

THE ATLANTA BOTANICAL GARDEN, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
and
SUPPLEMENTAL INFORMATION

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees of The Atlanta Botanical Garden, Inc.

We have audited the accompanying financial statements of The Atlanta Botanical Garden, Inc. (a not-for-profit organization) (the "Garden"), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Garden'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 Garden'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 The Atlanta Botanical Garden, Inc. as of December 31, 2019 and 2018, and their changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

August 31, 2020

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u> <u>(As Restated)</u>
Cash and cash equivalents	\$ 5,848,678	\$ 5,015,218
Investments	51,903,142	55,058,609
Pledges receivable, net	8,398,799	6,841,270
Inventory	407,468	314,637
Property and equipment, net	100,341,534	92,186,029
Other assets	<u>1,182,189</u>	<u>539,682</u>
	<u>\$ 168,081,810</u>	<u>\$ 159,955,445</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 4,853,968	\$ 3,097,264
Customer deposits	1,098,511	620,763
Deferred membership dues	458,840	836,002
Interest rate swap liability	1,840,879	1,222,696
Financing arrangements, net debt issuance costs	<u>27,167,754</u>	<u>30,295,913</u>
 Total Liabilities	 <u>35,419,952</u>	 <u>36,072,638</u>
 Net assets		
Without donor restrictions	106,320,738	90,906,070
With donor restrictions	<u>26,341,120</u>	<u>32,976,737</u>
 Total Net Assets	 <u>132,661,858</u>	 <u>123,882,807</u>
	<u>\$ 168,081,810</u>	<u>\$ 159,955,445</u>

The accompanying notes are an integral part of these financial statements.

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:						
Admissions	\$ 11,012,981	\$ -	\$ 11,012,981	\$ 7,840,218	\$ -	\$ 7,840,218
Food, beverage, and merchandise sales	5,985,143	-	5,985,143	5,085,781	-	5,085,781
Membership dues	5,430,291	-	5,430,291	4,658,538	-	4,658,538
Contributions and grants	1,195,283	4,203,704	5,398,987	883,611	2,476,560	3,360,171
Facility rental and venue income	2,873,883	-	2,873,883	1,978,463	-	1,978,463
Auxiliary services and other	2,453,688	-	2,453,688	3,051,427	-	3,051,427
Investment return, net	9,962,872	-	9,962,872	(3,810,310)	-	(3,810,310)
Net assets released from restrictions	10,839,321	(10,839,321)	-	731,761	(731,761)	-
	<u>49,753,462</u>	<u>(6,635,617)</u>	<u>43,117,845</u>	<u>20,419,489</u>	<u>1,744,799</u>	<u>22,164,288</u>
Total Revenue, Gains, and Other Support						
Expenses:						
Program services:						
Improvement and maintenance of gardens	11,008,170	-	11,008,170	10,334,481	-	10,334,481
Education	1,755,035	-	1,755,035	1,357,257	-	1,357,257
Auxiliary services and exhibits	12,803,501	-	12,803,501	11,165,475	-	11,165,475
	<u>25,566,706</u>	<u>-</u>	<u>25,566,706</u>	<u>22,857,213</u>	<u>-</u>	<u>22,857,213</u>
Total Program Services						
Support services:						
General and administrative	3,548,093	-	3,548,093	2,377,731	-	2,377,731
Public relations	1,768,665	-	1,768,665	1,682,591	-	1,682,591
Fund-raising	1,817,327	-	1,817,327	1,684,292	-	1,684,292
Membership development	1,019,820	-	1,019,820	954,370	-	954,370
	<u>8,153,905</u>	<u>-</u>	<u>8,153,905</u>	<u>6,698,984</u>	<u>-</u>	<u>6,698,984</u>
Total Support Services						
Total Expenses	<u>33,720,611</u>	<u>-</u>	<u>33,720,611</u>	<u>29,556,197</u>	<u>-</u>	<u>29,556,197</u>
Other Gains (Losses):						
Change in market value of interest rate swap	(618,183)	-	(618,183)	562,588	-	562,588
	<u>15,414,668</u>	<u>(6,635,617)</u>	<u>8,779,051</u>	<u>(8,574,120)</u>	<u>1,744,799</u>	<u>(6,829,321)</u>
Change in Net Assets						
Net Assets at Beginning of Year, as Previously Stated	90,906,070	32,976,737	123,882,807	98,480,032	31,231,938	129,711,970
Cumulative Effect of Change in Accounting Policy (Note 1)	-	-	-	1,000,158	-	1,000,158
Net Assets at Beginning of Year, as Restated	<u>90,906,070</u>	<u>32,976,737</u>	<u>123,882,807</u>	<u>99,480,190</u>	<u>31,231,938</u>	<u>130,712,128</u>
Net Assets at End of Year	<u>\$ 106,320,738</u>	<u>\$ 26,341,120</u>	<u>\$ 132,661,858</u>	<u>\$ 90,906,070</u>	<u>\$ 32,976,737</u>	<u>\$ 123,882,807</u>

The accompanying notes are an integral part of these financial statements.

**THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>				<u>Support Services</u>					
	<u>Improvement and Maintenance of Gardens</u>	<u>Education</u>	<u>Auxiliary Services</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Public Relations</u>	<u>Fundraising</u>	<u>Membership Development</u>	<u>Total Support</u>	<u>Total Expenses</u>
Salaries	\$ 2,589,159	\$ 826,240	\$ 4,467,269	\$ 7,882,668	\$ 1,017,705	\$ 278,500	\$ 914,099	\$ 152,166	\$ 2,362,470	\$ 10,245,138
Payroll taxes and benefits	409,912	133,984	470,095	1,013,991	217,586	45,947	93,753	21,988	379,274	1,393,265
Building and equipment maintenance	1,172,739	-	-	1,172,739	-	-	-	-	-	1,172,739
Garden maintenance	1,348,099	846	235	1,349,180	-	-	-	-	-	1,349,180
Professional fees	-	-	649	649	414,439	1,139,605	110,597	-	1,664,641	1,665,290
Development programs	475,739	470,540	5,425,374	6,371,653	46,901	267,599	648,151	828,774	1,791,425	8,163,078
Office and other expenses	126,174	58,930	1,060,654	1,245,758	1,658,741	4,356	7,984	-	1,671,081	2,916,839
Depreciation and amortization	4,728,728	115,602	597,880	5,442,210	77,771	14,157	25,851	-	117,779	5,559,989
Interest expense	<u>157,620</u>	<u>148,893</u>	<u>781,345</u>	<u>1,087,858</u>	<u>114,950</u>	<u>18,501</u>	<u>16,892</u>	<u>16,892</u>	<u>167,235</u>	<u>1,255,093</u>
Total	<u>\$ 11,008,170</u>	<u>\$ 1,755,035</u>	<u>\$ 12,803,501</u>	<u>\$ 25,566,706</u>	<u>\$ 3,548,093</u>	<u>\$ 1,768,665</u>	<u>\$ 1,817,327</u>	<u>\$ 1,019,820</u>	<u>\$ 8,153,905</u>	<u>\$ 33,720,611</u>

The accompanying notes are an integral part of these financial statements.

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>				<u>Support Services</u>					
	<u>Improvement and Maintenance of Gardens</u>	<u>Education</u>	<u>Auxiliary Services</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Public Relations</u>	<u>Fundraising</u>	<u>Membership Development</u>	<u>Total Support</u>	<u>Total Expenses</u>
Salaries	\$ 2,687,154	\$ 545,020	\$ 3,603,366	\$ 6,835,540	\$ 894,958	\$ 289,607	\$ 898,870	\$ 169,525	\$ 2,252,960	\$ 9,088,500
Payroll taxes and benefits	414,125	140,807	490,033	1,044,965	275,747	50,204	111,993	20,413	458,357	1,503,322
Building and equipment maintenance	1,440,736	-	-	1,440,736	-	-	-	-	-	1,440,736
Garden maintenance	744,831	-	-	744,831	-	-	51,486	-	51,486	796,317
Professional fees	-	-	165	165	317,748	1,011,815	78	-	1,329,641	1,329,806
Development programs	390,233	365,516	4,786,336	5,542,085	36,738	290,460	565,801	746,938	1,639,937	7,182,022
Office and other expenses	124,088	46,445	932,060	1,102,593	662,832	8,456	14,853	182	686,323	1,788,916
Depreciation and amortization	4,356,583	106,875	552,749	5,016,207	71,901	13,088	23,899	-	108,888	5,125,095
Interest expense	176,731	152,594	800,766	1,130,091	117,807	18,961	17,312	17,312	171,392	1,301,483
Total	<u>\$ 10,334,481</u>	<u>\$ 1,357,257</u>	<u>\$ 11,165,475</u>	<u>\$ 22,857,213</u>	<u>\$ 2,377,731</u>	<u>\$ 1,682,591</u>	<u>\$ 1,684,292</u>	<u>\$ 954,370</u>	<u>\$ 6,698,984</u>	<u>\$ 29,556,197</u>

The accompanying notes are an integral part of these financial statements.

**THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 8,779,051	\$ (6,829,321)
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities:		
Net realized and unrealized (gains) losses on investments	(8,570,969)	5,241,693
Provision for doubtful pledges	500,000	-
Change in discount on pledges receivable	449,980	6,190
Depreciation and amortization	5,559,989	5,125,095
Change in fair market value of interest rate swap	618,183	(562,588)
Amortization of debt issuance costs	15,197	15,197
Contributions restricted for long-term investment	(1,696,195)	(6,244,615)
Changes in net assets and liabilities:		
Pledges receivable	(2,507,509)	3,755,675
Inventory	(92,831)	(17,891)
Other assets	(642,507)	758,290
Accounts payable and accrued liabilities	(243,296)	(1,527,764)
Customer deposits	477,748	(36,125)
Deferred membership dues	(377,162)	185,575
Net Cash Provided (Required) by Operating Activities	<u>2,269,679</u>	<u>(130,589)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,397,443)	(2,012,589)
Proceeds from sales of investments	13,123,879	4,400,955
Purchases of property and equipment	(11,715,494)	(7,303,822)
Net Cash Provided (Required) By Investing Activities	<u>10,942</u>	<u>(4,915,456)</u>
Cash Flows from Financing Activities:		
Payments under financing arrangements	(3,143,356)	(2,519,233)
Net proceeds from contributions restricted for long-term investment	1,696,195	6,244,615
Net Cash Provided (Required) by Financing Activities	<u>(1,447,161)</u>	<u>3,725,382</u>
Change in Cash and Cash Equivalents	833,460	(1,320,663)
Cash and Cash Equivalents at Beginning of Year	<u>5,015,218</u>	<u>6,335,881</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,848,678</u>	<u>\$ 5,015,218</u>

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	<u>\$ 1,239,896</u>	<u>\$ 1,286,286</u>
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Schedule of Non-Cash Investing and Financing Activities:

At December 31, 2019 and 2018, the Garden was financing certain property and equipment with accounts payable in the amounts of \$2,000,000 and \$756,329, respectively.

