

THE ATLANTA BOTANICAL GARDEN, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
and
SUPPLEMENTAL INFORMATION

with
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-30
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION	32
STATEMENT OF FINANCIAL POSITION BY FUND	33
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND	34

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, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the statement of functional expenses for the year ended December 31, 2018.

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, 2018 and 2017, 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 20, 2019

**THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 5,015,218	\$ 6,335,881
Investments	55,058,609	62,688,668
Pledges receivable, net	6,841,270	10,603,135
Inventory	314,637	296,746
Property and equipment, net	92,186,029	89,251,063
Other assets	<u>539,682</u>	<u>1,297,972</u>
	<u>\$ 159,955,445</u>	<u>\$ 170,473,465</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 3,718,027	\$ 4,525,677
Deferred membership dues	1,793,702	1,650,585
Interest rate swap liability	1,222,696	1,785,284
Financing arrangements, net debt issuance costs	<u>30,295,913</u>	<u>32,799,949</u>
 Total Liabilities	 <u>37,030,338</u>	 <u>40,761,495</u>
 Net assets		
Without donor restrictions	89,948,370	98,480,032
With donor restrictions	<u>32,976,737</u>	<u>31,231,938</u>
 Total Net Assets	 <u>122,925,107</u>	 <u>129,711,970</u>
	<u>\$ 159,955,445</u>	<u>\$ 170,473,465</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, 2018 AND 2017

	2018			2017		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains, and Other Support:						
Contributions and grants	\$ 883,611	\$ 2,476,560	\$ 3,360,171	\$ 2,108,623	\$ 3,203,884	\$ 5,312,507
Membership dues	4,658,538	-	4,658,538	4,504,913	-	4,504,913
Auxiliary services and exhibits	17,470,356	-	17,470,356	15,263,325	-	15,263,325
Tuition	345,604	-	345,604	360,738	-	360,738
Other	182,387	-	182,387	159,149	-	159,149
Net realized and unrealized gains (losses) on investments and other investment income (loss)	(3,810,310)	-	(3,810,310)	8,653,906	-	8,653,906
Net assets released from restrictions	731,761	(731,761)	-	6,705,332	(6,705,332)	-
Total Revenue, Gains, and Other Support	<u>20,461,947</u>	<u>1,744,799</u>	<u>22,206,746</u>	<u>37,755,986</u>	<u>(3,501,448)</u>	<u>34,254,538</u>
Expenses:						
Program services:						
Improvement and maintenance of gardens	10,334,481	-	10,334,481	9,481,199	-	9,481,199
Education	1,357,257	-	1,357,257	1,418,164	-	1,418,164
Auxiliary services and exhibits	11,165,475	-	11,165,475	10,262,061	-	10,262,061
Total Program Services	<u>22,857,213</u>	<u>-</u>	<u>22,857,213</u>	<u>21,161,424</u>	<u>-</u>	<u>21,161,424</u>
Support services:						
General and administrative	2,377,731	-	2,377,731	2,215,688	-	2,279,749
Public relations	1,682,591	-	1,682,591	1,561,246	-	1,561,246
Fund-raising	1,684,292	-	1,684,292	1,564,093	-	1,564,093
Membership development	954,370	-	954,370	882,907	-	882,907
Total Support Services	<u>6,698,984</u>	<u>-</u>	<u>6,698,984</u>	<u>6,223,934</u>	<u>-</u>	<u>6,287,995</u>
Total Expenses	<u>29,556,197</u>	<u>-</u>	<u>29,556,197</u>	<u>27,385,358</u>	<u>-</u>	<u>27,449,419</u>
Other Gains:						
Change in market value of interest rate swap	562,588	-	562,588	81,996	-	81,996
Change in Net Assets	(8,531,662)	1,744,799	(6,786,863)	10,452,624	(3,501,448)	6,951,176
Net Assets at Beginning of Year	<u>98,480,032</u>	<u>31,231,938</u>	<u>129,711,970</u>	<u>88,027,408</u>	<u>34,733,386</u>	<u>122,760,794</u>
Net Assets at End of Year	<u>\$ 89,948,370</u>	<u>\$ 32,976,737</u>	<u>\$ 122,925,107</u>	<u>\$ 98,480,032</u>	<u>\$ 31,231,938</u>	<u>\$ 129,711,970</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
(2017 Presented for Comparative Purposes Only)

