

FAIRCHILD TROPICAL BOTANIC GARDEN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
OCTOBER 31, 2019 AND 2018

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GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Fairchild Tropical Botanic Garden
Coral Gables, Florida

We have audited the accompanying financial statements of Fairchild Tropical Botanic Garden ("Fairchild" "Organization") (a nonprofit organization), which comprise the statements of financial position as of October 31, 2019 and 2018, and the related statements of activities, functional expenses 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 consolidated 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 Fairchild as of October 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020 on our consideration of Fairchild's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fairchild's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Fairchild as of October 31, 2018 were audited by other auditors whose report dated June 14, 2019, expressed an unmodified opinion on those financial statements.

Gutierrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

July 20, 2020

**FAIRCHILD TROPICAL BOTANIC GARDEN
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,134,947	\$ 580,510
Investments	22,676,747	21,018,404
Pledges receivable, net - short-term	635,000	705,000
Grants receivable	953,870	861,762
Other receivables	59,352	10,263
Prepaid expenses	188,189	240,813
Inventory	245,766	270,228
TOTAL CURRENT ASSETS	<u>25,893,871</u>	<u>23,686,980</u>
Property and equipment, net	18,073,224	18,862,630
Pledges receivable, net long term	2,551,864	2,882,726
TOTAL ASSETS	<u>\$ 46,518,959</u>	<u>\$ 45,432,336</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 122,304	\$ 329,753
Accrued expenses	550,720	383,988
Deferred revenue	403,887	237,055
Capital lease obligations	81,860	-
TOTAL LIABILITIES - CURRENT	<u>1,158,771</u>	<u>950,796</u>
NET ASSETS		
Without donor restrictions	21,941,628	20,920,404
With donor restrictions	23,418,560	23,561,136
TOTAL NET ASSETS	<u>45,360,188</u>	<u>44,481,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,518,959</u>	<u>\$ 45,432,336</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, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,600,892	\$ 1,146,029	\$ 2,746,921
Grants	371,508	1,838,255	2,209,763
General memberships	1,401,080	-	1,401,080
Admissions	834,145	-	834,145
Garden shop, net of cost of sales of \$397,131	197,376	-	197,376
Special events, net of expenses of \$630,917	471,063	-	471,063
Investment income, net	1,602,297	104,987	1,707,284
Educational program fees	223,639	-	223,639
Facility rentals	306,776	-	306,776
Other income	162,534	-	162,534
Net assets released from restrictions	3,231,847	(3,231,847)	-
TOTAL REVENUES AND OTHER SUPPORT	10,403,157	(142,576)	10,260,581
EXPENSES			
PROGRAM EXPENSES			
Horticulture	2,898,196	-	2,898,196
Research	1,631,891	-	1,631,891
Education	2,139,006	-	2,139,006
Community outreach	907,069	-	907,069
Garden shop and visitor services	976,887	-	976,887
SUPPORTING EXPENSES			
General and administrative	684,839	-	684,839
Fundraising	260,855	-	260,855
TOTAL EXPENSES	9,498,743	-	9,498,743
CHANGES IN NET ASSETS BEFORE			
GAIN ON SALE OF PROPERTY AND EQUIPMENT	904,414	(142,576)	761,838
GAIN ON SALE OF PROPERTY AND EQUIPMENT	116,810	-	116,810
CHANGE IN NET ASSETS	1,021,224	(142,576)	878,648
NET ASSETS - BEGINNING OF YEAR	20,920,404	23,561,136	44,481,540
NET ASSETS - END OF YEAR	\$ 21,941,628	\$ 23,418,560	\$ 45,360,188

