

**MCKEE BOTANICAL GARDEN, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**June 30, 2019
(With Comparative Totals for 2018)**

MCKEE BOTANICAL GARDEN, INC.

Vero Beach, Florida

FINANCIAL STATEMENTS

June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
McKee Botanical Garden, Inc.

We have audited the accompanying financial statements of McKee Botanical Garden, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McKee Botanical Garden, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

McKee Botanical Garden, Inc.'s 2018 financial statements were subjected to an audit engagement by other accountants whose report dated September 7, 2018 expressed an unmodified audit opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OFFUTT BARTON SCHLITT LLC

Vero Beach, Florida
August 30, 2019

**MCKEE BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(WITH COMPARATIVE TOTALS
AS OF JUNE 30, 2018)**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,571,487	\$ 2,299,579
Inventory	17,654	10,393
Prepaid expenses and other assets	59,439	50,430
Contributions receivable, net	1,079,720	1,268,060
Investments	2,633,261	2,322,600
Property and equipment, net	8,981,004	7,416,620
Total assets	\$ 15,342,565	\$ 13,367,682
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 205,032	\$ 22,901
Retainage payable	243,652	-
Deferred revenue	108,695	19,130
Total liabilities	557,379	42,031
Net assets		
Without donor restrictions		
Undesignated	9,286,552	8,136,200
Designated by the Board	309,975	136,775
Total without donor restrictions	9,596,527	8,272,975
With donor restrictions		
Purpose restrictions	2,600,064	2,360,218
Perpetual in nature	2,588,595	2,692,458
Total with donor restrictions	5,188,659	5,052,676
Total net assets	14,785,186	13,325,651
Total liabilities and net assets	\$ 15,342,565	\$ 13,367,682

See notes to the financial statements and Independent Auditors' Report.

**MCKEE BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	(Memo Total)
REVENUE, SUPPORT, AND GAINS				
Public support contributions	\$ 37,137	\$ 1,587,892	\$ 1,625,029	\$ 774,018
Membership dues	555,862	-	555,862	508,622
Gate receipts	422,020	-	422,020	368,340
Special events and exhibits (net of \$121,769 and \$108,643 of expense in 2019 and 2018, respectively)	163,281	-	163,281	122,672
Gift shop sales	104,825	-	104,825	78,650
Less cost of goods sold	(48,012)	-	(48,012)	(36,878)
Net gift shop sales	56,813	-	56,813	41,772
Rental income and concessions	9,280	-	9,280	7,522
Net investment return	9,625	176,219	185,844	122,228
Subtotal revenues, support, and gains	1,254,018	1,764,111	3,018,129	1,945,174
Net assets released from restriction	1,628,128	(1,628,128)	-	-
Total revenue, support, and gains	2,882,146	135,983	3,018,129	1,945,174
EXPENSES AND LOSSES				
Program and supporting services				
Program services	1,058,442	-	1,058,442	935,718
General and administrative	164,379	-	164,379	149,848
Fundraising	328,037	-	328,037	318,978
Total program and supporting services	1,550,858	-	1,550,858	1,404,544
Loss on disposal of assets	7,736	-	7,736	-
Total expenses and losses	1,558,594	-	1,558,594	1,404,544
Change in net assets	1,323,552	135,983	1,459,535	540,630
Net assets, beginning of year	8,272,975	5,052,676	13,325,651	12,785,021
Net assets, end of year	\$ 9,596,527	\$ 5,188,659	\$ 14,785,186	\$ 13,325,651

See notes to the financial statements and Independent Auditors' Report.

**MCKEE BOTANICAL GARDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2018)**

	2019				2018
	Program Services	Supporting Services		Total	All Funds Combined (Memo Total)
	Education Services	General and Administrative	Fundraising		
Salaries and wages	\$ 311,903	\$ 90,658	\$ 123,943	\$ 526,504	\$ 497,883
Payroll taxes and benefits	52,402	15,488	11,174	79,064	78,960
Total payroll	364,305	106,146	135,117	605,568	576,843
Depreciation	221,806	18,786	23,070	263,662	250,530
Fundraising costs	-	-	146,433	146,433	139,522
Exhibits	136,990	-	-	136,990	90,646
Grounds maintenance	116,329	6,067	7,451	129,847	114,689
Other administrative	44,443	23,725	4,110	72,278	53,742
Printing and supplies	36,680	2,440	2,996	42,116	36,146
Building maintenance	33,514	2,321	2,850	38,685	30,128
Insurance	30,257	2,563	3,147	35,967	37,892
Promotion and publicity	26,984	2,266	2,783	32,033	33,542
Other maintenance	28,117	-	-	28,117	19,837
Educational programs	18,252	-	-	18,252	18,038
Legal	765	65	80	910	2,989
Total expenses	\$ 1,058,442	\$ 164,379	\$ 328,037	\$ 1,550,858	\$ 1,404,544

See notes to the financial statements and Independent Auditors' Report.