	<u>Program Services</u>				<u>Support Services</u>						2017 (for Comparative Purposes Only)
	Improvement and Maintenance of Gardens	Education	Auxiliary Services	Total Program	General and Administrative	Public Relations	Fundraising	Membership Development	Total Support	Total Expenses	
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	\$ 7,875,702
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	1,232,486
Building and equipment maintenance	1,440,736	-	-	1,440,736	-	-	-	-	-	1,440,736	1,636,049
Garden maintenance	744,831	-	-	744,831	-	-	51,486	-	51,486	796,317	713,808
Professional fees	-	-	165	165	317,748	1,011,815	78	-	1,329,641	1,329,806	1,636,854
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	6,706,304
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	1,450,518
Depreciation and amortization	4,356,583	106,875	552,749	5,016,207	71,901	13,088	23,899	-	108,888	5,125,095	4,684,049
Interest expense	176,731	152,594	800,766	1,130,091	117,807	18,961	17,312	17,312	171,392	1,301,483	1,449,588
Total	\$ 10,334,481	\$ 1,357,257	\$ 11,165,475	\$ 22,857,213	\$ 2,377,731	\$ 1,682,591	\$ 1,684,292	\$ 954,370	\$ 6,698,984	\$ 29,556,197	\$ 27,385,358

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

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (6,786,863)	\$ 6,951,176
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities:		
Net realized and unrealized (gains) losses on investments	5,241,693	(7,700,013)
Change in discount on pledges receivable	6,190	91,663
Amortization of debt issuance costs	15,197	20,200
Depreciation and amortization	5,125,095	4,684,049
Change in fair market value of interest rate swap	(562,588)	(81,996)
Loss on disposal of property and equipment	1,631	-
Changes in net assets and liabilities:		
Pledges receivable	3,755,675	4,430,858
Inventory	(17,891)	(88,808)
Other assets	758,290	(638,027)
Accounts payable and accrued liabilities	(1,563,979)	625,637
Deferred membership dues	143,117	(315,114)
Contributions restricted for long-term investment	<u>(6,244,615)</u>	<u>(6,209,900)</u>
Net Cash Provided (Required) by Operating Activities	<u>(129,048)</u>	<u>1,769,725</u>
Cash Flows from Investing Activities:		
Purchases of investments	(2,012,589)	(1,209,706)
Proceeds from sales of investments	4,400,955	184,622
Purchases of property and equipment	<u>(7,305,363)</u>	<u>(4,909,946)</u>
Net Cash Required By Investing Activities	<u>(4,916,997)</u>	<u>(5,935,030)</u>
Cash Flows from Financing Activities:		
Payments under financing arrangements	(2,519,233)	(986,001)
Net proceeds from contributions restricted for long-term investment	<u>6,244,615</u>	<u>6,209,900</u>
Net Cash Provided by Financing Activities	<u>3,725,382</u>	<u>5,223,899</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,320,663)	1,058,594
Cash and Cash Equivalents at Beginning of Year	<u>6,335,881</u>	<u>5,277,287</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,015,218</u>	<u>\$ 6,335,881</u>

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	<u>\$ 1,301,483</u>	<u>\$ 1,449,588</u>
------------------------	---------------------	---------------------

Schedule of Non-Cash Investing and Financing Activities:

During 2017, the Garden financed the purchase of certain buildings with the issuance of notes payable in the amount of \$200,000.

At December 31, 2018 and 2017, the Garden was financing certain property and equipment with accounts payable in the amounts of \$756,329 and \$987,596 respectively.

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

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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”).

