

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.

Audited Consolidated Financial
Statements

December 31, 2024 and 2023



ADKF

CERTIFIED PUBLIC ACCOUNTANTS

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Table of Contents
December 31, 2024 and 2023

	<u>Page</u>
Audited Consolidated Financial Statements	
Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Audited Consolidated Financial Statements	9



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The San Antonio Botanical Garden Society, Inc.
San Antonio, Texas

Opinion

We have audited the accompanying consolidated financial statements of The San Antonio Botanical Garden Society, Inc. (Society) which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2024 and 2023, and the results of its activities and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Society, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

- 1 -

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
April 24, 2025

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents:		
Available for operations	\$ 2,545,372	\$ 3,475,738
Donor restricted	1,256,500	513,747
Total cash and cash equivalents	<u>3,801,872</u>	<u>3,989,485</u>
Accounts receivable	525,889	301,778
Inventory, gift shop	132,748	159,593
Pledges	57,750	886,700
Investments, at fair value:		
Available for operations	2,318,638	1,902,428
Board designated	1,772,347	2,599,068
Donor restricted	3,144,429	2,878,666
Prepaid expenses	604,099	598,740
Property and equipment, net	35,017,932	31,029,928
Operating lease right-of-use assets	<u>69,383</u>	<u>11,593</u>
Total Assets	<u><u>\$ 47,445,087</u></u>	<u><u>\$ 44,357,979</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 971,895	\$ 2,108,289
Deferred revenue and refundable deposits	300,578	295,420
Operating lease liabilities	69,383	11,593
Total liabilities	<u>1,341,856</u>	<u>2,415,302</u>
Net Assets:		
Without donor restrictions:		
Available for general operations	36,226,034	35,064,496
Board designated	1,772,347	2,599,068
Total without donor restrictions	<u>37,998,381</u>	<u>37,663,564</u>
With donor restrictions	8,104,850	4,279,113
Total net assets	<u>46,103,231</u>	<u>41,942,677</u>
Total Liabilities and Net Assets	<u><u>\$ 47,445,087</u></u>	<u><u>\$ 44,357,979</u></u>

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 700,981	\$ 1,011,500	\$ 1,712,481
Contributions, in-kind	18,145	-	18,145
Grants	1,778,300	4,056,452	5,834,752
Memberships	1,367,124	-	1,367,124
Admissions	1,789,840	-	1,789,840
Fundraising events, net of direct costs	769,511	-	769,511
Retail sales, net of cost of goods sold	304,741	-	304,741
Program revenues:			
Facility rentals	1,081,543	-	1,081,543
Educational programs	571,775	-	571,775
Event revenue, net of direct costs	474,841	-	474,841
Exhibits and events sponsorships	130,000	280,000	410,000
Restaurant and other revenues	329,871	-	329,871
Total revenues and other support	<u>9,316,672</u>	<u>5,347,952</u>	<u>14,664,624</u>
Expenses			
Program	9,773,711	-	9,773,711
General and administrative	976,291	-	976,291
Fundraising	816,337	-	816,337
Total expenses	<u>11,566,339</u>	<u>-</u>	<u>11,566,339</u>
Operating Income	(2,249,667)	5,347,952	3,098,285
Other Income (Expense)			
Investment earnings, net of fees	648,824	413,445	1,062,269
Other income (expense), net	648,824	413,445	1,062,269
Change in Net Assets	(1,600,843)	5,761,397	4,160,554
Net assets released from restrictions	1,935,660	(1,935,660)	-
Net assets at beginning of year	<u>37,663,564</u>	<u>4,279,113</u>	<u>41,942,677</u>
Net Assets at End of Year	<u>\$ 37,998,381</u>	<u>\$ 8,104,850</u>	<u>\$ 46,103,231</u>