The accompanying notes are an integral part of these financial statements.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Atlanta Botanical Garden, Inc. (the “Garden”) was formed to develop and maintain plant collections in the metropolitan Atlanta area and a satellite location for display, education, research, conservation and enjoyment. The Garden was incorporated under the laws of the state of Georgia on January 28, 1976. In 2002, 168 acres of land located in Gainesville, Georgia was donated to the Garden. In 2015, the Garden opened the Atlanta Botanical Gardens Gainesville (“ABGG”) satellite location.

The Garden conducts various lecture series and seminars on botanical topics and displays and conducts tours of its botanical gardens to carry out its mission. Admission and program service fees are received for certain of these activities.

Auxiliary services and exhibits maintained by the Garden include admissions, facility rentals and a gift shop. Additional sources of revenue include contributions and grants from agencies, foundations, corporations and individuals, membership dues from Garden members, functions, fund-raisers and building rental for parties and weddings.

Basis of Accounting

The Garden follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Adoption of New Accounting Standards

Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (Topic 606)

Effective January 1, 2019, the Garden adopted ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) and the related ASUs, which provided new guidance for revenue recognized from contracts with customers and replaced the previously existing revenue recognition guidance. ASU 2014-09 requires that revenue be recognized at an amount the Garden is entitled to upon transferring control of goods or services to customers, as opposed to when risks and rewards transfer to a customer. The Garden adopted ASU 2014-09 using the full retrospective approach.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) (Continued)

The standard changed the methodology for how the Garden bifurcates membership dues between contributions and reciprocal transactions. The cumulative effect of this change resulted in an increase to net assets without donor restrictions as of January 1, 2018 of \$1,000,158.

Based on the Garden’s evaluation process and review of its contracts with customers, the timing and amount recognized previously for all other revenue sources is consistent with how revenue is recognized under the new standard. There were no new contract assets or liabilities created upon the adoption of this standard.

ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”

Effective January 1, 2019, the Garden also adopted ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the Garden’s financial position, results of operations and cash flows as of and for the year ended December 31, 2019.

Financial Statement Presentation

The Garden prepares its financial statements in accordance with GAAP. Under GAAP, the Garden is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, based on stipulations made by the donor, and net assets without donor restrictions.

To ensure observance of limitations and restrictions placed on the use of resources available to the Garden, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The assets, liabilities and net assets of the Garden are reported in three self-balancing categories as follows:

- Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Garden. The only limits on net assets without donor restrictions are those resulting from the nature of the Garden and its purposes.
- Net Assets with Donor Restrictions - Net assets whose use by the Garden is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by the actions of the Garden. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. These types of net assets with donor restrictions maintained in perpetuity consist of certain endowment funds and land restricted for development.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Garden believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Investments

Investments are carried at fair value. Investment income and gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The investments primarily consist of mutual funds which are comprised of equity securities, bonds, and alternative funds. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

At December 31, 2019 and 2018, the Garden had subscription agreements totaling \$3,700,000 with various alternative investment capital funds. These funds make loans to or invest in private companies. As of December 31, 2019, the Garden had invested \$2,665,672 in these funds and may be required to contribute an additional \$1,034,328 should the funds make future capital calls.

Approximately 4% of the long-term investments held at fair value by the Garden at December 31, 2019 and 2018 are alternative investments including private equity funds, real estate investment funds and hedge funds. Some of these alternative investments are not liquid and the determination of the fair value of these investments is determined by the portfolio managers and management of the Garden. These estimates of fair value may differ significantly from the values that would have been used had a ready market existed for the investment.

Donated investments are recognized as contributions at their estimated fair values at the date of donation.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at the date of gift, if donated. The Garden capitalizes items with a purchase price or fair value greater than \$3,000 and a useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. General grounds improvements, gardens and permanent plantings are depreciated over ten to fifteen years; buildings are depreciated over thirty years; and furniture and equipment are depreciated over three to twenty-five years.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections

The Garden's collections include living plants, books, prints and herbarium specimens. The Garden has not capitalized the collections; instead the cost of collection items is reported as a decrease in the appropriate class of net assets and insurance recoveries of lost or destroyed collection items are reported as an increase in the appropriate class of net assets in the accompanying statement of activities and changes in net assets. The Garden's collections are maintained for display, education, conservation and enjoyment rather than for financial gain. Collections are important assets of the Garden and are protected, kept unencumbered, cared for and preserved.

Donated Materials, Equipment, Services, and Other Assets

A substantial number of volunteer hours have been donated by individuals in the Garden's program services and, to a lesser extent, its fund-raising campaigns and administration. No amounts have been recorded in the accompanying statement of activities and changes in net assets for these donated services. Under GAAP, donations of services that create or enhance nonfinancial assets, or require specialized skills that would otherwise typically be purchased, are recorded as support and expense.