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

**FAIRCHILD TROPICAL BOTANIC GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 1,772,686	\$ 888,743	\$ 2,661,429
Grants	613,527	511,845	1,125,372
General Memberships	1,471,426	-	1,471,426
Admissions and Memberships	769,958	-	769,958
Garden Shop, Net of Cost of Sales \$380,001	212,772	-	212,772
Special Events, Net of \$790,844 Related Expenses	390,929	12,250	403,179
Investment Return	51,620	8,035	59,655
Educational Program Fees	219,236	-	219,236
Facility Rentals	335,489	-	335,489
Other Income	227,765	-	227,765
Net Assets Released from Restrictions	1,853,008	(1,853,008)	-
TOTAL REVENUES AND OTHER SUPPORT	7,918,416	(432,135)	7,486,281
EXPENSES			
PROGRAM EXPENSES			
Horticulture	2,658,790	-	2,658,790
Research	1,573,939	-	1,573,939
Education	2,013,325	-	2,013,325
Community Outreach	973,764	-	973,764
Art Programs	103,393	-	103,393
Garden Shop and Visitor Services	944,276	-	944,276
SUPPORTING EXPENSES			
General and Administrative	753,491	-	753,491
Fundraising	217,835	-	217,835
TOTAL EXPENSES	9,238,813	-	9,238,813
CHANGE IN NET ASSETS	(1,320,397)	(432,135)	(1,752,532)
NET ASSETS - BEGINNING OF YEAR	22,240,801	23,993,271	46,234,072
NET ASSETS - END OF YEAR	\$ 20,920,404	\$ 23,561,136	\$ 44,481,540

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

**FAIRCHILD TROPICAL BOTANIC GARDEN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2019**

	Program Services					Supporting Services		Total Expenses
	Horticulture	Research	Education	Community Outreach	Garden Shop and Visitor Services	General and Administrative	Fundraising	
Salaries and benefits	\$ 1,150,193	\$ 645,029	\$ 1,035,660	\$ 444,187	\$ 571,342	\$ 294,184	\$ 75,434	\$ 4,216,029
Professional fees	41,263	21,077	188,504	103,889	8,586	101,493	5,000	469,812
Supplies	195,220	86,136	287,004	34,589	43,607	12,812	74,784	734,152
Telephone	14,690	14,207	7,257	1,544	4,056	3,224	1,350	46,328
Postage and freight	24,939	4,729	6,876	40,976	13,690	2,119	5,482	98,811
Building and grounds operating costs	657,434	237,893	90,554	19,196	45,330	19,626	14,129	1,084,162
Equipment rental and maintenance	205,593	99,557	87,191	32,326	60,504	21,642	25,006	531,819
Printing and publications	15,100	8,689	14,724	88,697	11,055	331	4,849	143,445
Travel	26,135	15,386	15,248	483	1,890	12,900	119	72,161
Conferences and training	7,540	6,748	29,119	6,979	5,700	3,800	6,050	65,936
Organization dues and membership	6,494	6,934	4,567	9,482	1,961	4,865	189	34,492
Insurance	110,799	54,205	104,562	41,003	57,922	89,576	-	458,067
Recognitions	333	504	39,089	1,982	1,149	1,897	2,123	47,077
Miscellaneous	11,549	5,898	13,006	27,185	29,312	25,190	5,799	117,939
Total Expenses before depreciation and amortization	2,467,282	1,206,992	1,923,361	852,518	856,104	593,659	220,314	8,120,230
Depreciation and amortization	430,914	424,899	215,645	54,551	120,783	91,180	40,541	1,378,513
Total Expenses	\$ 2,898,196	\$ 1,631,891	\$ 2,139,006	\$ 907,069	\$ 976,887	\$ 684,839	\$ 260,855	\$ 9,498,743

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

**FAIRCHILD TROPICAL BOTANIC GARDEN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2018**

	Program Services					Supporting Services			Total Expenses
	Horticulture	Research	Education	Community Outreach	Art Programs	Garden Shop and Visitor Services	General and Administrative	Fundraising	
Salaries and benefits	\$ 1,190,506	\$ 610,000	\$ 1,041,586	\$ 552,646	\$ 24,531	\$ 540,455	\$ 400,808	\$ 100,275	\$ 4,460,807
Professional fees	35,552	11,204	182,080	49,120	5,861	6,548	107,300	1,630	399,295
Supplies	229,447	144,129	140,204	36,282	2,374	52,249	16,514	13,302	634,501
Telephone	15,875	15,343	7,787	963	1,026	4,361	3,851	1,445	50,651
Postage and freight	16,744	5,749	7,950	41,539	2,962	11,479	1,979	9,527	97,929
Building and grounds operating costs	479,059	252,000	126,723	15,201	20,694	70,787	29,725	22,858	1,017,047
Equipment rental and maintenance	144,632	95,124	82,326	31,945	13,812	56,002	25,082	23,894	472,817
Printing and publications	15,394	9,532	26,299	98,584	6,532	15,416	336	3,391	175,484
Travel	49,248	11,633	2,471	154	4	10	6,808	62	70,390
Conferences and training	5,197	6,029	31,692	7,251	215	10,099	10,427	892	71,802
Organization dues and membership	6,462	8,224	6,161	18,547	586	2,226	2,561	132	44,899
Insurance	100,048	41,360	91,912	72,131	-	46,909	100,367	1,348	454,075
Recognitions	127	486	73,663	823	23	2,645	1,015	3,836	82,618
Miscellaneous	5,278	3,003	9,701	25,969	700	22,721	7,366	1,330	76,068
Total expenses before depreciation	2,293,569	1,213,816	1,830,555	951,155	79,320	841,907	714,139	183,922	8,108,383
Depreciation	365,221	360,123	182,770	22,609	24,073	102,369	39,352	33,913	1,130,430
Total Expenses	\$ 2,658,790	\$ 1,573,939	\$ 2,013,325	\$ 973,764	\$ 103,393	\$ 944,276	\$ 753,491	\$ 217,835	\$ 9,238,813