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 481,483	\$ 709,115	\$ 1,190,598
Contributions, in-kind	20,775	-	20,775
Grants	1,386,630	496,495	1,883,125
Memberships	1,278,510	-	1,278,510
Admissions	1,789,772	-	1,789,772
Fundraising events, net of direct costs	401,645	-	401,645
Retail sales, net of cost of goods sold	298,092	-	298,092
Program revenues:			
Facility rentals	959,126	-	959,126
Educational programs	557,759	-	557,759
Event revenue, net of direct costs	(81,544)	-	(81,544)
Exhibits and events sponsorships	132,200	520,000	652,200
Restaurant and other revenues	176,353	-	176,353
Total revenues and other support	<u>7,400,801</u>	<u>1,725,610</u>	<u>9,126,411</u>
Expenses			
Program	8,088,775	-	8,088,775
General and administrative	1,091,438	-	1,091,438
Fundraising	776,553	-	776,553
Total expenses	<u>9,956,766</u>	<u>-</u>	<u>9,956,766</u>
Operating Income (Loss)	(2,555,965)	1,725,610	(830,355)
Other Income (Expense)			
Investment earnings, net of fees	1,078,563	-	1,078,563
Interest income	53,664	-	53,664
Interest expense	(113,517)	-	(113,517)
Other income	58,958	-	58,958
Gain on closeout of New Market Tax Credit	1,972,750	-	1,972,750
Other income (expense), net	<u>3,050,418</u>	<u>-</u>	<u>3,050,418</u>
Change in Net Assets	494,453	1,725,610	2,220,063
Net assets released from restrictions	1,771,225	(1,771,225)	-
Net assets at beginning of year	<u>35,397,886</u>	<u>4,324,728</u>	<u>39,722,614</u>
Net Assets at End of Year	<u>\$ 37,663,564</u>	<u>\$ 4,279,113</u>	<u>\$ 41,942,677</u>

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Functional Expenses
Year Ended December 31, 2024

	Programs							Total
	Educational and Research Programs	Horticulture	Visitor Services Plant Sales	Facilities and Rentals	Exhibits	Program Expenses	General and Administrative	
Salaries and wages	\$ 818,939	\$ 1,097,315	\$ 596,507	\$ 289,599	\$ 786,934	\$ 3,589,294	\$ 391,730	\$ 4,397,361
Payroll taxes	62,306	88,632	49,135	24,197	60,364	284,634	27,150	352,326
Employee benefits	67,743	118,850	40,570	25,988	63,878	317,029	93,698	471,032
Total payroll related	948,988	1,304,797	686,212	339,784	911,176	4,190,957	512,578	5,220,719
Advertising and marketing	12,354	8,018	8,535	11,526	449,564	489,997	5,498	608,421
Consultant and professional fees	174,791	307,944	113,711	83,305	273,388	953,139	137,766	1,162,221
Cost of programs and events	77,974	1,487	40,223	57,301	1,060,577	1,237,562	653	1,238,215
Bank fees and credit card charges	13,084	7,804	88,540	1,642	5,479	116,549	25,466	195,862
Insurance	15,193	21,090	5,550	8,880	58,724	109,437	6,660	120,537
Maintenance and repairs	69,117	150,912	54,170	33,245	190,895	498,339	9,172	507,511
Occupancy	98,877	-	83,846	51,262	197,114	431,099	-	431,099
Office	11,507	6,158	32,701	21,688	31,838	103,892	44,769	174,176
Supplies	92,531	232,148	16,732	6,269	107,629	455,309	13,286	490,046
Technology and telephone	14,434	12,440	6,725	4,892	22,871	61,362	133,883	204,723
In-kind	-	-	-	-	18,145	18,145	-	18,145
Depreciation expenses	561,306	96,157	24,997	408,054	17,410	1,107,924	86,560	1,194,664
Total Functional Expenses	\$ 2,090,156	\$ 2,148,955	\$ 1,161,942	\$ 1,027,848	\$ 3,344,810	\$ 9,773,711	\$ 976,291	\$ 11,566,339
Other expenses not included above:								
Fundraising events, direct costs								\$ 395,102
Cost of goods sold		\$ 39,786	\$ 471,531		\$ 1,279,850			

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Functional Expenses
Year Ended December 31, 2023