New Accounting Standard

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a nonprofit’s liquidity and availability of resources, expenses and investments returns, and cash flows. The main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

New Accounting Standard (Continued)

The ASU is effective for annual financial statements with fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The Garden has implemented ASU 2016-14 as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. The Garden opted to not disclose liquidity and availability of information and a statement of functional expenses for 2017 as permitted under ASU in the year of adoption.

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 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.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 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, 2018 and 2017, the Garden had subscription agreements totaling \$3,700,000 and \$4,700,000, respectively, with various alternative investment capital funds. These funds make loans to or invest in private companies. As of December 31, 2018, the Garden had invested \$2,609,804 in these funds and may be required to contribute an additional \$1,090,196 should the funds make future capital calls.

Approximately 4% and 13%, respectively, of the long-term investments held at fair value by the Garden at December 31, 2018 and 2017, respectively, 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.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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.

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.

Revenue Recognition

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 are not included as support until the conditions are substantially met.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Revenue Recognition (Continued)

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.

Annual payments for membership dues are deferred and recognized ratably over the life of the membership to which the dues relate. Revenue related to sales, special events and tuition is recognized when the transaction is complete, in the period in which the event is held or when services are provided, respectively.

Contribution revenue related to fund-raising events is recognized in the year in which the event occurs.

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.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Donated Materials, Equipment, Services, and Other Assets (Continued)

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 \$57,000 and \$160,000 during 2018 and 2017, 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 2018 and 2017, contributions of marketable securities of approximately \$112,000 and \$60,000, respectively, have been recorded in the accompanying statement of activities and changes in net assets.

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, 2018 and 2017.

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 2018 and 2017; 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, 2015.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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.

Major Donors and Vendors

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.

At December 31, 2017, approximately 65% of net pledges receivable related to three major donors. During 2017, approximately 15% of contributions were from one major donor.

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.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Endowment Fund (Continued)

- 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. 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.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Endowment Fund (Continued)

- 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.

- 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, 2018 and 2017, earnings from the endowment fund used in operations were \$1,362,645 and \$1,278,956, 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, unrestricted 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.

Total liabilities at fair value classified within Level 3 were (\$1,222,696) and (\$1,785,284) as of December 31, 2018 and 2017, respectively, which consists of investments in an interest rate swap with a financial institution.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Fair Values Measured on Recurring Basis (Continued)

The tables below represent fair value measurement hierarchy of the assets (liabilities) at fair value as of December 31, 2018 and 2017, respectively:

	<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>	<u>-</u>	<u>-</u>	<u>-</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>	<u>-</u>	<u>-</u>
Investment Funds	<u>2,269,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,269,062</u>
Interest Rate Swap	<u>(1,222,696)</u>	<u>-</u>	<u>-</u>	<u>(1,222,696)</u>	<u>-</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>

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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>2017</u> <u>Level 2</u>	<u>Level 3</u>	<u>NAV (*)</u>
Cash and Cash Equivalents	\$ 1,761,816	\$ 1,761,816	\$ -	\$ -	\$ -
Mutual Funds:					
Corporate bond	7,642,884	7,642,884	-	-	-
Short-term bond	4,563,260	4,563,260	-	-	-
Intermediate-term bond	590,127	590,127	-	-	-
Foreign large blend	909,076	909,076	-	-	-
Diversified emerging markets	4,477,426	4,477,426	-	-	-
	<u>18,182,773</u>	<u>18,182,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equities:					
Domestic	20,693,627	20,693,627	-	-	-
International	13,828,853	-	13,828,853	-	-
	<u>34,522,480</u>	<u>20,693,627</u>	<u>13,828,853</u>	<u>-</u>	<u>-</u>
Investment Funds	8,221,599	-	-	-	8,221,599
Interest Rate Swap	(1,785,284)	-	-	(1,785,284)	-
	<u>\$ 60,903,384</u>	<u>\$ 40,638,216</u>	<u>\$ 13,828,853</u>	<u>\$ (1,785,284)</u>	<u>\$ 8,221,599</u>

