk consist principally of demand deposits located at a financial institution. These demand deposits exceeded the FDIC insurable limit of \$250,000 at times throughout the year.

Note 3. Unconditional Donor Promises to Give

Unconditional donor promises to give at June 30, 2019 represent pledges for the following purpose:

| | |
|--|--------------------------|
| Capital campaign | \$ 385,941 |
| Operations | 5,825 |
| | <u>\$ 391,766</u> |
| Less unamortized discount | (1,048) |
| Net unconditional donor promises to give | <u><u>\$ 390,718</u></u> |
| Amounts due in: | |
| Less than one year | \$ 300,549 |
| One to five years | 91,217 |
| | <u><u>\$ 391,766</u></u> |

Note 4. Liquidity and Availability

Financial assets available for general expenditure that are without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|--|----------------------------|
| Cash and cash equivalents | \$ 843,344 |
| Accounts receivable | 42,752 |
| Investment in assets held at the Community | |
| Foundation of Greater Des Moines | 275,187 |
| Promises to give | 5,825 |
| Beneficial interests | 7,763 |
| | <u><u>\$ 1,174,871</u></u> |

The Garden regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Their objective is to maintain three months operating cash in reserve and to annually generate enough support to meet the expense needs of the Garden, not including depreciation or expenses that occur less than annually (such as new technology, significant repairs and maintenance, etc.) and are approved by the Board of Directors through the budget process.

NOTES TO FINANCIAL STATEMENTS

Note 5. Fair Value Measurements

The Garden's investments are stated on the statement of financial position at fair value at June 30, 2019, and were composed of the following:

| | Significant Unobservable Inputs (Level 3) |
|--|--|
| Investment in assets held at the CFGDM | \$ 2,677,748 |
| Beneficial interests | 313,253 |
| | <u>\$ 2,991,001</u> |

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices of similar assets or liabilities in active markets or quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority.

Level 1 Fair Value Measurements

The fair value is based on quoted market prices of shares held by the Garden at year-end. The Garden had no such investments at June 30, 2019.

Level 2 Fair Value Measurements

The fair value is based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from observable market data. The Garden had no such investments at June 30, 2019.

Level 3 Fair Value Measurements

Level 3 inputs are unobservable. The Garden values its investment in assets held at the CFGDM as well as its beneficial interests granted by donors to the CFGDM using level 3 inputs as provided to the Garden by CFGDM as there is no direct ownership of the underlying investments. However, the underlying investments in the pooled funds at the CFGDM consist of investments that have been measured by CFGDM using Level 1, Level 2, and Level 3 inputs and other investments valued using net asset value.

NOTES TO FINANCIAL STATEMENTS

Note 5. Fair Value Measurements *(Continued)*

The following table provides further details of the Level 3 fair value measurements:

| | Investment in Assets Held at the Community Foundation of Greater Des Moines | Beneficial Interests |
|---|--|---------------------------------|
| Beginning balance | \$ 2,703,159 | \$ 331,141 |
| Contributions | 1,134 | 2,200 |
| Change in value of beneficial interests | 110,047 | 12,569 |
| Less administration fees | 11,129 | 1,339 |
| Less distributions | 125,463 | 31,318 |
| | \$ 2,677,748 | \$ 313,253 |

Note 6. Beneficial Interest in Community Foundation

The Garden is the beneficiary of an account, held at the Community Foundation of Greater Des Moines (CFGDM), under the Endow Iowa provisions of the Iowa Code. Pursuant to this agreement, the Garden may receive distributions from the fund not exceeding 5% of the balance of the previous year end. Although CFGDM has the power to modify restrictions or conditions on the distributions under certain conditions, the Garden does not consider this to effectively constitute variance power, due to the unlikelihood of such conditions occurring.

The balance is being accounted for as a beneficial interest, and is valued at the fair value of the underlying assets. The balance of the beneficial interest as of June 30, 2019 is \$313,253.

Adjustments to the amount reported as an asset are based on an annual review using the same basis as used to initially measure the asset and are recorded in the statement of activities under the caption "investment income."

Note 7. Endowment Funds

The Garden's endowments consists of gifts from donors to support their mission held as beneficial interests and board designated investments at the CFGDM held by a trustee. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment Funds *(Continued)*

Spending policies:

The Garden may receive distributions from the investment accounts. These funds are limited to no more than a spending formula determined from time to time by the Garden's Board of Directors. Under the current spending formula, distributions from the fund are five percent of the average prior three-year fund balance. Investment earnings in excess of the distributions, administrative fees, and direct expenses are added to the principal of the fund. Distributions in excess of net annual investment earnings may be made in order to make distributions in accordance with the spending formula. The CFGDM Board of Directors may approve distributions in excess of the spending formula (up to 100% of the fund balance) provided such requests are submitted in writing with a certified copy of the resolution authorizing the withdrawal signed by two of the Directors of the Garden's Board. Any such distribution is subject to the approval of the CFGDM's Board of Directors, which is not to be unreasonably withheld, and is to be made in as timely a manner as possible.

Investment policies:

The investment management of the beneficial interests held at the CFGDM is the responsibility of the CFGDM per a contract the Garden was required to sign upon the creation of their account with the organization.