	Programs							Total	
	Educational and Research Programs	Horticulture	Visitor Services Plant Sales	Facilities and Rentals	Exhibits	Total Program Expenses	General and Administrative		
Salaries and wages	\$ 651,701	\$ 1,066,300	\$ 387,977	\$ 301,453	\$ 627,226	\$ 3,034,657	\$ 290,592	\$ 494,621	\$ 3,819,870
Payroll taxes	50,456	85,456	32,807	24,770	49,267	242,756	22,082	37,466	302,304
Employee benefits	47,674	109,578	15,036	14,557	52,205	239,050	40,247	37,411	316,708
Total payroll related	749,831	1,261,334	435,820	340,780	728,698	3,516,463	352,921	569,498	4,438,882
Advertising and marketing	18,343	11,751	5,375	42,259	345,281	423,009	12,547	116,521	552,077
Consultant and professional fees	18,795	35,974	16,788	5,540	13,644	90,741	313,104	4,842	408,687
Cost of programs and events	68,840	3,259	84	78,471	774,922	925,576	8,414	-	933,990
Bank fees and credit card charges	12,481	4,346	76,329	1,338	8,063	102,557	19,187	43,339	165,083
Insurance	18,799	8,996	5,313	14,175	33,487	80,770	11,593	6,011	98,374
Maintenance and repairs	80,511	188,768	53,217	70,274	268,055	660,825	43,370	-	704,195
Occupancy	123,998	-	78,489	82,977	339,107	624,571	-	-	624,571
Office	17,970	5,121	20,255	20,121	60,486	123,953	117,898	-	241,851
Supplies	96,739	193,064	9,971	34,006	54,429	388,209	7,337	20,289	415,835
Technology and telephone	8,023	8,793	3,909	12,491	30,088	63,304	113,134	16,053	192,491
In-kind	-	-	-	-	20,775	20,775	-	-	20,775
Depreciation expenses	571,086	35,739	23,109	419,628	18,460	1,068,022	91,933	-	1,159,955
Total Functional Expenses	\$ 1,785,416	\$ 1,757,145	\$ 728,659	\$ 1,122,060	\$ 2,695,495	\$ 8,088,775	\$ 1,091,438	\$ 776,553	\$ 9,956,766
Other expenses not included above:									
Fundraising events, direct costs					\$ 2,392,310				\$ 290,114
Cost of goods sold		\$ 31,406	\$ 332,642						

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 4,160,554	\$ 2,220,063
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	1,194,664	1,159,955
Net (gain) on investments	(1,062,269)	(1,019,472)
Contributions restricted for long-term purpose	(4,806,452)	(471,700)
Noncash operating lease expense	(11,874)	5,324
(Gain) on New Market Tax Credit closeout	-	(1,972,750)
Change in operating assets and liabilities:		
Accounts receivable	(54,401)	312,006
Pledges receivable	438,950	-
Gift shop inventory	26,845	(9,632)
Prepaid expenses	(5,359)	(351,884)
Accounts payable and accrued expenses	(1,136,394)	655,070
Deferred revenue and refundable deposits	5,158	(20,341)
Operating lease right-of-use liabilities	11,874	(5,324)
Net cash (used) provided by operating activities	<u>(1,238,704)</u>	<u>501,315</u>
Investing Activities		
Investment proceeds, net of purchases	1,207,017	(373,237)
Purchase of property and equipment	(5,182,668)	(1,948,426)
Net cash (used) by investing activities	<u>(3,975,651)</u>	<u>(2,321,663)</u>
Financing Activities		
Contributions restricted for long-term purpose	5,026,742	494,834
Payments on long-term debt	-	(75,000)
Net cash provided by financing activities	<u>5,026,742</u>	<u>419,834</u>
Net change in cash and cash equivalents	(187,613)	(1,400,514)
Cash and cash equivalents at beginning of year	<u>3,989,485</u>	<u>5,389,999</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,801,872</u></u>	<u><u>\$ 3,989,485</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ 113,517
Cash paid for income taxes	-	-

See notes to audited consolidated financial statements.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The San Antonio Botanical Society, Inc. (Society) was founded in 1980 as a 501(c)3 organization, to support the San Antonio Botanical Garden (the Garden). The history of the San Antonio Botanical Garden began in the late 1960s with a plan to create San Antonio’s and the region’s first public garden on thirty-eight acres of land in the heart of San Antonio (physical address: 555 Funston Place). Groundwork began in 1970, and the Garden opened under the operation of the City of San Antonio Parks and Recreation Department in May 1980. In 2010 the Society entered into agreements with the City of San Antonio to independently operate and manage the Garden.

The mission of the Society and Garden is “enriching lives through plants and nature” and is based on priorities to advance plant collections and conservation; ensure financial sustainability and growth; and provide meaningful programs reflecting community diversity. The Garden welcomes 400,000 visitors annually, and provides over 850 educational programs, serving 22,000 K-12 grade students, half of which come from Title 1 schools.

