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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fairchild Tropical Botanic Garden
Coral Gables, Florida

We have audited the accompanying financial statements of Fairchild Tropical Botanic Garden (nonprofit organization), which comprise the statements of financial position as of October 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 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 Fairchild Tropical Botanic Garden, as of October 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ROBBINS AND MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
May 7, 2018

FAIRCHILD TROPICAL BOTANIC GARDEN
Statements of Financial Position
October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and Cash Equivalents	\$ 575,788	\$ 282,438
Contributions Receivable	4,275,335	5,065,376
Grants Receivable	705,167	629,174
Other Receivables	10,169	12,422
Prepaid Expenses	322,577	560,014
Inventory	286,000	279,743
Investments	21,761,258	19,261,800
Property and Equipment	19,245,939	20,242,610
Total Assets	<u>\$47,182,233</u>	<u>\$46,333,577</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 421,540	\$ 349,668
Accrued Expenses	307,994	316,156
Deferred Revenue	218,627	241,079
Total Liabilities	<u>948,161</u>	<u>906,903</u>
Net Assets		
Unrestricted		
Designated	3,811,227	2,442,710
Other Unrestricted	18,429,574	18,847,476
Total Unrestricted	<u>22,240,801</u>	<u>21,290,186</u>
Temporarily Restricted	10,990,655	11,133,872
Permanently Restricted	13,002,616	13,002,616
Total Net Assets	<u>46,234,072</u>	<u>45,426,674</u>
Total Liabilities and Net Assets	<u>\$47,182,233</u>	<u>\$46,333,577</u>

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

FAIRCHILD TROPICAL BOTANIC GARDEN
Statement of Activities
For the Year Ended October 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Other Support				
Contributions	\$ 685,699	\$ 1,215,403	\$	\$ 1,901,102
Grants	610,010	635,666		1,245,676
General Memberships	1,523,531			1,523,531
Admissions and Tours	732,161			732,161
Garden Shop, Net of Cost of Sales of \$371,382	206,957			206,957
Special Events, Net of \$632,826 Related Expenses	468,777	62,900		531,677
Investment Return	2,506,338	287,040		2,793,378
Educational Program Fees	202,374			202,374
Facility Rentals	226,191			226,191
Other Income	179,940			179,940
Net Assets Released from Restrictions	<u>2,344,226</u>	<u>(2,344,226)</u>		
Total Revenues and Other Support	<u>9,686,204</u>	<u>(143,217)</u>		<u>9,542,987</u>
Expenses				
Program Services				
Horticulture	2,627,022			2,627,022
Research	1,435,363			1,435,363
Education	1,959,990			1,959,990
Art Programs	125,336			125,336
Garden Shop and Visitor Services	971,813			971,813
Supporting Services				
General and Administrative	723,789			723,789
Membership Services	508,326			508,326
Fundraising	<u>383,950</u>			<u>383,950</u>
Total Expenses	<u>8,735,589</u>			<u>8,735,589</u>
Change in Net Assets	950,615	(143,217)		807,398
Net Assets, Beginning of Year	<u>21,290,186</u>	<u>11,133,872</u>	<u>13,002,616</u>	<u>45,426,674</u>
Net Assets, End of Year	<u>\$ 22,240,801</u>	<u>\$ 10,990,655</u>	<u>\$ 13,002,616</u>	<u>\$ 46,234,072</u>