(*) In accordance with GAAP, as amended by ASU 2015-07, 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, 2018 AND 2017**

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, 2018 and 2017:

	<u>2018</u> <u>Fair Value</u>	<u>2017</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)	\$ 229,168	\$ 357,830	Not applicable*	Not applicable*
Sigular Guff Distressed Opportunities Fund IV LP (b)	<u>433,632</u>	<u>571,134</u>	Not applicable*	Not applicable*
	<u>662,800</u>	<u>928,964</u>		
Equity Long/Short Hedge Funds:				
Aetos Capital (c)	-	1,065,321	Monthly	30 days
Cross Shore Investors LTD (d)	75,289	1,765,198	Monthly	30 days
Colchester Global Bond Fund (e)	-	341,313	Monthly	5 days
AEW Global Property Securities Fund LP (f)	<u>-</u>	<u>395,172</u>	Monthly	5 days
	<u>75,289</u>	<u>3,567,004</u>		
Fund of Funds:				
RCP Fund VIII LP (g)	<u>426,375</u>	<u>363,943</u>	Not applicable*	Not applicable*
International Hedge Fund:				
Sanderson International Value Fund (h)	<u>-</u>	<u>1,770,725</u>	Monthly	10 days
Natural Resources Hedge Fund:				
Park Street Capital Natural Resource Fund V LP (i)	<u>505,831</u>	<u>554,242</u>	Not applicable*	Not applicable*
Private Equity Hedge Funds:				
Landmark Equity Partners XIV LP (j)	204,384	381,483	Not applicable*	Not applicable*
Landmark Equity Partners IV LP (j)	<u>195,021</u>	<u>187,366</u>	Not applicable*	Not applicable*
	<u>399,405</u>	<u>568,849</u>		
Real Estate Hedge Fund:				
Metro. Real Estate Partners Global III (k)	<u>199,362</u>	<u>467,872</u>	Not applicable*	Not applicable*
	<u>\$ 2,269,062</u>	<u>\$ 8,221,599</u>		

* No redemption as this is a close ended partnership.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Fair Values Measured on Recurring Basis (Continued)

- (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.
- (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's objective is to produce an attractive absolute return on invested capital, largely independent of the various benchmarks associated with traditional asset classes, by allocating its assets among a select group of portfolio managers across a variety of long/short strategies.
- (d) 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.
- (e) This fund is a value oriented, global fixed income investment manager offering portfolios investing in high quality sovereign bonds.
- (f) This fund is designed to provide investors with broad exposure to all major sectors of the public property markets throughout North America, Europe, and Asia Pacific with the objective of achieving above-average income and long-term capital growth.
- (g) 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.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Fair Values Measured on Recurring Basis (Continued)

- (h) This fund's objective is to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States of America and Canada.
- (i) This fund invests in portfolios of natural resource-related assets with the goal of delivering competitive, long-term returns and important diversification benefits.
- (j) These funds' investment strategy is to acquire portfolios of interests in private equity funds through secondary transactions.
- (k) 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.

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.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

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

Investments consisted primarily of mutual funds, equities, and other investment funds at December 31, 2018 and 2017 and were stated at fair market value.

The components of the investment return for 2018 and 2017 (included in realized and unrealized gains (losses) on investments and other investment income in the accompanying statement of activities and changes in net assets) were as follows:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized gains (losses) on investments, net of related fees	\$ (5,241,693)	\$ 7,635,952
Dividend and interest income	<u>1,431,383</u>	<u>1,017,954</u>
	<u><u>\$ (3,810,310)</u></u>	<u><u>\$ 8,653,906</u></u>

NOTE 3 – PLEDGES RECEIVABLE

At December 31, 2018 and 2017, pledges receivable were as follows:

	<u>2018</u>	<u>2017</u>
Capital campaigns	\$ 4,866,406	\$ 8,216,040
Land and buildings pledge	1,400,000	1,400,000
Other	598,452	1,016,873
Less: allowance for discounts	<u>(10,119)</u>	<u>(16,309)</u>
	6,854,739	10,616,604
Less: allowance for doubtful pledges	<u>(13,469)</u>	<u>(13,469)</u>
	<u><u>\$ 6,841,270</u></u>	<u><u>\$ 10,603,135</u></u>

