

**Quail Botanical Gardens
Foundation, Inc.
dba San Diego Botanic Garden**

Financial Statements

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June 30, 2016 and 2015



**Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Audited Financial Statements**

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Independent Auditors' Report

To the Board of Directors
Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Encinitas, California

We have audited the accompanying financial statements of Quail Botanical Gardens Foundation, Inc. dba San Diego Botanic Garden (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quail Botanical Gardens Foundation, Inc. dba San Diego Botanic Garden as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Quail Botanical Gardens Foundation, Inc. dba San Diego Botanic Garden's 2015 financial statements, and our report dated December 29, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Polito Eppich Associates LLP

January 4, 2017
San Marcos, California

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Statements of Financial Position
June 30, 2016
With Comparative Totals as of June 30, 2015

	Unrestricted - Operating	Unrestricted - Board Designated	Temporarily Restricted	2016 Total	2015 Total
Assets					
Cash and cash equivalents	\$ 839,163	\$ 106,042	\$ 1,355,910	\$ 2,301,115	\$ 825,891
Accounts receivable	36,315			36,315	37,624
Beneficial interest in assets held by others - agency funds	0	9,105	1,162,711	1,171,816	987,786
Inventories	33,557			33,557	35,490
Prepaid expenses	74,372			74,372	82,501
Pledges receivable			1,234,917	1,234,917	1,362,857
Bequests receivable	425,913			425,913	784,690
Property and equipment, net	3,717,023			3,717,023	3,791,333
Beneficial interest in assets held by others - endowments	23,252	150,000		173,252	179,045
Intangible assets, net	12,765			12,765	14,183
Total assets	\$ 5,162,360	\$ 265,147	\$ 3,753,538	\$ 9,181,045	\$ 8,101,400
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 89,996	\$ 0	\$ 0	\$ 89,996	\$ 74,997
Credit cards payable	10,297			10,297	8,409
Accrued liabilities	108,847			108,847	102,967
Sales tax payable	4,026			4,026	2,939
Deferred revenue	222,811			222,811	229,049
Total liabilities	435,977			435,977	418,361
Net Assets	4,726,383	265,147	3,753,538	8,745,068	7,683,039
Total liabilities and net assets	\$ 5,162,360	\$ 265,147	\$ 3,753,538	\$ 9,181,045	\$ 8,101,400

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

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Statements of Activities
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	Unrestricted - Operating	Unrestricted - Board Designated	Temporarily Restricted	2016 Total	2015 Total
Revenue, gains and other support:					
Contributions	\$ 193,637	\$ 0	\$ 1,851,143	\$ 2,044,780	\$ 3,002,767
Memberships	643,946			643,946	666,641
Admissions	782,331			782,331	721,574
Donated assets and services	241,774			241,774	48,506
Rental and wedding income	297,138			297,138	239,526
Programs and classes	241,203			241,203	233,386
Loss on asset disposal	(98)			(98)	0
Government Grants	0			0	35,000
Net realized and unrealized loss on financial instruments	(32,745)			(32,745)	(17,791)
Sales, net of discounts	140,579			140,579	118,072
Interest and dividends	37,794			37,794	32,412
Miscellaneous	10,345			10,345	20,860
Special event	159,993			159,993	166,793
	<u>2,715,897</u>	<u>0</u>	<u>1,851,143</u>	<u>4,567,040</u>	<u>5,267,746</u>
Change in value of bequest receivable	(252,760)			(252,760)	0
Net assets released from restriction	424,319	(20,928)	(403,391)	0	0
Total revenue and support	<u>2,887,456</u>	<u>(20,928)</u>	<u>1,447,752</u>	<u>4,314,280</u>	<u>5,267,746</u>
Expenses:					
Cost of goods sold	76,856			76,856	55,553
Costs of direct benefits to donors	51,188			51,188	52,567
Program services:					
Gardens and programs	2,014,877			2,014,877	1,794,456
Supporting services:					
Management and general	598,212			598,212	419,093
Fundraising	511,118			511,118	631,892
Total expenses	<u>3,252,251</u>	<u>0</u>	<u>0</u>	<u>3,252,251</u>	<u>2,953,561</u>
Change in net assets	(364,795)	(20,928)	1,447,752	1,062,029	2,314,185
Interfund transfer	(38,924)	38,924	0	0	0
Net assets at beginning of year	5,130,102	247,151	2,305,786	7,683,039	5,368,854
Net assets at end of year	<u>\$ 4,726,383</u>	<u>\$ 265,147</u>	<u>\$ 3,753,538</u>	<u>\$ 8,745,068</u>	<u>\$ 7,683,039</u>