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

FAIRCHILD TROPICAL BOTANIC GARDEN
Statement of Activities
For the Year Ended October 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and Other Support				
Contributions	\$ 598,206	\$ 860,353	\$	\$ 1,458,559
Grants	313,003	677,757		990,760
General Memberships	1,591,864			1,591,864
Admissions and Tours	869,437			869,437
Garden Shop, Net of Cost of Sales of \$400,426	223,982			223,982
Plant Sales	60,701			60,701
Art Programs	56,903			56,903
Special Events, Net of Related Expenses of \$785,019	342,596	14,850		357,446
Investment Return	526,744	43,763		570,507
Educational Program Fees	211,632			211,632
Facility Rentals	336,975			336,975
Other Income	193,903			193,903
Net Assets Released from Restrictions	<u>2,843,199</u>	<u>(2,843,199)</u>		
Total Revenues and Other Support	<u>8,169,145</u>	<u>(1,246,476)</u>		<u>6,922,669</u>
Expenses				
Program Services				
Horticulture	2,661,980			2,661,980
Research	1,453,698			1,453,698
Education	2,154,049			2,154,049
Art Programs	37,333			37,333
Garden Shop and Visitor Services	1,114,014			1,114,014
Supporting Services				
General and Administrative	1,020,726			1,020,726
Membership Services	511,979			511,979
Fundraising	<u>465,959</u>			<u>465,959</u>
Total Expenses	<u>9,419,738</u>			<u>9,419,738</u>
Change in Net Assets	(1,250,593)	(1,246,476)		(2,497,069)
Net Assets, Beginning of Year	<u>22,540,779</u>	<u>12,380,348</u>	<u>13,002,616</u>	<u>47,923,743</u>
Net Assets, End of Year	<u>\$ 21,290,186</u>	<u>\$ 11,133,872</u>	<u>\$ 13,002,616</u>	<u>\$ 45,426,674</u>

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

FAIRCHILD TROPICAL BOTANIC GARDEN
Statements of Cash Flows
For the Years Ended October 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 807,398	\$ (2,497,069)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Bad Debts		147,354
Change in Discount on Contributions Receivables	(156,959)	(198,845)
Realized Gain on Investments	(269,317)	(655,570)
Unrealized (Gain) Loss on Investments	(2,074,514)	462,601
Depreciation	1,137,375	1,121,944
Changes in Assets and Liabilities:		
Decrease in Contributions Receivable	947,000	770,000
(Increase) Decrease in Grants Receivable	(75,993)	315,211
Decrease in Other Receivable	2,253	74,630
Decrease (Increase) in Prepaid Expenses	237,437	(218,875)
Increase in Inventory	(6,258)	(8,357)
Increase in Accounts Payable	71,872	96,911
Decrease in Accrued Expenses	(8,163)	(446,288)
Decrease in Deferred Revenue	(22,452)	(72,588)
Net Cash Flows from Operating Activities	589,679	(1,108,941)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	5,955,756	24,529,231
Purchase of Investments	(6,111,382)	(23,313,230)
Purchase of Property and Equipment	(140,703)	(169,391)
Net Cash Flows from Investing Activities	(296,329)	1,046,610
Net Change in Cash	293,350	(62,331)
Cash, Beginning of Year	282,438	344,769
Cash, End of Year	\$ 575,788	\$ 282,438

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

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

1. ORGANIZATION AND OPERATIONS

Fairchild Tropical Botanic Garden ("Fairchild") is a not-for-profit corporation dedicated to conservation and education. The institutional mission is to save tropical plant diversity by exploring, explaining and conserving the world of tropical plants. Fundamental to this task is inspiring a greater knowledge and love for plants and gardening so that all can enjoy the beauty and bounty of the tropical world.

Opened to the public in 1938, Fairchild is Miami-Dade County's oldest cultural institution and is world famous for its tropical landscapes, plant collections, and conservation and education programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Date of Management's Review: In preparing the financial statements, Fairchild has evaluated events and transactions for potential recognition or disclosure through May 7, 2018, the date that the financial statements were issued.

Financial Statement Presentation: Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Includes amounts which have no external restrictions and which are available for support of current operations.

Temporarily Restricted - Includes amounts which have donor-restrictions that can be fulfilled by the actions of Fairchild pursuant to those restrictions or restrictions that expire by the passage of time.

Permanently Restricted - Includes amounts that are subject to restrictions of the gift instruments requiring that resources be maintained permanently.

Contributions: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are required to be reported as temporarily restricted support. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: Cash and cash equivalents include cash in commercial or retail banks and highly liquid investments with original maturity dates of less than three months. Cash and cash equivalents held by investment banks are reflected as investments in the accompanying statement of financial position.

Contributions and Grants Receivable: Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. The allowance for doubtful accounts at October 31, 2017 and 2016 was \$50,000 and \$62,500, respectively.

Inventory: Inventory consists of books, novelty items, plants, and prints and is stated at the lower of cost or market. Cost is determined by using the average cost method.

Contributed Services and Materials: Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Contributed materials are also recorded at their fair value in the period received.