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 – PLEDGES RECEIVABLE (Continued)

The estimated future cash collections at December 31, 2018 are follows:

2019	\$ 5,023,409
2020	279,830
2021	146,500
2022	5,000
2023	-
Thereafter	<u>1,400,000</u>
	<u>\$ 6,854,739</u>

At December 31, 2018 and 2017, pledges receivable were discounted to their present values using a 2.40% and 1.39% interest rate, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
General grounds improvements	\$ 2,376,423	\$ 2,361,948
Gardens and permanent plantings	13,615,957	12,011,731
Buildings	92,324,462	91,886,359
Furniture and equipment	14,174,108	14,008,029
Land	4,168,748	4,168,748
Construction in progress	<u>6,797,113</u>	<u>959,936</u>
	133,456,811	125,396,751
Less: accumulated depreciation	<u>(41,270,782)</u>	<u>(36,145,688)</u>
	<u>\$ 92,186,029</u>	<u>\$ 89,251,063</u>

Depreciation and amortization expense totaled \$5,125,095 and \$4,684,049 in 2018 and 2017, respectively.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 – 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.

Notes Payable

A summary of all outstanding notes payable at December 31, 2018 and 2017 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 3.41% at December 31, 2018) and matures on November 1, 2029. Note A had an outstanding balance of \$28,125,000 and \$30,000,000 at December 31, 2018 and 2017, 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 3.41% at December 31, 2018) and matures on November 1, 2029. Note B had an outstanding balance of \$1,100,000 and \$1,650,000 at December 31, 2018 and 2017, 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 3.74% at December 31, 2018) and matures on November 25, 2023. Note C had an outstanding balance of \$440,000 and \$462,000 at December 31, 2018 and 2017, respectively.

Note D - \$240,000 promissory note agreement with a financial institution executed on November 7, 2006 to finance the purchase of property adjacent to ABGG. On November 7, 2016, the note was amended to mature on November 7, 2019. The note was unsecured, payable in monthly installments of principal and interest totaling \$1,128 and required a lump sum payment of \$163,528 on the maturity date. Outstanding borrowings totaled \$188,839 at December 31, 2017. During 2018, the outstanding balance from Note D was refinanced to Note L.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 – FINANCING ARRANGEMENTS (Continued)

Notes Payable (Continued)

Note E - \$300,000 non-revolving master borrowing loan with a financial institution executed on September 18, 2007, with a maturity date of January 31, 2019. The note was unsecured, payable in monthly installments of principal and interest totaling \$798 and required a lump sum payment of \$87,729 on the maturity date. Outstanding borrowings totaled \$97,299 at December 31, 2017. During 2018, the outstanding balance from Note E was refinanced to Note L.

Note F - \$291,000 promissory note agreement with a financial institution executed on October 20, 2010 to finance the purchase of property adjacent to ABGG. On February 27, 2017, the note was amended to mature on February 27, 2020. The note was unsecured, payable in monthly installments of principal and interest totaling \$1,769. Outstanding borrowings totaled \$175,121 at December 31, 2017. During 2018, the outstanding balance from Note F was refinanced to Note L.

Note G - \$120,000 promissory note agreement with a financial institution executed on May 18, 2012, with a maturity date of March 18, 2018. The note was unsecured and payable in monthly installments of principal and interest totaling \$667. Outstanding borrowings totaled \$76,000 at December 31, 2017. During 2018, the outstanding balance from Note G was refinanced to Note L.

Note H - \$90,000 promissory note agreement with a financial institution executed on July 23, 2015 to finance the purchase of a house near ABGG. The note was collateralized by the house and payable in monthly installments of principal and interest totaling \$500. Outstanding borrowings totaled \$76,000 at December 31, 2017. During 2018, the outstanding balance from Note H was refinanced to Note L.