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

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Schedule of Functional Expenses
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	Program Services	Supporting Services		Total	2015 Total
		Management and General	Fundraising		
Salaries	\$ 685,837	\$ 302,933	\$ 174,769	\$ 1,163,539	\$ 1,188,447
Depreciation and amortization	345,437	21,224	0	366,661	362,459
Events and program costs	331,570	0	178,532	510,102	265,844
Contract services	34,551	38,100	83,250	155,901	91,942
Insurance	104,854	34,915	11,602	151,371	160,130
Repairs, maintenance and supplies	97,094	38,098	11,424	146,616	170,633
Utilities	110,736	9,688	7,284	127,708	132,931
Other	77,410	17,222	4,728	99,360	128,257
Advertising	96,280	0	0	96,280	70,895
Payroll taxes	53,284	23,584	10,462	87,331	89,262
Printing, copying and supplies	48,336	6,350	24,287	78,973	58,991
Professional fees	10,687	45,380	0	56,067	47,540
Credit and bank charges	0	52,433	0	52,433	47,132
Pension contributions	18,800	8,285	4,780	31,865	30,978
Total expenses	<u>\$ 2,014,877</u>	<u>\$ 598,212</u>	<u>\$ 511,118</u>	<u>\$ 3,124,207</u>	<u>\$ 2,845,441</u>

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

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 1,062,029	\$ 2,314,185
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	366,661	362,459
Loss on asset disposal	98	0
Net investment (gain) loss on assets held by others	2,958	(8,057)
Contributed securities	(187,827)	(10,579)
Change in operating assets and liabilities:		
Accounts receivable	1,309	(19,566)
Inventories	1,933	(5,820)
Prepaid expenses	8,129	(9,125)
Pledges receivable	127,940	(1,178,870)
Bequests receivable	358,777	(784,690)
Accounts payable	14,999	(23,989)
Credit cards payable	1,888	(1,188)
Accrued liabilities	5,880	12,178
Sales tax payable	1,087	593
Deferred revenue	(6,238)	37,712
Net cash provided by operating activities	<u>1,759,623</u>	<u>685,243</u>
Cash flows from investing activities		
Purchase of property and equipment	(291,031)	(161,769)
Contributions to assets held by others	0	(93,218)
Distributions from assets held by others	6,632	4,058
Net cash used in investing activities:	<u>(284,399)</u>	<u>(250,929)</u>
Cash flows from financing activities	<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents	1,475,224	434,314
Cash and cash equivalents, beginning	<u>825,891</u>	<u>391,577</u>
Cash and cash equivalents, ending	<u>\$ 2,301,115</u>	<u>\$ 825,891</u>

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

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 1: Nature of Business

Nature of Activities: Quail Botanical Gardens Foundation, Inc. dba San Diego Botanic Garden (the Organization) is a California nonprofit corporation. The Organization operates the San Diego Botanic Garden, formerly known as Quail Botanical Gardens, located in Encinitas, California. The mission of San Diego Botanic Garden is to inspire people of all ages to connect with plants and nature. Visitors enjoy restful vista, flowering trees, majestic palms and the nation's largest bamboo collection. The Organization's diverse topography provides a wide variety of microclimates giving visitors the sensation of strolling through a tropical rainforest to hiking in the high-desert. Four miles of trails wind through 29 uniquely themed gardens. The Organization is supported primarily by admission and program fees, public contributions and grants, and gift shop sales.

Note 2: Significant Accounting Policies

Financial Statement Presentation: The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based on the following criteria:

Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds or recognize the support.