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of Fairchild's programs, principally in public and professional education and fundraising campaigns, for which no value has been assigned.

Investments: Investments are stated at fair value. Fair value is defined as 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.

Property and Equipment: Property and equipment are stated at cost. When equipment is retired or otherwise disposed of, the cost less related accumulated depreciation is removed from the accounts and resulting gains or losses are included in the statement of activity.

Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

Building and Building Improvements	15 to 40 Years
Equipment	7 Years
Furniture and Fixtures	7 Years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Works of art are capitalized at cost if purchased and appraised for fair value at the date of acquisition if received by donation. Works of art are not depreciated as in the opinion of Fairchild, these assets have had no diminution in value.

Maintenance and repairs are charged to expense as incurred and major alterations and betterments are capitalized and depreciated over the period benefited.

Deferred Revenue: Revenue from memberships is deferred and recognized over the membership period to which they relate.

Income Taxes: Fairchild is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Fairchild has not incurred any interest or penalties on its income tax returns.

Fairchild's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments: Cash equivalents, grants receivable, other receivables, prepaid expenses, accounts payable, accrued expenses, and deferred revenue are reflected in the financial statements at cost, which approximates fair value because of their short-term nature.

Advertising: Advertising costs are expensed as incurred. For the years ended October 31, 2017 and 2016, advertising expense was \$42,259 and \$9,293, respectively.

Reclassifications: In order to facilitate comparison of financial data, certain amounts recorded in the prior year have been reclassified to conform to the current year reporting format.

FAIRCHILD TROPICAL BOTANIC GARDEN
Notes to Financial Statements
October 31, 2017 and 2016

3. CONTRIBUTIONS RECEIVABLE

At October 31, 2017 and 2016, contributions receivable consisted of:

	<u>2017</u>	<u>2016</u>
Pledges Receivable	\$ 5,427,500	\$ 6,374,500
Less: Discount to Net Present Value	(1,152,165)	(1,309,124)
	<u>\$ 4,275,335</u>	<u>\$ 5,065,376</u>

Pledges are scheduled to be collected as follows:

Year Ending October 31,	2018	\$ 1,077,500
	2019	475,000
	2020	475,000
	2021	450,000
	2022	400,000
	Thereafter	<u>2,550,000</u>
		<u>\$ 5,427,500</u>

Pledges due in more than one year are reflected at the present value of their estimated future cash flows using a discount rate of 5%. Pledges receivable includes an allowance for doubtful accounts of \$0 in 2017 and \$12,500 in 2016.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fairchild's investment accounts are classified as either endowment funds or other investment funds.

Endowment Funds

Fairchild receives funds for two separate endowment funds: (1) Fairchild Endowment Fund and (2) Cultural Endowment Program Fund. These funds are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity, and the income be used only for the purpose of providing a future income stream for the continuity and growth of Fairchild and the certainty of its programs. Income from these endowment assets is used for Fairchild's general operations and classified as unrestricted investment income in the statement of activities.

The Fairchild Endowment Fund spending policy, as per corporate bylaws, allows for the use of funds for operations provided, however, that the amount does not exceed five percent of the average fair market value of this fund for the preceding twelve consecutive quarters ending on August 31st.

The Cultural Endowment Program Fund spending policy allows for the use of increases in the value of this fund arising from interest, dividends and net realized gains for operating costs of Fairchild incurred while engaged in programs directly related to cultural activities. The fair market value of investments in the Cultural Endowment Program Fund is and must never be less than \$1,200,000.

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Other Investment Funds

Fairchild's Capital Improvements/Special Activities Fund was created for the purpose of investing funds designated to be used for Fairchild's capital improvements and special activities. The investment return related to this fund is classified as unrestricted investment income in the accompanying statement of activities.

Fairchild's Whitman Tropical Fruit Fund was created for the purpose of investing temporarily restricted funds designated by the donor to be used for Fairchild's Tropical Fruit Program. The investment return related to this fund is classified as temporarily restricted investment income in the accompanying statement of activities.

