

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

**Financial Statements**

\* \* \* \* \*

**June 30, 2018**

**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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 2018, 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.

*Polito Epich Associates LLP*

November 6, 2018  
San Marcos, California

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Statement of Financial Position**  
**June 30, 2018**

	<b>Unrestricted - Operating</b>	<b>Unrestricted - Board Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 1,444,424	\$ 184,744	\$ 916,321	\$ 0	\$ 2,545,489
Restricted cash	158,556	0	0	0	158,556
Accounts receivable	68,594	0	0	0	68,594
Inventories	35,985	0	0	0	35,985
Prepaid expenses	65,313	0	0	0	65,313
Beneficial interest in assets held by other - agency fund	0	0	74,584	0	74,584
Pledges receivable	0	0	627,375	0	627,375
Property and equipment, net	6,356,639	0	0	0	6,356,639
Intangible assets, net	9,929	0	0	0	9,929
Beneficial interest in assets held by others - endowments	44,731	150,000	466	9,131	204,328
<b>Total Assets</b>	<b>\$ 8,184,171</b>	<b>\$ 334,744</b>	<b>\$ 1,618,746</b>	<b>\$ 9,131</b>	<b>\$ 10,146,792</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable	\$ 56,297	\$ 0	\$ 0	\$ 0	\$ 56,297
Credit cards payable	8,484	0	0	0	8,484
Accrued liabilities	119,626	0	0	0	119,626
Sales tax payable	3,890	0	0	0	3,890
Deferred revenue	331,479	0	0	0	331,479
<b>Total liabilities</b>	<b>519,776</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>519,776</b>
<b>Net Assets</b>	<b>7,664,395</b>	<b>334,744</b>	<b>1,618,746</b>	<b>9,131</b>	<b>9,627,016</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,184,171</b>	<b>\$ 334,744</b>	<b>\$ 1,618,746</b>	<b>\$ 9,131</b>	<b>\$ 10,146,792</b>

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

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	<u>Unrestricted - Operating</u>	<u>Unrestricted - Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue and Support</b>					
Contributions	\$ 399,831	\$ 0	\$ 774,135	\$ 0	\$ 1,173,966
Memberships	662,171	0	0	0	662,171
Admissions	736,800	0	0	0	736,800
Donated assets and services	227,142	0	0	0	227,142
Rental and wedding income	318,857	0	0	0	318,857
Programs and classes	526,854	0	0	0	526,854
Net realized and unrealized loss on financial instruments	50,004	0	(28)	0	49,976
Sales, net of discounts	182,108	0	0	0	182,108
Interest and dividends	23,681	0	0	0	23,681
Miscellaneous	3,260	0	0	0	3,260
Special event	200,954	0	0	0	200,954
	<u>3,331,662</u>	<u>0</u>	<u>774,107</u>	<u>0</u>	<u>4,105,769</u>
Change in value of bequest receivable	0	0	0	0	0
Net assets released from restriction	2,155,352	0	(2,155,352)	0	0
Total revenue and support	<u>5,487,014</u>	<u>0</u>	<u>(1,381,245)</u>	<u>0</u>	<u>4,105,769</u>
<b>Expenses</b>					
Cost of goods sold	80,439	0	0	0	80,439
Costs of direct benefits to donors	111,020	0	0	0	111,020
Program services:					
Gardens and programs	2,223,691	0	0	0	2,223,691
Supporting services:					
Management and general	451,622	0	0	0	451,622
Fundraising	531,891	0	0	0	531,891
Total expenses	<u>3,398,663</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,398,663</u>
<b>Change in Net Assets</b>	2,088,351	0	(1,381,245)	0	707,106
Interfund transfer	(2,314)	2,314	0	0	0
<b>Net Assets at Beginning of Year</b>	5,578,358	332,430	2,999,991	9,131	8,919,910
<b>Net Assets at End of Year</b>	<u>\$ 7,664,395</u>	<u>\$ 334,744</u>	<u>\$ 1,618,746</u>	<u>\$ 9,131</u>	<u>\$ 9,627,016</u>

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

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 874,466	\$ 221,677	\$ 263,836	\$ 1,359,979
Events and program costs	192,937	22	80,046	273,005
Depreciation and amortization	349,059	25,669	0	374,728
Insurance	87,136	23,670	16,360	127,166
Repairs, maintenance and supplies	244,677	13,319	11,941	269,937
Utilities	112,646	6,660	3,563	122,869
Other	95,809	49,072	33,567	178,448
Payroll taxes	67,099	17,009	20,244	104,352
Advertising	76,363	0	8,882	85,245
Printing, copying and supplies	40,846	19,051	22,788	82,685
Contract services	26,612	4,287	6,910	37,809
Professional fees	12,329	59,039	2,531	73,899
Credit and bank charges	43,712	12,147	6,498	62,357
Donor recognition	0	0	54,725	54,725
Total expenses	<u>\$ 2,223,691</u>	<u>\$ 451,622</u>	<u>\$ 531,891</u>	<u>\$ 3,207,204</u>