**MCKEE BOTANICAL GARDEN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE
THE YEAR ENDED JUNE 30, 2018)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,459,535	\$ 540,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	263,662	250,530
Restricted endowment contributions	(61,200)	(14,280)
Unrealized gain on investments	(121,222)	(80,165)
Loss on disposal of property and equipment	7,736	-
Changes in operating assets and liabilities:		
Inventory	(7,261)	851
Prepaid expenses	(9,009)	36,471
Contributions receivable	(49,922)	265,009
Accounts payable and accrued liabilities	182,131	6,853
Retainage payable	243,652	-
Deferred revenue	89,565	(42,437)
Net cash provided by operating activities	1,997,667	963,462
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(354,459)	(482,941)
Purchase of property and equipment	(1,835,782)	(965,913)
Transfer from investments to operating	165,020	-
Net cash used for investing activities	(2,025,221)	(1,448,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted endowment contributions	299,462	446,817
Net cash provided by financing activities	299,462	446,817
Net change in cash	271,908	(38,575)
Cash and cash equivalents, beginning of year	2,299,579	2,338,154
Cash and cash equivalents, end of year	\$ 2,571,487	\$ 2,299,579

See notes to the financial statements and Independent Auditors' Report.

MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 NATURE OF ORGANIZATION

McKee Botanical Garden, Inc. (“McKee”) is a Florida not-for-profit corporation created in 2003 to restore and operate McKee Botanical Garden, a public botanical garden in Vero Beach, Florida. It derives virtually all of its revenues from public support, either through contributions and grants or from program services fees.

In recognition of the many functions McKee serves in its community and beyond, the Board of Directors and Advisors developed a multifaceted mission statement to guide its future. The mission of McKee is “to nurture and enhance a historic garden in a unique tropical setting for the education, enjoyment and enrichment of all.”

McKee’s exotic and native collections are carefully cultivated to interest visitors with the possibilities of landscaping in a tropical zone. Emphasis is placed on plants that provide additional interaction, such as the butterfly-attracting vines that wind through the entrance pergola.

McKee makes every effort to engage the community on a regular basis by establishing traditions that are highly anticipated year after year, including favorites such as – Holidays at McKee, Nights of Lights, Annual Motor Car Exhibition, Bridge in the Garden, Fairy Festival and the Waterlily Celebration.

Every day, McKee Botanical Garden provides new and exciting opportunities for learning and inspiration.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of McKee and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

McKee recognizes grants, contracts and contributions of cash or other assets restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in

MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. Contributed property and equipment are recorded at fair value at the date of donation. Revenue for gate receipts and special events and exhibits are recorded when received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Materials and Services

Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. McKee did not receive contributed services meeting these criteria during the years ended June 30, 2019 and 2018. McKee benefits from the hard work of more than 140 volunteers, who provided 6,487 and 6,270 hours of service in 2019 and 2018, respectively. Volunteers work in almost every department and assist on projects ranging from garden maintenance tasks to special events. McKee all-volunteer tour guides led 429 and 691 visitors on guided tours in 2019 and 2018, respectively. These figures include over 148 and 442 schoolchildren for 2019 and 2018, respectively. Whether as official representatives or unofficial community ambassadors, McKee's dedicated staff and volunteers are vital to McKee's well-being and prominence within the community.

Use of Estimates

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 year. Actual results may differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject McKee to concentrations of credit risk consist principally of cash, investments, and contributions receivable. The cash is insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor, per insured bank. Investments are secured by the Securities Investor Protection Corporation up to \$500,000, including a maximum of \$250,000 for cash claims. This protection does not cover investment losses in customer accounts due to market fluctuation or certain other losses incurred. Investments are diversified between fixed income securities and mutual funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, McKee considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Any allowable income released from the endowment funds is transferred to operating cash. McKee maintains its deposits in amounts which, at times, may exceed federally insured limits, in local financial institutions. Management does not believe that McKee is exposed to any significant interest rate or other financial risk as a result of these deposits.

MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Net investment return is reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Net investment return from donor-restricted endowments is reported as an increase in net assets with donor restrictions.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of each category in the fair value hierarchy is as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

Investments with readily determinable fair value traded in an active market are categorized as Level 1 investments and include money market funds and mutual funds.

Inventory

Inventory, consisting of merchandise held for sale in the Gift Shop, is valued at lower of cost, using the first-in, first-out method, or net realizable value.

MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Property and Equipment and Depreciation

Property and equipment costing over \$5,000 are capitalized and depreciated over the estimated useful lives of the assets using the straight-line method. The fair value of contributed property and equipment is similarly capitalized and depreciated. Management annually evaluates these assets for impairment. The estimated useful lives used to compute depreciation are:

Buildings and structures	10 to 40 years
Landscape and waterways	20 to 40 years
Furniture and office equipment	5 to 10 years
Other operating equipment	5 to 10 years

Membership Dues and Deferred Revenue

Membership dues are recorded as earned for each fiscal year. Membership dues received in advance for the season year are deferred and included in liabilities on the statement of financial position.

Income Taxes

McKee is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although McKee was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from donors or grantors. McKee has been classified as not a private foundation.

McKee analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. McKee treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its general and administrative expenses.

McKee has evaluated its income tax filing positions for tax years 2016 through 2019, the years, which remain subject to examination as of June 30, 2019. McKee concluded that there are no significant uncertain tax positions requiring recognition in McKee’s financial statements. McKee does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. McKee does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2019 or 2018 and is not aware of any claims for such amounts by federal or state income tax authorities.

Prior Period Information

The financial statements include certain prior year corresponding totals intended to be read only in relation to the current period presentation. The corresponding information was derived from McKee’s audited financial statements for the year ending June 30, 2018, but herein, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year corresponding totals may also reflect certain reclassification of amounts to conform to current year presentation.

MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Costs that are directly related to McKee's specific purpose have been recorded as a direct expense and included as program services. Certain costs have been allocated among the programs and supporting services benefited based on a percentage of direct labor and management's estimates of the benefit derived by each activity.

Subsequent Events

Management has evaluated subsequent events through August 30, 2019, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustments to, or disclosure in, the accompanying financial statement.

NOTE 3 NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (topic 958) Presentation of Financial Statements of Not-for-Profit Entities. McKee has adjusted the presentation of its financial statements accordingly, and applied the changes retrospectively to the summarized comparative period presented. The new standards change the following aspects of McKee's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed to net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 4 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects McKee's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if McKee's Board approves that action.

MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 2,571,487	\$ 2,299,579
Contributions receivable, net, collected in less than one year	575,883	777,942
Investments	2,633,261	2,322,600
 Total financial assets, excluding noncurrent receivables	 5,780,631	 5,400,121
 Contractual or donor-imposed restrictions:		
Endowment fund investments	(2,633,261)	(2,322,600)
Add back: amount appropriated for following year less cash received prior to beginning of fiscal year	1,971	1,921
Other donor restrictions	(2,600,064)	(2,360,218)
Add back: amounts available for donor-specified expenditures in following year	2,022,265	1,956,667
Board designations	(309,975)	(136,775)
Financial assets available to meet cash needs for expenditures within one year	\$ 2,261,567	\$ 2,539,116

NOTE 5 FAIR VALUE MEASUREMENTS

McKee utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

The following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Donor-Restricted Endowment

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss and liquidity assumptions. Level 1 securities include mutual funds and equity securities traded on an active exchange, such as the New York Stock Exchange, that are traded by dealers or brokers in active over-the-counter markets and money market funds.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although McKee believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Assets Recorded at Fair Value on a Recurring Basis

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of June 30, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments				
Cash and money market funds	\$ 717,040	\$ 717,040	\$ -	\$ -
Mutual funds				
Domestic equity	1,118,851	1,118,851	-	-
International equity	145,230	145,230	-	-
Fixed income	652,140	652,140	-	-
Total donor-restricted endowment at fair value	<u>\$ 2,633,261</u>	<u>\$ 2,633,261</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of June 30, 2018:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments				
Cash and money market funds	\$ 605,142	\$ 605,142	\$ -	\$ -
Mutual funds				
Domestic equity	835,015	835,015	-	-
International equity	144,408	144,408	-	-
Fixed income	738,035	738,035	-	-
Total donor-restricted endowment at fair value	<u>\$ 2,322,600</u>	<u>\$ 2,322,600</u>	<u>\$ -</u>	<u>\$ -</u>

**MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable		
Children's Garden	\$ 565,750	\$ 552,079
Endowment	533,133	773,409
Annual fund	10,500	-
	<u>1,109,383</u>	<u>1,325,488</u>
Less: present value discount	<u>29,663</u>	<u>57,428</u>
Contributions receivable, net	<u>\$ 1,079,720</u>	<u>\$ 1,268,060</u>

Contributions receivable with due dates extending more than one year are discounted using a market rate for similar term investments. The discount rate used was 2.08% and 2.87% for years ending June 30, 2019 and 2018, respectively.

Contributions receivable, net of present value, are estimated to be collected during the fiscal years ending June 30 as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 575,883
2021	383,098
2022	72,858
2023	25,326
2024	<u>22,555</u>
Contributions receivable, net	<u>\$ 1,079,720</u>

At June 30, 2019 and 2018, one donor accounted for 45% and 57% of total contributions receivable, respectively. One donor accounted for approximately 29% of total contributions revenue for the year ended June 30, 2019.

**MCKEE BOTANICAL GARDEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 PROPERTY AND EQUIPMENT

Net property and equipment at June 30 are summarized by major classifications as follows:

	<u>2019</u>	<u>2018</u>
Property and equipment		
Landscape and waterways	\$ 3,391,287	\$ 3,391,912
Buildings and improvements	3,190,366	3,152,308
Land	1,789,050	1,789,050
North parking lot	415,227	407,372
Hall of Giants	399,852	399,852
Office furniture and equipment	320,237	302,035
Storage unit	102,347	102,347
Greenhouse	99,165	99,165
Computers and software	38,467	34,459
Construction in process	<u>2,907,998</u>	<u>1,153,779</u>
 Total	 12,653,996	 10,832,279
Less: accumulated depreciation	<u>3,672,992</u>	<u>3,415,659</u>
 Net property and equipment	 <u>\$ 8,981,004</u>	 <u>\$ 7,416,620</u>

Work in progress consists of construction costs for a new children's garden. McKee expects the project to be completed and put into service January 2020 at an additional cost of approximately \$1,594,399 which will be funded through the Children's Garden campaign.

Depreciation expense totaled \$263,662 and \$250,530 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time or expenditure for specified purpose		
Endowment earnings	\$ 577,799	\$ 403,551
Summer operating fund	100,931	100,931
Children's garden	<u>1,921,334</u>	<u>1,855,736</u>
Total subject to the passage of time or expenditure for specified purpose	 <u>\$ 2,600,064</u>	 <u>\$ 2,360,218</u>

MCKEE BOTANICAL GARDEN, INC.
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$1,628,128 and \$1,057,759 for the years ended June 30, 2019 and 2018, respectively.

Endowment

Contributions to McKee's endowment funds are invested in accordance with McKee's endowment investment guidelines. The stated objective of the policy is to generate prudent but competitive investment returns from its endowments. The policy states that the funds are to be managed conservatively but will take reasonable risks in growing the funds in order to meet donor objectives while also paying out earnings up to a maximum 3.5% of year end principal value. Assets of the fund are to be diversified to protect against large investment losses and minimize volatility. Investment diversity is to be achieved by limiting the amount invested in domestic equity securities, international equity securities, fixed income securities and cash equivalents. The policy states an acceptable range for each asset class.

McKee's endowment consists of donor-restricted endowment funds. As required, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of McKee has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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, McKee retains in perpetuity (a) the historical dollar value of gifts donated to the endowment, (b) the historical dollar value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by McKee in a manner consistent with the standard of prudence prescribed by UPMIFA or unless there is a deficiency in the endowment fund as described below. In accordance with UPMIFA, McKee considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The terms of the endowment agreement, which document the wishes of the contributor
- The purposes of McKee and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of McKee
- Current investment policies

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Return Objective and Risk Parameters

McKee has adopted a balanced growth investment approach seeking to protect the long-term principal value of the endowment fund while providing long-term real growth of the principal. McKee understands that actual returns in any given year may vary and that adoption of this objective does not assure achievement of any specific investment results. McKee 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, with the asset mix to consist of 50%-80% equity instruments and 10%-40% fixed income securities and cash equivalents. McKee has preference for simple investment structures, which will have lower cost, easier oversight, and less complexity for internal financial management.