Permanently restricted net assets represent those assets contributed to the Organization where the original dollar value is to remain in perpetuity as a permanent fund of the Organization.

Cash and Cash Equivalents: The Organization considers all highly liquid investments available for current uses with an initial maturity of three months or less to be cash equivalents.

The Organization received restricted donations for the purchase of long-term assets. Cash, pledges receivable and beneficial interest in assets held by others totaling \$3,748,191 are designated for the purchase of noncurrent assets.

Inventories: Inventories consist of retail merchandise to be sold at the Organization's gift shop. Inventories are recorded at the lower of cost or market value. Cost is determined by the first-in, first-out (FIFO) method.

Property and Equipment: Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of 5 – 39 years. Depreciation expense for the years ended June 30, 2016 and 2015 was \$365,243 and \$361,041, respectively.

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 2: Significant Accounting Policies (Continued)

Property and equipment donated with explicit restrictions regarding their use or disposal are reported as temporarily or permanently restricted assets and support depending on the nature of the restrictions.

All buildings and improvements will become County property if the Organization's operating lease with the County of San Diego is terminated.

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A framework for measuring fair value prioritizes the use of market-based inputs over the use of unobservable inputs when measuring fair value. An investment's categorization is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs are used to measure fair value:

- Level 1 are quoted prices (observable inputs) in active markets for identical assets or liabilities accessible by the Organization.
- Level 2 are inputs that are observable for the asset or liability, either directly or indirectly (other than quoted prices included within level 1). Fair value is determined through the use of models or other valuation methodologies.
- Level 3 are unobservable inputs for the asset or liability that rely on management's judgement about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

Income earned within the permanently restricted funds which has not yet been expended for its designated purpose is also carried as temporarily restricted. Substantially all of the restrictions on net assets at June 30, 2016 and 2015 relate to donor contributions designated for use on future improvement and capital projects.

Revenue Recognition: Revenues are recognized when earned with the exception of membership revenue. The Organization recognizes revenue for annual memberships when received. Two-year memberships are deferred and recognized on an annual basis.

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 2: Significant Accounting Policies (Continued)

Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Management provides an allowance for uncollectible amounts through a valuation allowance based on historical collections and its assessment of the current status of individual receivables. Accordingly, there was no allowance for doubtful accounts at June 30, 2016 and 2015.

Donated Assets and Services: Contributions of non-cash assets and services are recorded at their fair value in the period received. Contributions of services create or enhance non-financial assets and typically require specialized skills provided by entities or persons possessing those skills that would need to be purchased if they were not donated. The Organization recorded \$241,7740 and \$48,506 in non-cash donations for the years ended June 30, 2016 and 2015, respectively.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in providing its services. Management estimates the Organization received approximately 30,000 and 35,000 volunteer hours for each year ended June 30, 2016 and 2015, respectively. These services do not meet the criteria for recording contributions and are not recognized in the financial statements.

Functional Allocation of Expenses: The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by the Organization's management.

Effective July 1, 2015, the costs related to membership development were changed from fundraising to program expense as a direct result of the change in treatment of the related membership revenues.

Advertising: Advertising costs are expensed as incurred. Advertising expense was \$96,280 and \$70,895 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes: The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the State of California. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, nor related accruals for interest and penalties for uncertain income tax positions at June 30, 2016 and 2015.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. Currently, there are no audits of the Organization's returns in process. In general, the Organization's federal and state income tax returns remain open for the prior three and four years, respectively.

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 2: Significant Accounting Policies (Continued)

Concentrations of Credit Risk: The Organization maintains cash balances at banks located in San Diego. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalents.

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

Comparative Financial Statements: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. That information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Reclassification: Certain amounts for the year ended June 30, 2015 have been reclassified in these comparative financial statements to conform to their 2016 classification. These reclassifications have no effect on net assets.

Subsequent Events: The Organization has evaluated subsequent events through the report date, which is the date the financial statements were available to be issued. The following subsequent event occurred:

- In the year ending June 30, 2015, the Organization was identified as a beneficiary of an estate in probate, and donation revenue of \$700,000 was recorded based on the facts known at that time. In October 2016, after the completion of probate, the Organization received a total of \$447,240. A valuation adjustment to bequests receivable was recorded at June 30, 2016 in the amount of \$252,760.