The following table summarizes the aggregate amount of each of Fairchild's four investment accounts at fair value as of October 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment Funds:		
Fairchild Endowment Fund	\$ 15,194,905	\$ 13,877,493
Cultural Endowment Program Fund	1,588,938	1,567,834
Other Investment Funds:		
Capital Improvements/Special Activities Fund	3,678,739	2,694,576
Whitman Tropical Fruit Fund	1,298,676	1,121,897
Total Investments	<u>\$ 21,761,258</u>	<u>\$ 19,261,800</u>

The following schedule summarizes the components of net investment return for the years ended October 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividends, Interest, and Other Income, Net of Expenses of \$26,794 and \$114,467, respectively	\$ 449,547	\$ 377,538
Net Realized Gain	269,317	655,570
Net Unrealized Gain (Loss)	<u>2,074,514</u>	<u>(462,601)</u>
	<u>\$ 2,793,378</u>	<u>\$ 570,507</u>

Accounting Standards Codification 820 ("ASC 820"), Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Fairchild has the ability to access.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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 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.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Mutual Funds: Valued at the net asset value of shares held at year end reported on the active market on which the mutual funds are traded.

Contributions Receivable: Valued at the estimated present value of expected future cash inflows using a 5% discount rate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Fairchild 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.

FAIRCHILD TROPICAL BOTANIC GARDEN
Notes to Financial Statements
October 31, 2017 and 2016

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, Fairchild's assets at fair value as of October 31, 2017 and 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>October 31, 2017</u>				
Investments:				
Mutual Funds	\$ 21,761,258	\$ 21,761,258	\$ _____	\$ _____
Total Investments	21,761,258	21,761,258		
Contributions Receivable	4,275,335			4,275,335
	<u>\$ 26,036,593</u>	<u>\$ 21,761,258</u>	<u>\$ _____</u>	<u>\$ 4,275,335</u>
<u>October 31, 2016</u>				
Investments:				
Mutual Funds	\$ 19,261,800	\$ 19,261,800	\$ _____	\$ _____
Total Investments	19,261,800	19,261,800		
Contributions Receivable	5,065,376			5,065,376
	<u>\$ 24,327,176</u>	<u>\$ 19,261,800</u>	<u>\$ _____</u>	<u>\$ 5,065,376</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of Fairchild's Level 3 assets for the years ended October 31, 2017 and 2016:

	<u>Contributions Receivable</u>
Balance, October 31, 2015	\$ 5,629,384
New Pledges	404,500
Payments on Pledges	(1,174,500)
Change in Allowance for Doubtful Accounts	7,147
Changes in Present Value Discount	<u>198,845</u>
Balance, October 31, 2016	5,065,376
New Pledges	275,000
Payments on Pledges	(1,234,500)
Change in Allowance for Doubtful Accounts	12,500
Change in Present Value Discount	<u>156,959</u>
Balance, October 31, 2017	<u>\$ 4,275,335</u>

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Changes in net assets as reported in the statement of activities include the following Level 3 gains and losses:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted Net Assets		
Contributions	\$ 431,959	\$ 603,345
Unrestricted Net Assets		
General and Administrative	\$ (12,500)	\$ (7,147)

5. PROPERTY AND EQUIPMENT

At October 31, 2017 and 2016, property and equipment consisted of:

	<u>2017</u>	<u>2016</u>
Land and Land Improvements	\$ 5,170,389	\$ 5,170,389
Building and Building Improvements	23,477,620	23,419,947
Equipment, Furniture and Fixtures	7,100,088	7,019,938
Construction in Process	<u>9,585</u>	<u>6,704</u>
	35,757,682	35,616,978
Less: Accumulated Depreciation	<u>(16,511,743)</u>	<u>(15,374,368)</u>
	<u>\$ 19,245,939</u>	<u>\$ 20,242,610</u>

Included in land and land improvements is \$600,000 in permanently restricted net assets.

6. DESIGNATED NET ASSETS

The Board of Trustees has elected to designate as endowment funds those unrestricted amounts received from bequests, wills and the excess of endowment earnings over the investment spending policy. Accordingly, included in unrestricted net assets at October 31, 2017 and 2016 is \$3,811,227 and \$2,442,710, respectively, designated for endowment.