The Society has agreements with the City of San Antonio that include a 20-year lease agreement that may be extended for another 20-year period. The Society is responsible for all capital improvements, maintenance, and upkeep of the Garden. The lease expires on December 31, 2039.

In August 2024, the Society formed a wholly owned Limited Liability Company (LLC), Botanical Beverages. This LLC has licenses to sell alcoholic beverages on the Botanical Garden property and provide the management and oversight of the operations of the liquor sales. All sales of alcohol are conducted in accordance with rules of the Texas Alcoholic Beverage Commission.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All intercompany transactions have been eliminated in consolidation. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Grants, donations and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting management tracks such grants, donations and contributions to verify the disbursement matches the donor’s intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, Board designated.

With Donor Restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that are more restrictive than its mission and purpose. 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. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition: Contributions are recognized when cash, securities, or other assets (an unconditional promise to give) or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction.

Admissions, event revenue, gift shop sales, and other income are recorded net of any applicable discounts at the point in time that the performance obligation is met. Memberships are on a one-year basis and are recorded at the beginning of the membership year. No significant difference exists between recognizing the membership revenue at a point in time instead of over time. Program revenue is deferred and recorded as the performance obligations are met. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related performance obligation is met, or expenditures are incurred, respectively. Fundraising revenue is recorded when received or at the point in time the event occurs, as may be required.

Contributions: Contributions are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution. Contributions and pledges are generally recognized when a formal written intent is received.

Gifts of equipment are reported as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as with donor restrictions support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support in the same reporting year.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on-hand, demand deposits held by banks and any equivalent securities with an original maturity of three months or less.

Accounts Receivable: Accounts receivable include primarily contributions, grants, and program fees, and are reported at their stated amount, less an allowance for credit losses if required. The Society does not generally require collateral or charge interest on late payments. An allowance was not required at December 31, 2024 or 2023.

Pledges: Pledges receivable are recorded at the original pledge amount, net of a valuation discount and evaluated for an allowance on at least an annual basis. At December 31, 2024 and 2023 all pledges receivable were due within one year and an allowance was not required. No discount to present value has been recorded on the pledges due to the insignificance of the discount involved.

Inventories: Inventories relate to retail and beverage products and are recorded at the lower of cost or net realizable value. Management reviews inventory for obsolescence on at least an annual basis.

Investments: Investments, which include both endowed investments and un-endowed investments, are reported at fair value, generally determined by quoted market prices in an active market. Gains and losses (realized and unrealized) included in changes in net assets are reported as investment earnings in the accompanying consolidated statement of activities. Investment fees are netted against the related investment earnings.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Endowments: The Society’s endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by its Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

Property and Equipment: Property and equipment are stated at historical cost or fair value at the date of gift. Depreciation is provided using the straight-line method over the following estimated lives:

Buildings	5-40 years
Furniture, fixtures, and equipment	3-10 years

Should the Society’s contract with the City of San Antonio not be extended, all buildings and other permanent improvements on land leased from the City shall become the sole property of the City. Property and improvements at 345 Old Austin Rd are on land owned by the Society and not subject to the contract with the City.

Operating Leases: Operating lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Society uses the risk-free discount rate to determine the present value of lease payments, according to the Society’s elected policy, unless a readily determinable implicit rate is available. The Society also applies a policy for practical expedient which permits operating leases with a term of less than 12 months to be excluded from lease assets and liabilities. In determining lease asset values, the Society considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. Leased assets are presented as a right-to-use asset with the corresponding liability on the balance sheet. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The Society’s leases may include a non-lease component representing additional services transferred to the Society. The Society elected an accounting policy to treat each separate lease component and its related non-lease components as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred

Deferred Revenue and Refundable Deposits: Deferred revenue represents funds collected but not earned as of year-end, such as for special events and exhibits. Refundable deposits are primarily related to deposits received for facility rental events that have not yet occurred.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities.

Advertising: Advertising costs are expensed as incurred.

Special Events: Costs associated with Special Events are netted against the related revenue.

Operating and Non-Operating Activities: Operating activities include the Society’s programs, membership services and rental activities. Non-operating activities primarily include earnings on investments.