Note 3: Beneficial Interests in Assets Held by Others

The Organization's Level 2 investments consist of agency funds and endowment funds held at local community foundations in balanced pool portfolios which include publicly traded securities, mutual funds and other investments. The pooled investments are categorized as Level 2 due to the indirect observable inputs.

Agency Funds: The Organization transferred funds to community foundations primarily to take advantage of the foundations' investment management expertise. Variance power over the funds was not granted to the community foundations. The funds are considered *beneficial interests in assets held by others (agency funds)* in the statement of financial position at June 30, 2016 and 2015.

Endowment Funds: Endowment funds established with community foundations are recorded as *beneficial interests in assets held by others (endowment funds)*. The Organization transferred assets and granted variance powers to the community foundations to establish endowment funds. The Board of Directors of each community foundation has the sole discretionary power to modify the terms of the funds including restrictions, conditions and beneficiaries without the consent of the Organization.

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 3: Beneficial Interests in Assets Held by Others (Continued)

Under the terms of the agreements, the Organization has irrevocably transferred the assets to the community foundations. Generally, the Organization is entitled to an annual distribution of income based on the amount of the endowment.

The following table presents level 2 beneficial interests in assets held by others at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Assets held by others – agency funds		
Rancho Santa Fe Foundation	\$ 751,217	\$ 573,954
Jewish Community Center Foundation	411,494	413,832
San Diego Community Foundation	9,105	0
	<u>1,171,816</u>	<u>987,786</u>
Assets held by others – endowment funds		
Rancho Santa Fe Foundation	68,991	69,023
Jewish Community Foundation	54,129	57,255
San Diego Community Foundation	50,132	52,767
	<u>173,252</u>	<u>179,045</u>
Total	<u>\$ 1,345,068</u>	<u>\$ 1,166,831</u>

Investment return for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 37,794	\$ 32,412
Realized gains (losses)	5,857	20,484
Unrealized gains (losses)	(38,602)	(38,275)
Investment fees	(10,222)	(8,641)
	<u>\$ (5,173)</u>	<u>\$ 5,980</u>

Note 4: Pledges receivable

Pledges receivable at June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 504,267	\$ 373,536
Receivable in one to five years	730,650	989,321
	<u>\$ 1,234,917</u>	<u>\$ 1,362,857</u>

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 5: Property and Equipment

Property and equipment at June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Buildings and garden improvements	\$ 5,871,454	\$ 5,847,495
Construction in progress	565,614	307,282
Office furniture and equipment	126,907	260,882
Garden equipment and fixtures	<u>212,906</u>	<u>213,774</u>
	6,776,881	6,629,433
Less: accumulated depreciation	<u>(3,059,858)</u>	<u>(2,838,100)</u>
	<u>\$ 3,717,023</u>	<u>\$ 3,791,333</u>

Note 6: Intangibles

Intangible assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Trademark	\$ 21,273	\$ 21,273
Less: accumulated amortization	<u>(8,508)</u>	<u>(7,090)</u>
	<u>\$ 12,765</u>	<u>\$ 14,183</u>

Amortization expense for the years ended June 30, 2016 and 2015 was \$1,418 for each year.

Note 7: Temporarily Restricted Net Assets

Net assets released from donor restrictions upon satisfaction of donor specifications follow:

	<u>2016</u>	<u>2015</u>
Dickinson Family education conservatory	\$ 361,484	\$ 220,156
SD County grants	1,520	5,172
Others	<u>40,387</u>	<u>61,900</u>
Total restrictions released	<u>\$ 403,391</u>	<u>\$ 287,228</u>

Quail Botanical Gardens Foundation, Inc.
dba San Diego Botanic Garden
Notes to Financial Statements
June 30, 2016 and 2015

Note 7: Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets for the years ended June 30, 2016 and 2015 follow:

	<u>2016</u>	<u>2015</u>
Dickinson Family education conservatory	\$ 3,599,224	\$ 2,191,105
Gala "Fund a Need"	44,422	3,222
Scholarship fund	43,208	38,608
HCG Program expense	16,025	16,106
SDGE grants	10,000	13,282
Others	40,659	43,463
	<hr/>	<hr/>
Total temporarily restricted net assets	<u>\$ 3,753,538</u>	<u>\$ 2,305,786</u>

Note 8: Unrestricted Board Designated Funds

Funds released from board restrictions upon satisfaction of board specifications consist of the following:

	<u>2016</u>	<u>2015</u>
Coffee cart project	\$ 20,000	\$ 0
Greenhouse gate	928	12,672
	<hr/>	<hr/>
Total restrictions released	<u>\$ 20,928</u>	<u>\$ 12,672</u>

Board designated funds are available for the following purpose:

	<u>2016</u>	<u>2015</u>
Permanent endowment	\$ 150,000	\$ 150,000
Dickinson Family education conservatory	104,545	76,223
Temporary endowment	10,602	0
Coffee cart project	0	20,000
Greenhouse gate	0	928
	<hr/>	<hr/>
Total board designated funds	<u>\$ 265,147</u>	<u>\$ 247,151</u>

Quail Botanical Gardens Foundation, Inc.
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Notes to Financial Statements
June 30, 2016 and 2015

Note 8: Unrestricted Board Designated Funds (Continued)

The Board has established three endowment funds. Changes in endowment net assets for the years ending June 30, 2016 and 2015 follow:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Total</u>
Endowment net assets at June 30, 2014	\$ 30,134	\$ 150,000	\$ 180,134
Investment income (loss):			
Interest and dividends (net of fees)	2,640	0	2,640
Realized gains (losses)	2,414	0	2,414
Unrealized gains (losses)	(3,789)	0	(3,789)
Appropriations	<u>(1,994)</u>	<u>0</u>	<u>(1,994)</u>
Endowment net assets at June 30, 2015	29,405	150,000	179,405
Investment income (loss):			
Contributions	0	10,602	10,602
Interest and dividends (net of fees)	1,839	0	1,839
Realized gains (losses)	693	0	693
Unrealized gains (losses)	(4,068)	0	(4,068)
Appropriations	<u>(4,617)</u>	<u>0</u>	<u>(4,617)</u>
Endowment net assets at June 30, 2016	<u>\$ 23,252</u>	<u>\$ 160,602</u>	<u>\$ 183,854</u>

Note 9: Commitments

The Organization renewed its lease with the County of San Diego through March 2031. In consideration, the Organization paid the County \$1 for the term of the lease. The Organization is responsible for the operating and maintenance costs of the leased property. The fair market value of the lease is not readily determined and therefore is not recorded in *donated assets and services* in the statement of activities.

The Organization entered into a 55-year lease with the City of Encinitas on May 16, 2003 for an adjacent property. In consideration, the Organization will pay \$1 annually and provide one day a month of free admission to Encinitas residents. Free admission to Encinitas residents is estimated at approximately \$9,000 a year. The fair market value of the lease is not readily determined and therefore is not recorded in *donated assets and services* in the statement of activities.

The Organization received a grant of \$1,000,000 from the Leichtag Foundation on December 10, 2014, to be paid over 15 years. Beginning January 1, 2015, the grant requires the Organization provide an annual \$50,000 rental credit whereby *renting organizations*, as identified by the Foundation at least annually, can utilize the credit and lease the Organization's facilities at a discounted rate. The Organization is not obligated to \$50,000 each year if not utilized and rental space is subject to availability and the Organization's standard rental terms and restrictions.

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Notes to Financial Statements
June 30, 2016 and 2015

Note 10: Retirement Plan

Effective January 1, 2009, the Organization established a defined contribution 403(b) retirement plan (the "Plan") for eligible employees. The Plan is administered by a third party administrator. Substantially all employees who work a minimum of 20 hours a week are eligible to participate in the Plan. Under the terms of the Plan, employees may make contributions up to the maximum amount allowed by law. The Organization makes matching contributions up to 4% of the employee's wages. The Organization contributed \$31,865 and \$30,978 for the years ended June 30, 2016 and 2015, respectively.