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 878,648	\$ (1,752,532)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in discount	(144,138)	(159,891)
Realized (gain) loss on investments	(2,440,503)	108,251
Unrealized loss on investments	1,201,734	300,815
Depreciation	1,333,762	1,130,430
Amortization	44,751	-
Gain on sale of property and equipment	(116,810)	-
(Increase) Decrease in Operating Assets:		
Pledges receivable	545,000	847,500
Grants receivable	(92,108)	(156,595)
Other receivables	52,624	(94)
Prepaid expenses	(49,089)	81,764
Inventory	24,462	15,772
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(207,449)	(91,787)
Accrued expenses	166,732	76,707
Deferred revenue	166,832	18,428
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,364,448	418,768
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) proceeds of investments	(419,574)	333,075
Purchase of property and equipment	(1,665,043)	(747,121)
Proceeds from disposal of property and equipment	1,237,497	-
NET CASH USED IN INVESTING ACTIVITIES	(847,120)	(414,046)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	37,109	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	37,109	-
NET INCREASE IN CASH	554,437	4,722
CASH, BEGINNING OF YEAR	580,510	575,788
CASH, END OF YEAR	\$ 1,134,947	\$ 580,510
NONCASH FINANCING ACTIVITIES		
Purchases through capital leases	\$ 153,257	\$ -

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

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2019 AND 2018**

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Fairchild is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions on the use of the net assets. The two net asset categories are as follows:

Net Assets Without Donor Restrictions

The portion of the net assets of Fairchild that can be used subject to the broad limits resulting from the nature of Fairchild, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws. In some cases, the use of these resources is also subject to limits resulting from contractual agreements with suppliers, creditors, and others entered into by Fairchild in the normal course of business. Fairchild has the greatest ability to choose when using these resources. Net assets without donor restrictions generally result from contributions that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

The portion of net assets of Fairchild that is subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit Fairchild’s choices when using these resources because Fairchild has a fiduciary responsibility to its donors to follow the donors instructions. Net assets with donor restrictions generally result from donor-restricted contributions. Net assets with donor restrictions at October 31, 2019 and 2018 was \$23,418,560 and \$23,561,136, respectively.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

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 statements of financial position.

Pledges and Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. 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 accounts receivable. Grants receivable as of October 31, 2019 and 2018 was \$953,870 and \$861,762, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Grants Receivable (Continued)

Unconditional promises to give are recognized as revenue in the period promised and as assets, decreases of liability or expenses depending on the form of the benefits received. Fairchild records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset if the discount rates materially affect the amounts expected to be collected. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. An allowance for doubtful accounts was not considered necessary at October 31, 2019. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Intentions to give are not recognized as revenue unless they are legally enforceable. The allowance for doubtful accounts at October 31, 2019 and 2018 was \$40,000, 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.

Donated 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.

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

Fairchild carries investments at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Net investment income (loss) 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.

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

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

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (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

Grant advances and revenue from memberships is deferred and recognized over the membership period to which they relate. Deferred revenue as of October 31, 2019 and 2018 was \$403,887 and \$237,055, respectively.

Income Taxes

Fairchild is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements. Fairchild recognizes and measures tax positions taken or expected to be taken in its tax return based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where Fairchild files tax returns. Fairchild is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2016.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and supporting services benefited. The expenses that are allocated are personnel expenses, which are allocated on the basis of estimates of time and effort; facilities and depreciation, which are allocated on a weighted-average square footage basis; and supplies and contracted services, which are allocated based on actual expenses incurred for each function.