Interpretation of relevant law:

The Garden has interpreted the State of Iowa State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Garden retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Garden in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, CFGDM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) duration and preservation of the fund, (2) the purpose of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) the Garden's spending policy for endowment funds, and (7) the Garden's investment policies.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment Funds *(Continued)*

Endowment net asset composition and reconciliation:

Endowment net asset composition and changes in endowment net assets as of June 30, 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------|---|--|--------------|
| Beginning Balance | \$ 2,000,000 | \$ 783,009 | \$ 2,783,009 |
| Contributions | - | 2,200 | 2,200 |
| Investment income | - | 27,810 | 27,810 |
| Appropriated expenditures | - | (52,363) | (52,363) |
| Ending balance | \$ 2,000,000 | \$ 760,656 | \$ 2,760,656 |

Note 8. Property and Equipment

Property and equipment as of June 30, 2019 consists of:

| | |
|-------------------------------------|---------------------|
| Furniture and fixtures - office | \$ 629,260 |
| Land and improvements | 5,436,722 |
| Building and leasehold improvements | 10,037,547 |
| Construction in progress | 258,983 |
| | \$16,362,512 |
| Less accumulated depreciation | (2,737,670) |
| Property and equipment, net | \$13,624,842 |

Note 9. Lease Agreement

The Garden leases the Botanical Garden's land and buildings from the City of Des Moines. The lease agreement requires the Garden to pay annual rent of \$1 through December 2037. The agreement has an option allowing the Garden to renew the lease agreement for two additional twenty-five year terms. The agreement requires the Garden to maintain an endowment fund with a minimum balance of \$500,000 over the term of the agreement; such amount is included in the board-designated net assets, without donor restrictions.

NOTES TO FINANCIAL STATEMENTS

Note 10. Operating Leases

The Garden leases a vehicle and office equipment from third parties under noncancellable operating leases.

Future minimum rental payments required under operating leases at June 30, 2019 are as follows:

| Year Ended June 30, | |
|--------------------------------------|------------------|
| 2020 | \$ 9,911 |
| 2021 | 8,075 |
| 2022 | 2,565 |
| 2023 | 214 |
| | <u>\$ 20,765</u> |

Rent expense for the year ended June 30, 2019 was \$10,636.

Note 11. Note Agreements

The Garden has a \$400,000 revolving line of operating credit with a bank to provide working capital. The revolving line of credit matures November 1, 2019. At June 30, 2019 the outstanding balance was \$-0- on the line of operating credit. The loan agreement bears interest at the bank's prime rate (5.50% at June 30, 2019) with interest due monthly and all outstanding principal due at maturity. The agreement is collateralized by substantially all assets of the Garden. Interest expense totaled \$-0- for the year ending June 30, 2019.

Note 12. Net Assets

Board-designated net assets represent a \$2,000,000 endowment held with CFGDM. During fiscal year 2015, the Board of Directors authorized a transfer from the board-designated endowment account of \$500,000 to be used for construction costs related to capital improvements. An additional \$770,000 was transferred during fiscal year 2016. The \$1,270,000 is to be restored to the endowment account in future years. As of June 30, 2019, \$200,000 of this balance remains to be paid.

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets (Continued)

Net assets with donor restrictions consist of the following at June 30, 2019:

| | |
|--|----------------------------|
| Purpose restricted: | |
| Capital improvements | \$ 1,736,273 |
| Endowment earnings, unappropriated | 52,605 |
| Other | 3,874 |
| Total purpose restricted | <u>\$ 1,792,752</u> |
| Time restricted: | |
| Promises to give for operations: | <u>\$ 5,825</u> |
| Time and purpose restricted: | |
| Promises to give for capital campaign: | <u>\$ 384,893</u> |
| Donor restricted endowments | <u>\$ 708,051</u> |
| Total net assets with donor restrictions | <u><u>\$ 2,891,521</u></u> |

Note 13. Pension Plan

The Garden participates in a multi-employer 401(k) sponsored by Oasis HR, Inc. for all eligible employees. The Garden matches 100% of employee's deferrals up to 3% of eligible compensation. Retirement plan expense was \$28,613 for the year ended June 30, 2019.

Note 14. Café Operator Agreement

The Garden has an agreement that grants a company (the Caterer) the exclusive right to operate the Botanical Garden's café through October 31, 2022. The Caterer pays the Garden a percentage of the café's gross total revenues. The Garden also receives a commission on certain internal catering revenues earned by the Caterer. The agreement will automatically renew for a second four-year term on November 1, 2022, unless written notice of non-renewal is provided by the Garden. The agreement can be terminated by either party with six months advance written notice. The Caterer is required to maintain all licenses, permits, and insurance necessary to operate the café.

Note 15. Contingent Promise to Give

Bravo Greater Des Moines (Bravo) has pledged \$245,000 annually through fiscal year 2023 to fund operations of the Greater Des Moines Botanical Garden. The contributions are contingent upon Bravo's partner communities' hotel-motel tax receipts reaching the level necessary to allow Bravo to fund its Cultural Enrichment Grant program. Contributions from Bravo are recognized as received.