7. RESTRICTIONS ON ASSETS

Temporarily restricted net assets at October 31, 2017 and 2016 are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Education	\$ 311,682	\$ 701,123
Research	552,898	464,576
Horticulture	1,418,914	1,592,533
Capital Improvements	130,562	130,562
Special Events	67,900	14,850
For Future Periods	<u>8,508,699</u>	<u>8,230,228</u>
	<u>\$ 10,990,655</u>	<u>\$ 11,133,872</u>

FAIRCHILD TROPICAL BOTANIC GARDEN
Notes to Financial Statements
October 31, 2017 and 2016

7. RESTRICTIONS ON ASSETS (continued)

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

	<u>2017</u>	<u>2016</u>
Education	\$ 753,934	\$ 729,129
Research	196,825	325,841
Horticulture	379,097	610,226
Special Events	14,850	91,750
Passage of Time	999,520	1,086,253
	<u>\$ 2,344,226</u>	<u>\$ 2,843,199</u>

Permanently restricted net assets at October 31, 2017 and 2016 are classified as follows:

	<u>2017</u>	<u>2016</u>
Fairchild Endowment Fund	\$ 11,202,616	\$ 11,202,616
Cultural Endowment Program Fund	1,200,000	1,200,000
Real Estate Bequeathed	600,000	600,000
	<u>\$ 13,002,616</u>	<u>\$ 13,002,616</u>

8. EMPLOYEE BENEFIT PLANS

Employee elective deferrals and Fairchild's matching contribution are remitted directly to the plan's sponsor. Fairchild's matching contribution for the years ended October 31, 2017 and 2016 was \$90,278 and \$186,362 respectively.

9. LEASES

Fairchild entered into a 99 year lease agreement in 1966 with the Montgomery Foundation for approximately 8 acres of land. The land lease agreement does not require any rent payment to be made by Fairchild during the period of the lease. A board member of the Montgomery Foundation is also a board member of Fairchild.

Fairchild donated 69 acres of land from 1938 through 1940 to Miami-Dade County for use as a botanical garden. Since that time, the property has been developed and operated in cooperation with Miami-Dade County.

In 1997, Fairchild entered into a 50-year lease agreement with Miami-Dade County for use of the property with two options to renew for an additional period of twenty-five (25) years each. The land lease agreement does not require any rent payment to be made by Fairchild during the period of the lease. The land lease agreement grants Fairchild the exclusive right to use the property for tropical gardens and programs. Fairchild is required to maintain the property at its expense. All permanent improvements made or constructed on the property will become the property of Miami-Dade County upon termination or expiration of the agreement.

FAIRCHILD TROPICAL BOTANIC GARDEN
Notes to Financial Statements
October 31, 2017 and 2016

9. LEASES (continued)

Fairchild leases office equipment under long-term agreements that expire at various dates through the year 2022. Lease expense amounted to \$47,925 and \$48,744 for the years ended October 31, 2017 and 2016, respectively.

Future minimum lease payments on equipment leases are as follows:

Year Ended October 31, 2018	\$	46,404
2019		43,766
2020		14,748
2021		14,748
2022		12,932
	\$	<u>132,598</u>

10. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subjects Fairchild to significant concentrations of credit risk consist principally of cash equivalents, investments, pledges, grants, and other receivables.

Fairchild maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At October 31, 2017, Fairchild had demand deposits in financial institutions which exceeded the depositor's insurance provided by the applicable guarantee agency by approximately \$308,000. Fairchild has not experienced any losses from maintaining cash accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

At October 31, 2017, Fairchild had approximately \$21,761,000 invested in mutual funds with major financial institutions. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of Fairchild. Due to the diversity and composition of its investments, management feels it is not exposed to any significant credit risk on these accounts.

At October 31, 2017, Fairchild had pledges, grants, and other receivables of approximately \$4,990,700. At October 31, 2017, approximately 59% of receivables are due from a foundation. Fairchild's ability to collect these receivables is dependent upon economic conditions and the financial condition of its donors and customers, consisting of individuals, foundations, governmental agencies and corporations. Fairchild has not experienced significant losses related to receivables from donors and customers. Management believes no additional credit risk beyond amounts provided for collection losses is inherent in Fairchild's pledges, grants and other receivables.

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

11. CONTINGENCIES

In the normal course of activities, Fairchild receives grants and other forms of reimbursement from various government agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management of Fairchild believes that the liability, if any, for any reimbursement which may arise as the result of audits would not be material.

12. DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE)

Accounting Standards Codification 958 ("ASC 958"), "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The State of Florida enacted the "Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Board of Trustees has determined that the majority of Fairchild's permanently restricted net assets meet the definition of endowment funds under FUPMIFA.

The Board of Trustees of Fairchild has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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, Fairchild classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with FUPMIFA, Fairchild considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Fairchild, and (7) Fairchild's investment policies.

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

12. DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE) (continued)

Endowment Investment and Spending Policies: Fairchild has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to maintain over a long period of time, a continuing and increasing stream of funding to support its programs. Fairchild's investment and spending policies work together to achieve this objective.

The investment policy accomplishes this objective by:

- Strategically allocating investments among and within asset classes and investment styles in order to enhance investment returns and manage risks.
- Sufficiently diversify investments to reduce volatility.
- Evaluating the performance of the investment program with a time horizon that is long-term, consistent with the asset class.

The Fairchild Endowment Fund spending policy allows for the use of funds for operations provided, however, that the amount does not exceed five percent of the average fair market value of this fund for the preceding twelve consecutive quarters ending August 31st.

The Cultural Endowment Program Fund spending policy allows for the use of increases in the value of this fund arising from interest, dividends and net realized gains for operating costs of Fairchild incurred while engaged in programs directly related to cultural activities.

Endowment net asset composition by type of fund is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Year Ended October 31, 2017:				
Board Designated				
Endowment Funds	\$ 3,811,227	\$	\$	\$ 3,811,227
Donor-restricted				
Endowment Funds			13,002,616	13,002,616
Total Funds	<u>\$ 3,811,227</u>	<u>\$</u>	<u>\$13,002,616</u>	<u>\$16,813,843</u>
Year Ended October 31, 2016:				
Board Designated				
Endowment Funds	\$ 2,442,710	\$	\$	\$ 2,442,710
Donor-restricted				
Endowment Funds			13,002,616	13,002,616
Total Funds	<u>\$ 2,442,710</u>	<u>\$</u>	<u>\$13,002,616</u>	<u>\$15,445,326</u>

FAIRCHILD TROPICAL BOTANIC GARDEN

Notes to Financial Statements

October 31, 2017 and 2016

12. DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE) (continued)

Changes in endowment net assets for the years ended October 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, October 31, 2015	\$ 2,485,435	\$ _____	\$ 13,002,616	\$ 15,488,051
Investment Return:				
Investment Income	292,022			292,022
Realized Gain	591,305			591,305
Unrealized Loss	(405,113)			(405,113)
Total Investment Return	478,214			478,214
Appropriation for Expenditures	(520,939)			(520,939)
Endowment Net Assets, October 31, 2016	\$ 2,442,710	\$ _____	\$ 13,002,616	\$ 15,445,326
Contribution	30,000			30,000
Investment Return:				
Investment Income	351,133			351,133
Realized Gain	239,358			239,358
Unrealized Gain	1,548,026			1,548,026
Total Investment Return	2,138,517			2,138,517
Appropriation for Expenditures	(800,000)			(800,000)
Endowment Net Assets, October 31, 2017	\$ 3,811,227	\$ _____	\$ 13,002,616	\$ 16,813,843

Robbins and Moroney, P.A.
Certified Public Accountants

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Taxation and Consulting

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Fairchild Tropical Botanic Garden
Coral Gables, Florida

We have audited the financial statements of Fairchild Tropical Botanic Garden as of and for the years ended October 31, 2017 and 2016 and our report thereon dated May 7, 2018, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ROBBINS AND MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
May 7, 2018

FAIRCHILD TROPICAL BOTANIC GARDEN
 Schedule of Functional Expenses
 For the Year Ended October 31, 2017