Fair Value of Financial Instruments

Assets and liabilities that are measured at fair value use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value estimates involve uncertainties and matters of significant judgment.

Advertising

Advertising costs are expensed as incurred. For the years ended October 31, 2019 and 2018, advertising expense was \$46,481 and \$57,991, 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.

Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Fairchild has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of Fairchild'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 *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (see Note 13) and expands on the disclosure related to the functional allocation of expenses.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Fairchild has evaluated subsequent events through July 20, 2020, which is the date the financial statements were available to be issued. (See Note 13)

NOTE 3 – PLEDGES RECEIVABLE, NET

At October 31, 2019 and 2018, pledges receivable consisted of:

	2019	2018
Pledges Receivable	\$ 4,035,000	\$ 4,580,000
Less: Discount to Net Present Value	(848,136)	(992,274)
	<u>\$ 3,186,864</u>	<u>\$ 3,587,726</u>

Pledges are scheduled to be collected as follows:

Year ending October 31,	2020	\$ 635,000
	2021	450,000
	2022	400,000
	2023	300,000
	Thereafter	<u>2,250,000</u>
		<u>\$ 4,035,000</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 2019 and 2018.

NOTE 4 – INVESTMENTS

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 operation 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.

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 donor restricted investment income in the accompanying statement of activities.

Fairchild's Whitman Tropical Fruit Fund was created for the purpose of investing 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 donor restricted investment income in the accompanying statement of activities.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 4 – INVESTMENTS (Continued)

Other Investment Funds (Continued)

The following table summarizes the aggregate amount of each of Fairchild's four investment accounts at fair value as of October 31, 2019 and 2018:

	2019	2018
Endowment Funds:		
Fairchild Endowment Fund	\$ 14,858,357	\$ 14,449,455
Cultural Endowment Program Fund	1,679,569	1,573,000
Other Investment Funds:		
Capital Improvements/Special Activities Fund	4,730,344	3,692,460
Whitman Tropical Fruit Fund	1,408,477	1,303,489
	<u>\$ 22,676,747</u>	<u>\$ 21,018,404</u>

The following schedule summarizes the components of net investment return for the years ended October 31, 2019 and 2018:

	2019	2018
Dividends, Interest, and Other Income, Net of Expenses of \$26,053 and \$33,282, respectively	\$ 468,515	\$ 468,721
Net Realized Gain (Loss)	2,440,503	(108,251)
Net Unrealized (Loss)	(1,201,734)	(300,815)
	<u>\$ 1,707,284</u>	<u>\$ 59,655</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

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

Items Measured at Fair Value on a Recurring Basis

The asset's or liability's fair 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 depiction of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2019 and 2018.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Items Measured at Fair Value on a Recurring Basis (Continued)

Equities consists of equity securities and mutual funds managed primarily through investments held by independent investment advisors with discretionary investment authority.

Equity securities consist primarily of common stocks. Equity Portfolio investments are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed Income consists of investments in securities issued by the U.S. Treasury and corporate bonds through independent investment advisors. Those investments are valued at the closing price reported in the active market in which the individual securities are traded.

Bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

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 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.

The following table represents Fairchild's financial instruments measured at fair value on a recurring basis at October 31, 2019 for each of the fair value hierarchy levels:

Assets (Liabilities)	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 2,731,805	\$ 2,731,805	\$ -	\$ -
Fixed income	16,326,321	16,326,321	-	-
Bonds	3,618,621	3,618,621	-	-
	<u>\$ 22,676,747</u>	<u>\$ 22,676,747</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents Fairchild's financial instruments measured at fair value on a recurring basis at October 31, 2018 for each of the fair value hierarchy levels:

Assets (Liabilities)	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 21,018,404	\$ 21,018,404	\$ -	\$ -
	<u>\$ 21,018,404</u>	<u>\$ 21,018,404</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of pledges receivable is estimated by discounting the future cash flows using a discount rate applied to expected future cash flows from estimated collections.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Items Measured at Fair Value on a Recurring Basis (Continued)

The following table sets forth by level, within the fair value hierarchy, Fairchild's assets at fair value as of October 31, 2019:

Assets (Liabilities)	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pledges receivable, net	\$ 3,186,864	\$ -	\$ -	\$ 3,186,864
	<u>\$ 3,186,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,186,864</u>

The following table sets forth by level, within the fair value hierarchy, Fairchild's assets at fair value as of October 31, 2018:

Assets (Liabilities)	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pledges receivable, net	\$ 3,587,726	\$ -	\$ -	\$ 3,587,726
	<u>\$ 3,587,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,587,726</u>

There were no financial liabilities measured at fair value on a recurring or non-recurring basis at October 31, 2019 and 2018.