Note I - \$74,250 promissory note agreement with a financial institution executed on January 20, 2016 to finance the purchase of a house near ABGG. The note was collateralized by the house and payable in monthly installments of principal and interest totaling \$413. Outstanding borrowings totaled \$65,175 at December 31, 2017. During 2018, the outstanding balance from Note I was refinanced to Note L.

Note J - \$100,000 promissory note agreement with a financial institution executed on January 3, 2017 to finance the purchase of a house near ABGG. The note was collateralized by the house and payable in monthly installments of principal and interest totaling \$556. Outstanding borrowings totaled \$93,889 at December 31, 2017. During 2018, the outstanding balance from Note J was refinanced to Note L.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 – FINANCING ARRANGEMENTS (Continued)

Notes Payable (Continued)

Note K - \$100,000 promissory note agreement with a financial institution executed on July 6, 2017 to finance the purchase of a house ABGG. The note was collateralized by the house and payable in monthly installments of principal and interest totaling \$556. Outstanding borrowings totaled \$97,222 at December 31, 2017. During 2018, the outstanding balance from Note K was refinanced to Note L.

Note L - \$856,276 promissory note agreement with a financial institution executed on February 14, 2018 to refinance and combine Notes D – K. Note L 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 L bears interest at LIBOR plus 1.35% (an effective interest rate of 3.69% at December 31, 2018). Note L had an outstanding balance of \$796,812 at December 31, 2018.

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

2019	\$ 3,143,356
2020	3,143,356
2021	3,176,100
2022	2,522,000
2023	2,852,000
Thereafter	<u>15,625,000</u>
	30,461,812
Less: debt issuance costs, net of accumulated amortization	<u>(165,899)</u>
	<u>\$ 30,295,913</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 4.5% at December 31, 2018). The loan is collateralized by certain endowment investments held by the Garden. At December 31, 2018 and 2017, there were no outstanding borrowings on the line of credit.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 – FINANCING ARRANGEMENTS (Continued)

Revolving Line of Credit (Continued)

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, 2018.

NOTE 6 – 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, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Capital projects	\$ 9,086,238	\$ 5,213,794
General operations	<u>2,601,132</u>	<u>1,744,121</u>
	<u>11,687,370</u>	<u>6,957,915</u>
 Subject to spending policy and appropriation:		
Investments in perpetuity, which once appropriated, are expendable to support:		
General operations (a)	5,665,748	8,650,404
ABGG	5,050,292	5,450,292
Gainesville land	4,400,000	4,000,000
Dorothy Chapman Fuqua Conservatory and Orchid Center	5,500,000	5,500,000
John Glenn memorial	<u>200,000</u>	<u>200,000</u>
	<u>20,816,040</u>	<u>23,800,696</u>
 Endowments not held in perpetuity for purposes of supporting various Garden programs	 <u>473,327</u>	 <u>473,327</u>
	 <u>\$ 32,976,737</u>	 <u>\$ 31,231,938</u>

(a) During 2018, management of the Garden determined that contributions that were originally designated as investments in perpetuity subject to appropriation were given with the intention of containing restrictions to be released through capital expenditure. As such, during 2018, \$3,000,000 were reclassified from net assets with donor restrictions subject to spending policy and appropriations in perpetuity to support general operations to net assets with donor restrictions subject to expenditure for capital projects.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 – 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.

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 2018 and 2017 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 \$3,126,000 at December 31, 2018.

NOTE 8 – 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, 2018 and 2017, the Garden made contributions of approximately \$212,000 and \$196,000, 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.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 9 – 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 following reflects the Garden's financial assets as of December 31, 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.