	Program Services					Supporting Services			Total Expenses
	Horticulture	Research	Education	Art Programs	Visitor Services and Garden Shop	General and Administrative	Membership Services	Fundraising	
Salaries and Benefits	\$ 1,363,639	\$ 687,917	\$ 1,058,274	\$ 40,136	\$ 584,806	\$ 419,227	\$ 290,498	\$ 264,160	\$ 4,708,657
Professional Fees	11,376	10,871	146,981	26,438	5,882	93,535	3,787	4,011	302,881
Supplies	171,957	67,574	139,871	2,234	45,070	13,268	14,509	10,016	464,499
Telephone	14,840	14,354	7,705	906	4,552	2,495	1,747	935	47,534
Postage and Freight	7,937	5,994	11,089	3,380	14,964	1,281	29,900	8,318	82,863
Building and Grounds									
Operating Costs	416,626	135,193	72,230	10,326	42,733	14,400	16,564	9,041	717,113
Equipment Rental and									
Maintenance	99,176	64,516	76,327	8,243	59,004	20,471	23,776	22,473	373,986
Printing and Publications	20,286	17,276	36,252	6,547	21,699	2	38,941	16,309	157,312
Travel	21,242	16,938	8,743	2	12	931	59	34	47,961
Conferences and Training	4,335	6,381	31,669	3,612	6,979	6,249	4,246	5,253	68,724
Organization Dues and									
Membership	5,422	7,165	5,849	673	3,053	2,178	2,436	3,503	30,279
Insurance	125,430	46,447	98,148	453	49,463	108,412	19,252	13,311	460,916
Recognitions	77	416	69,512	22	233	851	68	1,875	73,054
Miscellaneous	4,559	2,241	8,341	151	21,699	3,980	19,691	1,773	62,435
Total Expenses	2,266,902	1,083,283	1,770,991	103,123	860,149	687,280	465,474	361,012	7,598,214
Before Depreciation									
Depreciation	360,120	352,080	188,999	22,213	111,664	36,509	42,852	22,938	1,137,375
Total Expenses	\$ 2,627,022	\$ 1,435,363	\$ 1,959,990	\$ 125,336	\$ 971,813	\$ 723,789	\$ 508,326	\$ 383,950	\$ 8,735,589

Robbins and Moroney, P.A.
 Certified Public Accountants

See Independent Auditor's Report on Additional Information

FAIRCHILD TROPICAL BOTANIC GARDEN
 Schedule of Functional Expenses
 For the Year Ended October 31, 2016

	Program Services					Supporting Services			Total Expenses
	Horticulture	Research	Education	Art Programs	Visitor Services and Garden Shop	General and Administrative	Membership Services	Fundraising	
Salaries and Benefits	\$ 1,610,984	\$ 745,765	\$ 1,323,975	\$ 2,636	\$ 724,168	\$ 535,927	\$ 307,277	\$ 318,008	\$ 5,568,740
Professional Fees	22,961	14,654	50,528	6,014	9,509	95,962	6,140	14,412	220,180
Supplies	162,622	63,437	169,712	194	51,426	15,491	12,265	11,780	486,927
Telephone	15,286	13,453	7,720	4	4,319	1,664	1,775	972	45,193
Postage and Freight	11,019	7,145	11,042	4,872	13,358	2,469	21,376	6,387	77,668
Building and Grounds									
Operating Costs	189,046	111,544	62,055	758	36,038	14,487	14,855	8,182	436,965
Equipment Rental and Maintenance	87,627	52,543	65,910	2,763	49,196	18,892	18,591	16,899	312,421
Printing and Publications	20,820	18,672	44,024	16,179	22,715	665	40,739	34,941	198,755
Travel	24,189	16,934	1,868	11	11	25,337	10	97	68,446
Conferences and Training	10,519	5,273	36,421	8	5,182	10,240	3,544	2,944	74,131
Organization Dues and Membership	5,977	9,059	6,242	5	2,778	2,274	2,121	2,783	31,239
Insurance	140,093	43,767	114,367	3,288	58,611	112,358	17,693	16,734	506,911
Recognitions	86	495	62,011		601	1,368	64	74	64,699
Allowance for Receivable Write-offs									
Miscellaneous	3,722	2,015	3,264	506	22,971	147,355	19,031	6,272	147,355
Total Expenses before Depreciation	2,304,951	1,104,756	1,959,139	37,227	1,000,883	984,872	465,481	440,485	8,297,794
Depreciation	357,029	348,942	194,910	106	113,131	35,854	46,498	25,474	1,121,944
Total Expenses	\$ 2,661,980	\$ 1,453,698	\$ 2,154,049	\$ 37,333	\$ 1,114,014	\$ 1,020,726	\$ 511,979	\$ 465,959	\$ 9,419,738

See Independent Auditor's Report on Additional Information