Donated materials, equipment and services, including contributions of services that can be measured by the creation or enhancement of a nonfinancial asset, are recognized as contributions at their estimated fair values at the date of donation. These amounts approximated \$255,000 and \$57,000 during 2019 and 2018, respectively.

Donated financial assets are recorded at fair value at the date of receipt. Fair value is based on quoted market prices or other objective valuation techniques. During 2019 and 2018, contributions of marketable securities of approximately \$55,000 and \$112,000, respectively, have been recorded in the accompanying statement of activities and changes in net assets.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Garden evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying businesses. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of December 31, 2019 and 2018.

Revenue Recognition

Admissions - Admissions revenue is associated with tickets sold for entry to the Garden. Admissions revenue ticket price is based upon established levels for individuals and groups. The Garden primarily recognizes revenue for admissions at point of sale.

Food, beverage, and merchandise sales - Revenue related to food, beverage, and merchandise sales activities is primarily recognized at point of sale as the service has been provided in full by the Garden.

Membership Dues - Membership dues pertaining to all membership categories are recognized as revenue upon receipt for the portion of the dues that are considered a contribution to the Garden, while the portion of the dues that relates to the service the Garden will provide the member is recognized as revenue ratably over the term of the membership period, up to 24 months. Amounts not yet earned by the end of the fiscal year are reported as deferred membership dues. For the years ending December 31, 2019 and 2018, approximately \$4,184,000 and \$3,881,000, respectively, of membership dues were considered contributions to the Garden.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and grants - Contributions and grants (including unconditional promises to give, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided by pledges estimated to be uncollectible. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts on unconditional pledges is included in contributions in the accompanying statement of activities and changes in net assets. Conditional pledges, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The Garden is the beneficiary of certain beneficial interest trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized as an asset and contribution revenue in the appropriate class of net assets at the date such trusts are established. The carrying value of the assets is adjusted annually for changes in the estimates of future receipts. Investment income (loss) associated with such perpetual trusts is recognized when earned.

The Garden recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

The Garden recognizes contributions of property and equipment as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash and other assets that must be used to acquire long-term assets are recognized as with donor restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Garden reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Facility rental, venue income, and auxiliary services – These revenues are generated from the parking garage, venue rental, educational classes, special events, and other items. The revenue from these activities are recognized at a point in time once performance obligations are satisfied. Amounts not earned by the end of the fiscal year are reported as customer deposits.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of square footage, payroll, or other relevant bases.

Income Tax Status

The Garden has been granted tax-exempt status under Section 501 (a)(3) of the Internal Revenue Code (the “Code”) as an organization described in Section 501 (c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The Garden had no significant unrelated business taxable income during 2019 and 2018; accordingly, no provision or benefit for income taxes has been included in the accompanying financial statements.

The Garden annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Garden takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Garden believes it is no longer subject to tax examinations for tax years ending before December 31, 2016.

Major Donors and Vendors

At December 31, 2019, approximately 81% of net pledges receivable related to three major donors. During 2019, approximately 65% of contributions were from two major donors.

At December 31, 2018, approximately 62% of net pledges receivable related to two major donors. During 2018, approximately 39% of contributions were from two major donors.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Garden to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that changes in risks could materially affect the amounts reported in the accompanying financial statements.

Endowment Fund

GAAP requires the following financial statement disclosures for the Garden:

- Classification of net assets

Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and policies established by the Board of Trustees.

- Interpretation of Relevant Law

The Garden has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted in the state of Georgia, 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 classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Garden in a manner consistent with the standard of prudence prescribed by UPMIFA.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

In accordance with UPMIFA, the Garden considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Garden and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Garden
- (7) The investment policies of the Garden

- Return Objectives and Risk Parameters

The Garden has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Garden must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Garden, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

- Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Garden targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Underwater Endowment Funds

The Garden considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. There were no underwater endowment funds at December 31, 2019 or 2018.

- Spending Policy

The Board of Trustees has approved a spending policy for the Garden whereby a certain percentage (generally not to exceed 4.5% of the fair value of investments) of investments may be expended. During the years ended December 31, 2019 and 2018, earnings from the endowment fund used in operations were \$1,492,759 and \$1,362,645, respectively.

Fair Values Measured on Recurring Basis

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

Total liabilities at fair value classified within Level 3 were (\$1,840,879) and (\$1,222,696) as of December 31, 2019 and 2018, respectively, which consists of investments in an interest rate swap with a financial institution.

The tables below represent fair value measurement hierarchy of the assets (liabilities) at fair value as of December 31:

	<u>Total</u>	<u>Level 1</u>	<u>2019</u> <u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Cash and Cash Equivalents	\$ 389,182	\$ 389,182	\$ -	\$ -	\$ -
Mutual Funds:					
Corporate bond	9,093,427	9,093,427	-	-	-
Short-term bond	5,327,413	5,327,413	-	-	-
Diversified emerging markets	4,296,961	4,296,961	-	-	-
	<u>18,717,801</u>	<u>18,717,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equities:					
Domestic	19,929,836	19,929,836	-	-	-
International	10,767,266	-	10,767,266	-	-
	<u>30,697,102</u>	<u>19,929,836</u>	<u>10,767,266</u>	<u>-</u>	<u>-</u>
Investment Funds	<u>2,099,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,099,057</u>
Total Investments	<u>51,903,142</u>	<u>39,036,819</u>	<u>10,767,266</u>	<u>-</u>	<u>2,099,057</u>
Interest Rate Swap	<u>(1,840,879)</u>	<u>-</u>	<u>-</u>	<u>(1,840,879)</u>	<u>-</u>
	<u>\$ 50,062,263</u>	<u>\$ 39,036,819</u>	<u>\$ 10,767,266</u>	<u>\$ (1,840,879)</u>	<u>\$ 2,099,057</u>