The following summarizes the changes in value of the Level 3 assets for the year ended October 31, 2019 and 2018:

	Pledges Receivable, net
Balance, October 31, 2017	\$ 4,275,335
New Pledges	400,000
Payments on Pledges	(1,247,500)
Changes in Present Value Discount	<u>159,891</u>
Balance, October 31, 2018	3,587,726
New Pledges	400,000
Payments on Pledges	(945,000)
Changes in Present Value Discount	<u>144,138</u>
Balance, October 31, 2019	<u>\$ 3,186,864</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 6 – PROPERTY AND EQUIPMENT

At October 31, 2019 and 2018, property and equipment consisted of:

	2019	2018
Land and Land Improvements	\$ 5,202,967	\$ 5,187,973
Building and Building Improvements	23,581,384	24,040,576
Equipment, Furniture and Fixtures	7,985,790	7,251,350
Transportation Equipment (capital leases)	153,257	-
	<u>36,923,398</u>	<u>36,479,899</u>
Less: Accumulated Depreciation and Amortization	<u>(18,850,174)</u>	<u>(17,617,269)</u>
	<u>\$ 18,073,224</u>	<u>\$ 18,862,630</u>

Included in land and land improvements is \$600,000 in donor restricted net assets. Depreciation expense for the years ended October 31, 2018 and 2019 was \$1,333,762 and \$1,130,430, respectively. Amortization expense for the years ended October 31, 2019 and 2018 was \$44,751 and \$0, respectively. During 2019, Fairchild sold a property, which resulted in a gain on the sale of \$116,810.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at October 31, 2019 and 2018 are available for the following purposes or periods:

	2019	2018
Education	\$ 504,814	\$ 231,540
Research	289,282	443,105
Horticulture	999,984	1,137,434
Capital Improvements	530,451	304,134
Special Events	30,280	14,214
For Future Periods	8,061,133	8,428,093
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>\$ 23,418,560</u>	<u>\$ 23,561,136</u>

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:

	2019	2018
Education	\$ 448,970	\$ 109,545
Research	560,046	242,748
Horticulture	375,270	395,344
Special Events	44,014	90,936
Capital Improvement	916,088	21,428
Passage of Time	887,459	993,007
	<u>\$ 3,231,847</u>	<u>\$ 1,853,008</u>

NOTE 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, 2019 and 2018 was \$63,778 and \$69,386, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 9 – CONCENTRATION 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, 2019, Fairchild had demand deposits in financial institutions which exceeded the depositor’s insurance provided by the applicable guarantee agency by approximately \$977,000. 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, 2019, Fairchild had approximately \$22,676,000 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 fees it is not exposed to any significant credit risk on these accounts.

At October 31, 2019, Fairchild had pledges, grants, and other receivables of approximately \$4,200,000. 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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Land

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.

Operating leases

Fairchild leases offices equipment under long-term agreements that expire at various dates through the year 2023. Lease expense was \$38,690 and \$48,872 for the years ended October 31, 2019 and 2018, respectively.

Future minimum lease payments on equipment leases are as follows:

Year Ended October 31,	2020	\$	44,352
	2021		44,352
	2022		40,720
	2023		3,852
		<u>\$</u>	<u>133,276</u>

Grants

Grant funding is derived from cost-reimbursable federal, state or local contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Fairchild has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Fairchild participates in a number of government-assisted grant programs which are subject to financial and compliance audits by the granting agency. The financial statements do not include any adjustments for disallowed costs which may result from audits performed by the granting agencies. Management believes that no material liability will result from any such audits.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Consulting Agreement

In May 2018, Fairchild entered into a facilities management service agreement with the University of Miami in which Fairchild provides services which include pruning, fertilizing, tree and plant maintenance, removal and new installations and other services to maintain the Four Fillies Farm Preserve. The agreement expires in May 2021 and the remaining payments to be paid to Fairchild are as follows:

Year Ended October 31,	2020	\$ 195,588
	2021	114,093
		<u>\$ 309,681</u>

NOTE 11 – CAPITAL LEASE OBLIGATIONS

Fairchild entered into various capital leases for transportation equipment of approximately \$153,000. The leased transportation equipment is depreciated over an estimated useful life of 37 months. Principal payments of equipment under capital leases were approximately \$48,100 and \$20,000 for the years ended October 31, 2019 and 2018, respectively. There is no interest on these capital lease obligations. The capital leases mature in 2021. Accordingly, future minimum lease payments for the year ended October 31, 2019 consist of principal payments totaling approximately \$81,860.