Spending Policy

Distributions from the endowment fund are determined annually for the subsequent calendar year by the Finance Committee of the Board of Directors based on the needs of McKee and their determination of availability of funds for distribution, using 3.5% of endowment assets as a distribution guide.

Net Assets With Perpetual Restrictions

Net assets with perpetual donor restrictions consisted of the following endowments at June 30:

	<u>2019</u>	<u>2018</u>
Endowments		
Schumann endowment	\$ 825,535	\$ 825,535
Bingham endowment	100,000	100,000
Becker endowment	100,000	100,000
Davenport endowment	50,000	50,000
Rolf endowment	25,000	-
Hurt endowment	55,000	45,000
Broadbent endowment	34,677	34,677
Cole endowment	5,000	5,000
Anonymous endowments	<u>860,250</u>	<u>758,837</u>
Total	2,055,462	1,919,049
Contributions receivable	<u>533,133</u>	<u>773,409</u>
Total	<u>\$ 2,588,595</u>	<u>\$ 2,692,458</u>

The fair value of investments held in endowment accounts at June 30, 2019 and 2018, amounted to \$2,633,261 and \$2,322,600, respectively.

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Changes in endowment net assets for the years ended June 30 are as follows:

	With Donor Restrictions		
	Accumulated Gains (Losses) and Other	Original Gift Amount	Total
Changes in endowment net assets for the year ended June 30, 2019			
Investment return			
Investment income	\$ 54,997	\$ -	\$ 54,997
Net realized gains	21,642	-	21,642
Net unrealized appreciation	99,580	-	99,580
	<hr/>	<hr/>	<hr/>
Net investment return	176,219	-	176,219
Release of restriction	(1,971)	-	(1,971)
Reclassification	-	(165,020)	(165,020)
Contributions	-	301,433	301,433
	<hr/>	<hr/>	<hr/>
Changes in endowment net assets	174,248	136,413	310,661
Endowment net assets			
Beginning of year, July 1, 2018	403,551	1,919,049	2,322,600
	<hr/>	<hr/>	<hr/>
End of year, June 30, 2019	\$ 577,799	\$ 2,055,462	\$ 2,633,261

	With Donor Restrictions		
	Accumulated Gains (Losses) and Other	Original Gift Amount	Total
Changes in endowment net assets for the year ended June 30, 2018			
Investment return			
Investment income	\$ 36,127	\$ -	\$ 36,127
Net realized gains	15,422	-	15,422
Net unrealized appreciation	66,661	-	66,661
	<hr/>	<hr/>	<hr/>
Net investment return	118,210	-	118,210
Release of restriction	(1,921)	-	(1,921)
Contributions	-	446,817	446,817
	<hr/>	<hr/>	<hr/>
Changes in endowment net assets	116,289	446,817	563,106
Endowment net assets			
Beginning of year, July 1, 2017	287,262	1,472,232	1,759,494
	<hr/>	<hr/>	<hr/>
End of year, June 30, 2018	\$ 403,551	\$ 1,919,049	\$ 2,322,600

**MCKEE BOTANICAL GARDEN, INC.
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NOTE 9 LINE OF CREDIT

McKee has a revolving line of credit with a bank in the amount of \$500,000. Borrowings under the line of credit bear interest on the unpaid principal amount outstanding at the rate per year equal to the prime-based rate. Any accrued interest and principle are due August 11, 2019, which is the date of maturity. As of June 30, 2019, McKee did not have an amount outstanding on the line of credit and did not renew the line at termination.

NOTE 10 BOARD DESIGNATED FUNDS

The Board of Directors of McKee has designated unrestricted funds for various purposes. Board designated funds are available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Board designated funds		
Children's garden fund	\$ 165,020	\$ -
Rainy day fund	64,056	62,203
Summer operating fund	50,000	50,000
Capital maintenance fund	<u>30,899</u>	<u>24,572</u>
Total board designated funds	<u>\$ 309,975</u>	<u>\$ 136,775</u>

NOTE 11 RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019 McKee received contributions from board members totaling approximately \$742,587.