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>2018</u> <u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Cash and Cash Equivalents	\$ 487,798	\$ 487,798	\$ -	\$ -	\$ -
Mutual Funds:					
Corporate bond	6,854,751	6,854,751	-	-	-
Short-term bond	9,946,840	9,946,840	-	-	-
Diversified emerging markets	3,752,814	3,752,814	-	-	-
	<u>20,554,405</u>	<u>20,554,405</u>	-	-	-
Equities:					
Domestic	16,417,780	16,417,780	-	-	-
International	15,329,564	-	15,329,564	-	-
	<u>31,747,344</u>	<u>16,417,780</u>	<u>15,329,564</u>	-	-
Investment Funds	<u>2,269,062</u>	-	-	-	<u>2,269,062</u>
Total Investments	<u>55,058,609</u>	<u>37,459,983</u>	<u>15,329,564</u>	-	<u>2,269,062</u>
Interest Rate Swap	<u>(1,222,696)</u>	-	-	<u>(1,222,696)</u>	-
	<u>\$ 53,835,913</u>	<u>\$ 37,459,983</u>	<u>\$ 15,329,564</u>	<u>\$ (1,222,696)</u>	<u>\$ 2,269,062</u>

(*) In accordance with GAAP, certain investments that are measured using the net asset value (“NAV”) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the carrying values disclosed in the accompanying statement of financial position.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Fair Values Measured on Recurring Basis (Continued)

Below is a summary of the terms of the investment funds valued at NAV at December 31:

	<u>2019</u> <u>Fair Value</u>	<u>2018</u> <u>Fair Value</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Distressed Hedge Funds:				
Davidson Kempner Long-Term Distressed Opportunities Int. Fund II LP (a)	\$ 174,350	\$ 229,168	N/A*	N/A*
Sigular Guff Distressed Opportunities Fund IV LP (b)	<u>397,166</u>	<u>433,632</u>	N/A*	N/A*
	<u>571,516</u>	<u>662,800</u>		
Equity Long/Short Hedge Funds:				
Cross Shore Investors LTD (c)	<u>62,155</u>	<u>75,289</u>	Monthly	30 days
Fund of Funds:				
RCP Fund VIII LP (d)	<u>443,759</u>	<u>426,375</u>	N/A*	N/A*
Natural Resources Hedge Fund:				
Park Street Capital Natural Resource Fund V LP (e)	<u>449,012</u>	<u>505,831</u>	N/A*	N/A*
Private Equity Hedge Funds:				
Landmark Equity Partners XIV LP (f)	176,389	204,384	N/A*	N/A*
Landmark Equity Partners XV LP (f)	<u>224,604</u>	<u>195,021</u>	N/A*	N/A*
	<u>400,993</u>	<u>399,405</u>		
Real Estate Hedge Fund:				
Metro. Real Estate Partners Global III (g)	<u>171,622</u>	<u>199,362</u>	N/A*	N/A*
	<u>\$ 2,099,057</u>	<u>\$ 2,269,062</u>		

* Not applicable - No redemption as this is a close ended partnership.

(a) This fund's investment objective is to invest in less liquid and/or longer duration private and public equity securities and other financial instruments of companies that are 1) experiencing financial distress, 2) attempting to complete and out-of-court restructuring, 3) involved in a bankruptcy, liquidation or similar proceeding, 4) involved in substantial litigation, and/or 5) expected to have an investment horizon greater than two years. Portfolio investments may also include, among other things, corporate investments, real estate, asset-backed and structured products, longer-date liquidations, private lending, and other opportunities in distressed investments.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

- (b) This fund is comprised of diversified portfolios that invest in the securities and other interests of companies, structures or assets undergoing financial distress, operating difficulties or restructuring.
- (c) This fund seeks to provide investors with capital appreciation through the allocation of its assets among a diverse group of money managers that direct the investments in offshore funds with a long/short equity strategy.
- (d) The fund, a fund-of-funds, was formed to make private equity investments in small-to-middle market, buyout-focused private equity funds. A fund-of-funds is a vehicle for private equity investing by which, instead of making direct investments in companies or in a single private equity partnership, the fund-of-funds makes investments among a number of private equity funds, whose managers in turn invest the capital directly.
- (e) This fund invests in portfolios of natural resource-related assets with the goal of delivering competitive, long-term returns and important diversification benefits.
- (f) These funds' investment strategy is to acquire portfolios of interests in private equity funds through secondary transactions.
- (g) This fund invests in private real estate funds in the United States of America, Europe, and Asia.