Employee Benefit Plans: The Society has a 401(k) Plan that covers substantially all full-time employees. The Society may make a discretionary matching contribution based on a percentage of the employee compensation. The Society matched approximately \$57,525 in 2024 and \$24,145 in 2023.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Income Taxes: The Society is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is not a "private foundations" within the meaning of Section 509(a). Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Society is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on their financial position. Their federal tax returns for the last four years remain subject to examination.

The wholly owned LLC, Botanical Beverages, does not file federal tax returns as its operations are included in the operations of the Society; however, it is subject to an annual Texas margin tax return.

Concentrations of Credit Risk: Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, investments and pledges receivable. The Society maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. Management periodically assesses the financial condition of the institutions holding the cash and investments, as well as the diverse nature of its investments, and believes that the risk of loss is minimal. Pledges are subject to risk because they are primarily due from donors located in San Antonio and South Texas.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these consolidated financial statements.

Use of Estimates: The preparation of consolidated financial statements in conformity with U. S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no effect on the previously reported change in net assets.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,143,809	\$ -
Buildings and improvements	33,919,365	33,819,893
Office equipment	1,705,759	1,610,773
Computer equipment	453,294	450,280
Other equipment	717,241	533,571
Leasehold improvements in progress	633,873	624,687
Leasehold improvements in progress - restricted	3,646,171	-
Total property and equipment	<u>42,219,512</u>	<u>37,039,204</u>
Less accumulated depreciation	<u>(7,201,580)</u>	<u>(6,009,276)</u>
 Property and equipment, net	 <u><u>\$ 35,017,932</u></u>	 <u><u>\$ 31,029,928</u></u>

NOTE C – ENDOWMENTS

Endowed Investments: Certain investments are considered endowed and include both donor restricted endowed investments (corpus and unexpended accumulated earnings) as well as board designated investments considered to function as endowments. Earnings on donor restricted endowments are classified as restricted until expended or released from restriction by action of the Board.

A roll forward of the endowed investments is as follows:

	<u>Without Restriction</u>	<u>With Restriction</u>	<u>Total</u>
Investments at January 1, 2023	\$ 2,216,496	\$ 2,536,857	\$ 4,753,353
Interest and dividends, net of expenses	65,950	71,695	137,645
Change in fair value	297,951	346,271	644,222
Contributions	-	-	-
Transfers	-	-	-
Appropriations and fees	<u>(1,030)</u>	<u>(76,157)</u>	<u>(77,187)</u>
Investments at December 31, 2023	2,579,367	2,878,666	5,458,033
Interest and dividends, net of expenses	86,755	98,982	185,737
Change in fair value	287,060	316,165	603,225
Contributions	161,744	-	161,744
Transfers	-	(20)	(20)
Appropriations and fees	<u>(1,363,253)</u>	<u>(149,364)</u>	<u>(1,512,617)</u>
Investments at December 31, 2024	<u><u>\$ 1,751,673</u></u>	<u><u>\$ 3,144,429</u></u>	<u><u>\$ 4,896,102</u></u>

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE C – ENDOWMENTS – continued

The Society has adopted the *Endowments of Not-For-Profit Organizations* standard as required by applicable U.S. accounting standards:

Interpretation of Relevant Law: The Society has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as with donor restriction net assets: (a) the original value of gifts to be held in perpetuity, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion classified as net assets with donor restriction are released when the time restriction has expired. The following factors, among others, are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of SPMIFA required the Society retain as a fund of perpetual duration. There were no funds with deficiencies at either year end.

Return Objectives and Risk Parameters: The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in equity and fixed income assets in a diversified manner to assume a moderate level of investment risk.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Society's policy is to appropriate interest and investment earnings as needed for operations. The Board reviews the spending policies as market conditions change.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE D – DONOR RESTRICTED NET ASSETS AND RELEASES FROM RESTRICTIONS

Restricted net assets include the following at December 31:

	<u>2024</u>	<u>2023</u>
Perpetual in Nature:		
Conservatory maintenance endowment	\$ 1,546,715	\$ 1,546,715
Holmgren birdwatch endowment	50,000	50,000
Ellie Selig distinguished garden design lecture series	<u>101,202</u>	<u>101,202</u>
Total perpetual in nature	1,697,917	1,697,917
Subject to Time or Specified Purpose:		
Capital campaign	750,000	390,000
Endowment earnings, unspent	1,446,522	1,180,746
Educational, garden maintenance and other programs	564,240	1,010,450
Leasehold improvements in progress - restricted	<u>3,646,171</u>	<u>-</u>
Total subject to time or specified purpose	<u>6,406,933</u>	<u>2,581,196</u>
 Total net assets with donor restrictions	 <u>\$ 8,104,850</u>	 <u>\$ 4,279,113</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by the donors:

Capital campaign	\$ 390,000	\$ 519,834
Educational, garden maintenance and other programs	<u>1,545,660</u>	<u>1,251,391</u>
 Total net assets released from restriction	 <u>\$ 1,935,660</u>	 <u>\$ 1,771,225</u>

NOTE E – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the Society utilizes a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
 - if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE E – FAIR VALUE MEASUREMENTS – continued

The asset 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.

The following tables set forth by level, within the fair value hierarchy, investments measured at fair value:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>December 31, 2024</i>				
Cash equivalents	\$ 800,244	\$ -	\$ -	\$ 800,244
Equities	3,727,285	-	-	3,727,285
U.S. Treasury Notes	1,088,259	-	-	1,088,259
Short-term bonds	-	1,619,626	-	1,619,626
Total investments	<u>\$ 5,615,788</u>	<u>\$ 1,619,626</u>	<u>\$ -</u>	<u>\$ 7,235,414</u>
<i>December 31, 2023</i>				
Cash equivalents	\$ 533,185	\$ -	\$ -	\$ 533,185
Equities	3,766,278	-	-	3,766,278
U.S. Treasury Notes	1,339,756	-	-	1,339,756
Short-term bonds	-	1,740,943	-	1,740,943
Total investments	<u>\$ 7,380,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,380,162</u>

There have been no changes in methodologies used to estimate fair value, nor transfers between levels. Following is a description of the valuation methodologies:

Cash equivalents: Consists of U.S. dollar denominated balances and is valued at face value of the currency.

Equities, short-term bonds and U.S. Treasury Notes: Valued based on closing prices reported on the active market.

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 the Society 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.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE F – LIQUIDITY

The Society has approximately \$4,300,000 of net financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. This consists of cash without donor restrictions of approximately \$2,500,000, accounts receivable of \$500,000, investments without donor restrictions of approximately \$2,300,000, and accounts payable and accrued expenses of approximately \$1,000,000 at December 31, 2024.

NOTE G – CONTRIBUTED SERVICES AND NONFINANCIAL ASSETS

Donated Materials: Contributed materials are reported at their estimated fair value based on current retail rates for similar goods at the time of donation. Contributed services which create or enhance a nonfinancial asset, require specialized skills and would need to be purchased if they were not donated are reported at an amount determined to be appropriate if individuals were hired to perform similar services for the Society at the time services are rendered. Donated materials included advertising, decorations, valet services and food and drinks for events and were recorded as program expenses.

Contributed Facilities: The Society occupies the Gardens under a long-term agreement with the City of San Antonio. No in-kind rent is recognized as there is not comparable market for this type of lease.

Donated Volunteer Services: A substantial number of volunteers make significant contributions of their time in the Society’s programs and fundraising activities. The value of this contributed time is not reflected in these consolidated financial statements because it does not meet the current requirements as defined by U.S. generally accepted accounting standards.

	2024	2023
Advertising	\$ -	\$ 500
Food/drinks	6,368	4,309
Materials	11,492	9,575
Services	285	6,391
	<u>\$ 18,145</u>	<u>\$ 20,775</u>

NOTE H – OPERATING LEASES

The Society has two third-party operating leases for its office equipment. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The lease terms for the office equipment extends through May 2029. Lease expense totaled \$11,874 in 2024 and \$5,544 in 2023.

THE SAN ANTONIO BOTANICAL GARDEN SOCIETY, INC.
Notes to Audited Consolidated Financial Statements
December 31, 2024 and 2023

NOTE H – OPERATING LEASES – continued

At December 31, 2024 and 2023, the weighted-average remaining lease term was 7.3 and 2.3 years and the weighted-average discount rate was 0.57% and 1.53%. Future commitments relating to these lease agreements are as follows:

<u>Year Ending December 31:</u>	
2025	\$ 16,196
2026	16,196
2027	15,627
2028	15,192
2029	<u>12,660</u>
Total minimum future payments	<u>75,871</u>
Less: imputed interest	<u>(6,488)</u>
Present value of lease liability	<u>\$ 69,383</u>