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

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 707,106
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	374,728
Contributed securities	(100,146)
Net investment (gain) loss on assets held by others	(57,480)
Contributions towards long-term assets	(525,535)
Change in operating assets and liabilities:	
Accounts receivable	(49,012)
Pledges receivable	374,681
Inventories	(8,792)
Prepaid expenses	24,158
Accounts payable	(18,696)
Credit cards payable	7,518
Accrued liabilities	9,705
Sales tax payable	(116)
Deferred revenue	68,285
<b>Net cash provided by operating activities</b>	<u>806,404</u>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	(2,117,522)
Contributions to assets held by others	(12,500)
Distributions from assets held by others	1,185,428
<b>Net cash used in investing activities</b>	<u>(944,594)</u>
<b>Cash flows from financing activities</b>	
Contributions towards long-term assets	525,535
<b>Net cash provided by financing activities</b>	<u>525,535</u>
<b>Net increase in cash and cash equivalents</b>	387,345
<b>Cash and cash equivalents, beginning of year</b>	<u>2,316,700</u>
<b>Cash and cash equivalents, ending of year</b>	<u>\$ 2,704,045</u>
<b>Cash and cash equivalents at June 30, 2018</b>	
Cash and cash equivalents	\$ 2,545,489
Restricted cash	158,556
<b>Total cash, cash equivalents and restricted cash</b>	<u>\$ 2,704,045</u>

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



**Note 1: Organization**

**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 and wide variety of microclimates provides visitors with the varied sensations 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:** Financial statement presentation follows the recommendations of generally accepted accounting principles (GAAP) for nonprofit organizations.

**Net Assets:** 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 transferred funds into three time deposit accounts as required by the City of Encinitas as a condition to granting the grading permit to engage in the building of the conservatory. The time deposits are interest-bearing bank deposit accounts with 30-day terms subject to automatic renewal. Balances in time deposit accounts are reported as restricted cash in the statement of financial position totaling \$158,556 at June 30, 2018.

The Organization received restricted donations for the purchase of long-term assets. Cash, pledges receivable and beneficial interest in assets held by others totaling \$1,384,324 are designated for the purchase of noncurrent assets as of June 30, 2018.

**Note 2: Significant Accounting Policies (Continued)**

**Accounts Receivable:** Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at June 30, 2018, because management believes that all amounts are collectible.

**Pledges Receivable:** 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, 2018.

**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.

**Investments and Fair Value Measurements:** Generally accepted accounting principles define fair value, establish a framework for measuring fair value and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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 fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies.
- Level 3 inputs are unobservable for the asset or liability and rely on management's own estimates 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.)

**Note 2: Significant Accounting Policies (Continued)**

**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, 2018 was \$373,310.

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 or City property if the Organization's operating lease with the County of San Diego or the City of Encinitas is terminated.

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

**Contributions:** Contributions 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. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as temporarily restricted and then released from restriction in the same period.

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 temporary restrictions on net assets at June 30, 2018 relate to donor contributions designated for use on future improvement and capital projects.

**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 \$227,142 in non-cash donations for the year ended June 30, 2018.

Volunteers have donated significant amounts of their time and perform a variety of tasks that assist the Organization in providing its services. Management estimates the Organization received approximately 48,000 volunteer hours for the year ended June 30, 2018, respectively. These donated services do not meet the criteria for recognition as contributed services and are not recognized in the financial statements.

**Note 2: Significant Accounting Policies (Continued)**

**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.

**Advertising:** Advertising costs are expensed as incurred. Advertising expense was \$85,245 for the year ended June 30, 2018.

**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, 2018 and 2017.

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.

**Use of 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.

**Management's Review of Subsequent Events:** The Organization has evaluated subsequent events through the audit report date, which is the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to June 30, 2018 that would require adjustment to, or disclosure in, these financial statements.

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Notes to Financial Statements**  
**June 30, 2018**

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**Note 3: Pledges Receivable**

Pledges receivable at June 30, 2018 consist of the following:

Receivable in less than one year	\$	18,500
Receivable in one to five years		<u>608,875</u>
	\$	<u>627,375</u>

**Note 4: Beneficial Interests in Assets Held by Others**

The Organization's 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. As described in Note 2, the pooled investments are categorized as Level 2 due to the indirect observable inputs.

**Agency Fund:** The Organization transferred funds to community foundations primarily to take advantage of the foundations' investment management expertise. Variance power over the fund was not granted to the community foundations. The funds are considered *beneficial interests in assets held by other (agency fund)* in the statement of financial position at June 30, 2018.

**Board Designated Endowment Funds:** Endowment funds established with community foundations are recorded as *beneficial interests in assets held by others (endowment funds)* in the statement of financial position at June 30, 2018. 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.

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.

**Permanent Endowment Fund:** The Organization is the beneficiary of an endowment fund established with a community foundation. The original donation is held in perpetuity, and the community foundation makes distributions from the fund according to its endowment grant policy.