Cash and cash equivalents	\$ 5,015,218
Investments	55,058,609
Pledges receivable, net	<u>6,841,270</u>
Total Financial Assets	<u>66,915,097</u>
Less those unavailable for general expenditures within one year, due to:	
Unspent donor-imposed restrictions	<u>(24,932,826)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,982,271</u>

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, 2018, 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 20, 2019

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2018

	General Fund	Endowment Fund	Plant Fund	Total All Funds
ASSETS				
Cash and cash equivalents	\$ 5,015,218	\$ -	\$ -	\$ 5,015,218
Investments	-	32,312,421	22,746,188	55,058,609
Pledges receivable, less allowance for doubtful pledges and discount	598,452	-	6,242,818	6,841,270
Inventory	314,637	-	-	314,637
Property and equipment, net	-	-	92,186,029	92,186,029
Other assets	539,682	-	-	539,682
Interfund receivable (payable)	13,587,981	(5,088,750)	(8,499,231)	-
	<u>\$ 20,055,970</u>	<u>\$ 27,223,671</u>	<u>\$ 112,675,804</u>	<u>\$ 159,955,445</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 3,053,638	\$ -	\$ 664,389	\$ 3,718,027
Deferred membership dues	1,793,702	-	-	1,793,702
Interest rate swap liability	-	-	1,222,696	1,222,696
Financing arrangements, net	-	-	30,295,913	30,295,913
Total Liabilities	<u>4,847,340</u>	<u>-</u>	<u>32,182,998</u>	<u>37,030,338</u>
Net Assets:				
Without donor restrictions	12,592,154	15,500,052	61,856,164	89,948,370
With donor restrictions	2,616,476	11,723,619	18,636,642	32,976,737
Total Net Assets	<u>15,208,630</u>	<u>27,223,671</u>	<u>80,492,806</u>	<u>122,925,107</u>
	<u>\$ 20,055,970</u>	<u>\$ 27,223,671</u>	<u>\$ 112,675,804</u>	<u>\$ 159,955,445</u>

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total All Funds</u>
Revenue, Gains, and Other Support				
Contributions and grants	\$ 2,420,899	\$ -	\$ 939,272	\$ 3,360,171
Membership dues	4,658,538	-	-	4,658,538
Auxiliary services and exhibits	17,470,356	-	-	17,470,356
Tuition	345,604	-	-	345,604
Other	180,756	-	1,631	182,387
Net realized and unrealized gains (losses) on investments and investment income (loss)	<u>8,069</u>	<u>(2,227,291)</u>	<u>(1,591,088)</u>	<u>(3,810,310)</u>
Total Revenue, Gains, and Other Support	<u>25,084,222</u>	<u>(2,227,291)</u>	<u>(650,185)</u>	<u>22,206,746</u>
Expenses:				
Program Services:				
Improvement and maintenance of gardens	5,801,167	-	4,533,314	10,334,481
Education	1,097,788	-	259,469	1,357,257
Auxiliary services and exhibits	<u>9,811,960</u>	<u>-</u>	<u>1,353,515</u>	<u>11,165,475</u>
Total Program Services	<u>16,710,915</u>	<u>-</u>	<u>6,146,298</u>	<u>22,857,213</u>
Support Services:				
General and administrative	2,188,023	-	189,708	2,377,731
Public relations	1,650,542	-	32,049	1,682,591
Fund-raising	1,591,595	-	92,697	1,684,292
Membership development	<u>937,058</u>	<u>-</u>	<u>17,312</u>	<u>954,370</u>
Total Support Services	<u>6,367,218</u>	<u>-</u>	<u>331,766</u>	<u>6,698,984</u>
Total Expenses	<u>23,078,133</u>	<u>-</u>	<u>6,478,064</u>	<u>29,556,197</u>
Other Gains:				
Change in market value of interest rate swap	<u>-</u>	<u>-</u>	<u>562,588</u>	<u>562,588</u>
Change in Net Assets	2,006,089	(2,227,291)	(6,565,661)	(6,786,863)
Net Assets at Beginning of Year	12,812,030	29,841,473	87,058,467	129,711,970
Interfund Transfers	<u>390,511</u>	<u>(390,511)</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 15,208,630</u>	<u>\$ 27,223,671</u>	<u>\$ 80,492,806</u>	<u>\$ 122,925,107</u>