Quantitative Information and Fair Value Sensitivities Related to Level 3 Unobservable Inputs

Interest Rate Swaps – The interest rate swap dealers determine fair values for the interest rate swap liability by constructing mid-market forward curves with available market data from external and internal sources. Once constructed, the mid-market forward curves generate a nominal amount for each of a transaction's expected future payments. The interest rate swap dealers discount those expected future payments at the respective zero rate, and the sum of all discounted payments equals fair value of the interest rate swaps. The interest rate swap dealers do not account for nonperformance risk in their determination of the fair value. Management of the Garden finds this risk to be negligible.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Financial Instruments

The Garden accounts for derivative financial instruments in accordance with GAAP which requires that all derivative instruments be recorded on the statement of financial position at their respective fair values.

The Garden uses an interest rate swap agreement in the management of interest rate risk and carries this derivative instrument on the statement of financial position at fair value. The interest rate swap agreement effectively fixes the interest rate at 3.70% on \$30,000,000 of variable rate borrowings under the Garden’s financing arrangements. The initial fair value and subsequent changes in the fair value of the agreement are reported as a gain or loss in the accompanying statement of activities and changes in net assets.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 presentation.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

The components of the investment return, net for 2019 and 2018 included in the accompanying statement of activities and changes in net assets were as follows:

	<u>2019</u>	<u>2018</u>
Net realized and unrealized gains (losses)		
on investments, net of related fees	\$ 8,570,969	\$ (5,241,693)
Dividend and interest income	<u>1,391,903</u>	<u>1,431,383</u>
	<u>\$ 9,962,872</u>	<u>\$ (3,810,310)</u>

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 – PLEDGES RECEIVABLE

At December 31, 2019 and 2018, pledges receivable were as follows:

	<u>2019</u>	<u>2018</u>
Capital campaigns	\$ 5,598,237	\$ 4,866,406
Land and buildings pledge	1,400,000	1,400,000
General	<u>2,374,130</u>	<u>598,452</u>
	9,372,367	6,864,858
Less: present value discount	(460,099)	(10,119)
Less: allowance for doubtful pledges	<u>(513,469)</u>	<u>(13,469)</u>
	<u><u>\$ 8,398,799</u></u>	<u><u>\$ 6,841,270</u></u>

The estimated future cash collections at December 31, 2019 are follows:

2020	\$ 1,260,192
2021	465,167
2022	356,667
2023	350,000
2024	350,000
Thereafter	<u>6,590,341</u>
	<u><u>\$ 9,372,367</u></u>

At December 31, 2019 and 2018, pledges receivable were discounted to their present values using a 1.48% and 2.40% interest rate, respectively.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
General grounds improvements	\$ 3,021,928	\$ 2,376,423
Gardens and permanent plantings	13,834,859	13,615,957
Buildings	100,596,252	92,324,462
Furniture and equipment	16,073,595	14,174,108
Land	13,221,522	4,168,748
Construction in progress	<u>338,101</u>	<u>6,797,113</u>
	147,086,257	133,456,811
Less: accumulated depreciation	<u>(46,744,723)</u>	<u>(41,270,782)</u>
	<u>\$ 100,341,534</u>	<u>\$ 92,186,029</u>

Depreciation and amortization expense totaled \$5,559,989 and \$5,125,095 in 2019 and 2018, respectively.

NOTE 5 – CONTRACT LIABILITIES

The following table provides details of the Garden's contract liabilities at December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contract Liabilities - Unearned Income:			
Deferred membership dues	\$ 458,840	\$ 836,002	\$ 650,427
Customer deposits	<u>1,098,511</u>	<u>620,763</u>	<u>656,888</u>
	<u>\$ 1,557,351</u>	<u>\$ 1,456,765</u>	<u>\$ 1,307,315</u>

NOTE 6 – FINANCING ARRANGEMENTS

Under a Trust Indenture, dated November 1, 2007, between The Atlanta Development Authority (Issuer) and a commercial bank (Trustee), Atlanta Development Authority Revenue Bonds (Atlanta Botanical Garden Improvements Project), Series 2007 Bonds totaling \$48,500,000 were issued on November 29, 2007. The issuer loaned the net proceeds of the sale of the Bonds to the Garden, pursuant to a Loan Agreement, dated November 1, 2007 between the Issuer and the Garden to enable the Garden to finance acquisition, construction and equipping of certain improvements to the facilities of the Garden. During the years ended December 31, 2010 and 2009, the Garden paid \$13,000,000 toward the principal of the Series 2007 Bonds. During 2010, the Garden converted the final \$35,500,000 of the Series 2007 bonds into a \$30,000,000 and \$5,500,000 term notes payable with a financial institution.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 – FINANCING ARRANGEMENTS (Continued)

Notes Payable

A summary of all outstanding notes payable at December 31, 2019 and 2018 is as follows:

Note A - \$30,000,000 term note payable in twelve annual installments, each November, commencing in November 2018, and bears interest at 67% of LIBOR plus 1.85% (an effective rate of 2.89% at December 31, 2019) and matures on November 1, 2029. Note A had an outstanding balance of \$25,625,000 and \$28,125,000 at December 31, 2019 and 2018, respectively.

Note B - \$5,500,000 term note payable in ten annual principal installments of \$550,000 plus interest, each December, commencing in December 2011 (the first payment being made in January 2012), and bears interest at 67% of LIBOR plus 1.85% (an effective rate of 2.89% at December 31, 2019) and matures on November 1, 2029. Note B had an outstanding balance of \$550,000 and \$1,100,000 at December 31, 2019 and 2018, respectively.