The endowment funds are subject to the community foundations' investment and endowment spending policies in accordance to the foundations' interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires the preservation of the fair value of the original gifts as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Notes to Financial Statements**  
**June 30, 2018**

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**Note 4: Beneficial Interests in Assets Held by Others (Continued)**

The following table presents level 2 beneficial interests in assets held by others at June 30, 2018:

Assets held by others – agency fund		
Rancho Santa Fe Foundation	\$	<u>74,584</u>
 Assets held by others – endowment funds		
Rancho Santa Fe Foundation		80,293
Jewish Community Foundation		58,848
San Diego Community Foundation		<u>55,590</u>
		194,731
 Assets held by others – permanent endowment fund		
San Diego Community Foundation		<u>9,597</u>
	Total	<u>\$ 278,912</u>

Investment return for the year ended June 30, 2018 consisted of the following:

Interest and dividends	\$	12,901
Realized gains (losses)		57,622
Unrealized gains (losses)		(7,457)
Investment fees		<u>(5,586)</u>
	\$	<u>57,480</u>

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Notes to Financial Statements**  
**June 30, 2018**

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**Note 5: Property and Equipment**

Property and equipment at June 30, 2018 is summarized as follows:

Buildings and garden improvements	\$ 5,892,583
Office furniture and equipment	143,009
Garden equipment and fixtures	<u>327,910</u>
	6,363,502
Less: accumulated depreciation	<u>(3,794,770)</u>
	2,568,732
Construction in progress	<u>3,787,907</u>
	<u>\$ 6,356,639</u>

**Note 6: Intangibles**

Intangible assets at June 30, 2018 consist of the following:

Trademark	\$ 21,273
Less: accumulated amortization	<u>(11,344)</u>
	<u>\$ 9,929</u>

Amortization expense for the year ended June 30, 2018 was \$1,418.

**Note 7: Temporarily Restricted Net Assets**

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

Dickinson Family education conservatory	\$ 2,053,623
Tree beautification	29,600
SOW program expense	18,073
Boabab Fund	21,081
Others	<u>32,975</u>
Total restrictions released	<u>\$ 2,155,352</u>

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Notes to Financial Statements**  
**June 30, 2018**

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**Note 7: Temporarily Restricted Net Assets (Continued)**

Temporarily restricted net assets for the year ended June 30, 2018 follow:

Dickinson Family education conservatory	\$	1,336,604
Julian Duval fund		69,831
Scholarship fund		47,933
Madagascar garden		33,418
Capital improvements		25,000
Others (under \$25,000)		<u>105,960</u>
Total temporarily restricted net assets	\$	<u>1,618,746</u>

**Note 8: Unrestricted Board Designated Funds**

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

Succession planning	\$	<u>12,123</u>
Total board designations released	\$	<u>12,123</u>

Board designated funds are available for the following purpose:

Board endowment	\$	150,000
Dickinson Family education conservatory		104,545
Temporary endowment		77,321
Succession planning		<u>2,878</u>
Total board designated funds	\$	<u>334,744</u>



**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Notes to Financial Statements**  
**June 30, 2018**

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**Note 9: Endowment Funds**

The Organization has one endowment fund and three board designated permanent endowment funds. Changes in endowment net assets for the year ending June 30, 2018 follow:

	Unrestricted	Board Designated	Temporarily Restricted	Permanent Endowment	Total
Endowment net assets at June 30, 2017	38,184	150,000	494	9,131	197,809
Contributions	0	0	0	0	0
Investment income (loss):					
Interest and dividends (net of fees)	3,532	0	0	0	3,532
Realized gains (losses)	9,068	0	0	0	9,068
Unrealized gains (losses)	(4,540)	0	(28)	0	(4,568)
Appropriations	(5,106)	0	0	0	(5,106)
Endowment net assets at June 30, 2018	<u>\$ 41,138</u>	<u>\$ 150,000</u>	<u>\$ 466</u>	<u>\$ 9,131</u>	<u>\$ 200,735</u>

**Note 10: Commitments**

The Organization renewed its lease with the County of San Diego through March 20, 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.

**Quail Botanical Gardens Foundation, Inc.**  
**dba San Diego Botanic Garden**  
**Notes to Financial Statements**  
**June 30, 2018**

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**Note 10: Commitments (Continued)**

The Organization entered into an equipment lease agreement on August 13, 2012 with an unrelated party under an operating lease agreement at a base monthly rent of \$474. The Organization renewed the lease agreement on January 12, 2017 at a base monthly rent of \$484 expiring in December 2021. Lease expense for the year ending June 30, 2018 was \$6,544.

Minimum future annual payments under equipment leases for the years ending June 30 follow:

2019	\$	5,808
2020		5,808
2021		5,808
2022		<u>2,904</u>
	\$	<u>20,328</u>

**Note 11: 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 \$33,098 for the year ended June 30, 2018.

**Note 12: Concentration of Credit Risk**

The Organization maintains cash balances at institutions 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.