Note C - \$550,000 promissory note agreement with a financial institution executed on November 25, 2013 to finance the purchase of a warehouse. The note is collateralized by the warehouse, payable in monthly installments of principal and interest totaling \$1,833, bears interest at LIBOR plus 2.20% (an effective interest rate of 3.10% at December 31, 2019) and matures on November 25, 2023. Note C had an outstanding balance of \$418,000 and \$440,000 at December 31, 2019 and 2018, respectively.

Note D - \$856,276 promissory note agreement with a financial institution executed on February 14, 2018 to refinance and combine previous notes payable. Note D is collateralized by various property and requires monthly principal payments of \$5,946 plus accrued interest beginning on March 1, 2018 through the maturity date of February 14, 2021, at which time, a final payment of \$642,207 is due. Note D bears interest at LIBOR plus 1.35% (an effective interest rate of 3.05% at December 31, 2019). Note D had an outstanding balance of \$725,456 and \$796,812 at December 31, 2019 and 2018, respectively.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 – FINANCING ARRANGEMENTS (Continued)

Notes Payable (Continued)

Principal maturities on the notes payable at December 31 are as follows:

2020	\$ 3,143,356
2021	3,176,100
2022	2,522,000
2023	2,852,000
2024	2,500,000
Thereafter	<u>13,125,000</u>
	27,318,456
Less: debt issuance costs, net of accumulated amortization	<u>(150,702)</u>
	<u>\$ 27,167,754</u>

Revolving Line of Credit

During 2015, the Garden entered into a \$5,000,000 revolving line of credit agreement with a financial institution to fund capital expenditures. The line bears interest at LIBOR plus 2% (an effective rate of 3.70% at December 31, 2019). The loan is collateralized by certain endowment investments held by the Garden. At December 31, 2019 and 2018, there were no outstanding borrowings on the line of credit.

The Garden's financing arrangements are subject to certain financial and nonfinancial covenants under the various agreements. The Garden was in compliance with its covenants as of December 31, 2019.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions includes assets subject to certain spending and appropriation policies as well as certain investments and land to be held in perpetuity. The components of these net assets at December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Capital projects	\$ -	\$ 9,086,238
General operations	5,067,097	2,601,132
	<u>5,067,097</u>	<u>11,687,370</u>
 Subject to spending policy and appropriation:		
Investments in perpetuity, which once appropriated, are expendable to support:		
General operations	5,650,404	5,665,748
ABGG	5,050,292	5,050,292
Gainesville land	4,400,000	4,400,000
Dorothy Chapman Fuqua Conservatory and Orchid Center	5,500,000	5,500,000
John Glenn memorial	200,000	200,000
	<u>20,800,696</u>	<u>20,816,040</u>
 Endowments not held in perpetuity for purposes of supporting various Garden programs	 <u>473,327</u>	 <u>473,327</u>
	 <u>\$ 26,341,120</u>	 <u>\$ 32,976,737</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

The Garden leases land from the City of Atlanta located in Piedmont Park at no cost through August 2067. The Garden and its operating facilities are located on the land. The Garden is required to pay utilities, maintenance and insurance and to adhere to various covenants under the lease agreement, including the requirement to develop and maintain its facilities for the benefit of the citizens of the City of Atlanta. In the event the lease is terminated, improvements made to the property by the Garden become the property of the City of Atlanta.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

Under GAAP, an explicit and unconditional promise for the use of property for a specified period of time should be recognized upon receipt as a receivable and as restricted support at its fair value. However, in the opinion of management, the lease is not unconditional since the terms of the lease limit the Garden's use of the property and because the lease is subject to termination by the City of Atlanta and other governmental entities; accordingly, no receivable has been recorded for the use of the property subject to the lease. Additionally, in management's opinion, the fair rental value of the property during 2019 and 2018 was not significant; accordingly, no values have been assigned for contributed use of the property or rental expense.

Construction Contracts

The Garden has entered into construction contracts for the development of ABGG, as described in Note 1, and various other projects. The remaining commitments for these contracts totaled approximately \$1,249,000 and \$3,126,000 at December 31, 2019 and 2018, respectively.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The Garden offers its employees a deferred compensation plan qualified under Section 403(b) of the Internal Revenue Code ("IRC"). It permits substantially all eligible employees of the Garden to voluntarily contribute 100% of compensation, up to the maximum allowed under the IRC. The Garden's contributions are discretionary. During the years ended December 31, 2019 and 2018, the Garden made contributions of approximately \$7,000 and \$212,000, respectively.

The Garden also has a defined contribution plan in which the employees participate. This is a tax deferred annuity plan. The Garden does not make contributions to this plan.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The working capital and cash flows of the Garden have seasonal variations during the year attributable to a concentration of contributions received near calendar year-end. 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 certain highly-liquid investment accounts.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The following reflects the Garden's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Trustees approves such action.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,848,678	\$ 5,015,218
Investments	51,903,142	55,058,609
Pledges receivable, net	<u>8,398,799</u>	<u>6,841,270</u>
Total Financial Assets	<u>66,150,619</u>	<u>66,915,097</u>
Less those unavailable for general expenditures within one year, due to:		
Unrestricted investments subject to spending policy and appropriation	(17,487,002)	(14,137,407)
Unspent donor-imposed restrictions	<u>(26,003,019)</u>	<u>(26,179,624)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,660,598</u>	<u>\$ 26,598,066</u>

NOTE 11 – SUBSEQUENT EVENTS

The Garden has experienced a disruption of normal business operations caused from COVID-19 (“Coronavirus”) since December 31, 2019. The overall financial impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements, as a number of the Garden’s previously scheduled events in 2020 have been cancelled or postponed.

On January 9, 2020, the Garden entered into a term note agreement with a financial institution in the amount of \$30,000,000 to finance the purchase of two parcels of land in Atlanta, Georgia. The note bears interest at LIBOR plus 1.00% with principal payments only necessary to reduce the principal balance at or below \$20,000,000 at January 9, 2023 and \$10,000,000 at January 9, 2024. The remaining principal is due on the maturity date, January 9, 2025.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 – SUBSEQUENT EVENTS (Continued)

In April 2020, the Garden obtained a Small Business Administration loan under the Paycheck Protection Program (“PPP”) in the amount of \$1,852,300. The PPP loan bears interest at 1.00% and will require repayment under certain circumstances. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the “Cares Act”), the Garden may apply with the lending institution for PPP loan proceeds used within a specified time period to be forgiven, provided the proceeds are used to cover certain payroll and other expenses as defined by the Cares Act.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees of The Atlanta Botanical Garden, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of The Atlanta Botanical Garden, Inc. (a not-for-profit organization) for the year ended December 31, 2019, which is presented in the preceding section of this report. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Smith + Howard

August 31, 2020

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total All Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,848,778	\$ -	\$ (100)	\$ 5,848,678
Investments	-	29,658,999	22,244,143	51,903,142
Pledges receivable, less allowance for doubtful pledges and discount	2,297,163	-	6,101,636	8,398,799
Inventory	407,468	-	-	407,468
Property and equipment, net	-	-	100,341,534	100,341,534
Other assets	1,182,189	-	-	1,182,189
Interfund receivable (payable)	21,516,992	1,081,079	(22,598,071)	-
	<u>\$ 31,252,590</u>	<u>\$ 30,740,078</u>	<u>\$ 106,089,142</u>	<u>\$ 168,081,810</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 4,801,011	\$ -	\$ 52,957	\$ 4,853,968
Customer deposits	1,098,511	-	-	1,098,511
Deferred membership dues	458,840	-	-	458,840
Interest rate swap liability	-	-	1,840,879	1,840,879
Financing arrangements, net	-	-	27,167,754	27,167,754
Total Liabilities	<u>6,358,362</u>	<u>-</u>	<u>29,061,590</u>	<u>35,419,952</u>
Net Assets:				
Without donor restrictions	19,827,131	19,016,459	67,477,148	106,320,738
With donor restrictions	5,067,097	11,723,619	9,550,404	26,341,120
Total Net Assets	<u>24,894,228</u>	<u>30,740,078</u>	<u>77,027,552</u>	<u>132,661,858</u>
	<u>\$ 31,252,590</u>	<u>\$ 30,740,078</u>	<u>\$ 106,089,142</u>	<u>\$ 168,081,810</u>

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total All Funds</u>
Revenue, Gains, and Other Support				
Admissions	\$ 11,012,981	\$ -	\$ -	\$ 11,012,981
Food, beverage, and merchandise sales	5,985,143	-	-	5,985,143
Membership dues	5,430,291	-	-	5,430,291
Contributions and grants	4,670,833	-	728,154	5,398,987
Facility rental and venue income	2,873,883	-	-	2,873,883
Auxiliary services and other	2,453,688	-	-	2,453,688
Investment return, net	<u>5,615</u>	<u>5,959,302</u>	<u>3,997,955</u>	<u>9,962,872</u>
Total Revenue, Gains, and Other Support	<u>32,432,434</u>	<u>5,959,302</u>	<u>4,726,109</u>	<u>43,117,845</u>
Expenses:				
Program Services:				
Improvement and maintenance of gardens	6,121,822	-	4,886,348	11,008,170
Education	1,490,540	-	264,495	1,755,035
Auxiliary services and exhibits	<u>11,424,276</u>	<u>-</u>	<u>1,379,225</u>	<u>12,803,501</u>
Total Program Services	<u>19,036,638</u>	<u>-</u>	<u>6,530,068</u>	<u>25,566,706</u>
Support Services:				
General and administrative	2,707,871	-	840,222	3,548,093
Public relations	1,736,007	-	32,658	1,768,665
Fund-raising	1,663,987	-	153,340	1,817,327
Membership development	<u>1,002,928</u>	<u>-</u>	<u>16,892</u>	<u>1,019,820</u>
Total Support Services	<u>7,110,793</u>	<u>-</u>	<u>1,043,112</u>	<u>8,153,905</u>
Total Expenses	<u>26,147,431</u>	<u>-</u>	<u>7,573,180</u>	<u>33,720,611</u>
Other Loss:				
Change in market value of interest rate swap	<u>-</u>	<u>-</u>	<u>(618,183)</u>	<u>(618,183)</u>
Change in Net Assets	6,285,003	5,959,302	(3,465,254)	8,779,051
Net Assets at Beginning of Year	16,166,330	27,223,671	80,492,806	123,882,807
Interfund Transfers	<u>2,442,895</u>	<u>(2,442,895)</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 24,894,228</u>	<u>\$ 30,740,078</u>	<u>\$ 77,027,552</u>	<u>\$ 132,661,858</u>