NOTE 12 – ENDOWMENTS

Fairchild's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Although these board-designated funds are included in net assets without donor restrictions, management and the board of directors segregated these funds so that the principal is designated not to be expended without board approval. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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. Fairchild has interpreted the 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, when reviewing its donor-restricted endowment funds, Fairchild considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Fairchild has a policy to not spend from deficient endowments unless directed otherwise by the donor.

In accordance with the 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 fund
- (2) The purposes of 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 Fairchild
- (7) The investment policies of Fairchild

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 12 – ENDOWMENTS (Continued)
Summary of Endowment Assets:

	Without Donor Restrictions	With Donor Restrictions	Total
At October 31, 2019:			
Board Designated Endowment Funds	\$ 3,535,310	\$ -	\$ 3,535,310
Donor-restricted Endowment Funds	-	13,002,616	13,002,616
Total Funds	<u>\$ 3,535,310</u>	<u>\$ 13,002,616</u>	<u>\$ 16,537,926</u>
At October 31, 2018:			
Board Designated Endowment Funds	\$ 3,019,838	\$ -	\$ 3,019,838
Donor-restricted Endowment Funds	-	13,002,616	13,002,616
Total Funds	<u>\$ 3,019,838</u>	<u>\$ 13,002,616</u>	<u>\$ 16,022,454</u>

Changes in endowment net assets for the years ended October 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - October 31, 2017	<u>\$ 3,781,227</u>	<u>\$ 13,002,616</u>	<u>\$ 16,783,843</u>
Contribution	-	-	-
Investment Return:			
Investment Income, net of fees	360,328	-	360,328
Realized (loss)	(87,141)	-	(87,141)
Unrealized (loss)	(234,576)	-	(234,576)
Total Investment Return	<u>38,611</u>	<u>-</u>	<u>38,611</u>
Appropriation for Expenditures	<u>(800,000)</u>	<u>-</u>	<u>(800,000)</u>
Endowment Net Assets - October 31, 2018	<u>3,019,838</u>	<u>13,002,616</u>	<u>16,022,454</u>
Contribution	-	-	-
Investment Return:			
Investment Income, net of fees	341,967	-	341,967
Realized Gain	1,833,524	-	1,833,524
Unrealized (loss)	(893,352)	-	(893,352)
Total Investment Return	<u>1,282,139</u>	<u>-</u>	<u>1,282,139</u>
Appropriation for Expenditures	<u>(766,667)</u>	<u>-</u>	<u>(766,667)</u>
Endowment Net Assets - October 31, 2019	<u>\$ 3,535,310</u>	<u>\$ 13,002,616</u>	<u>\$ 16,537,926</u>

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 or FUPMIFA requires Fairchild to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles in the United States of America, there were no deficiencies of this nature as of October 31, 2019 and 2018, respectively.

Return Objectives and Risk Parameters

Fairchild 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 include those assets of donor-restricted funds that Fairchild must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Fairchild expects its endowment funds, over time, to provide a rate of return of in excess of the original gift amount restricted in perpetuity. Actual returns in any given year may vary.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 12 – ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Fairchild 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). Fairchild 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 Policies

Fairchild has adopted investment and spending policies, approved by the Board of Directors, 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 investments 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 the 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.

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Fairchild monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Fairchild has the following financial assets that could readily be available within one year of the statement of financial position to fund expenses without limitations:

	2019	2018
Cash and cash equivalents	\$ 1,134,947	\$ 580,510
Investments	22,676,747	21,018,404
Pledges receivable	3,186,864	3,587,726
Grants receivable	953,870	861,762
Other receivables	59,352	10,263
Inventory	245,766	270,228
Total assets	<u>28,257,546</u>	<u>26,328,893</u>
Less:		
Assets with donor restrictions	(23,418,560)	(23,561,136)
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 4,838,986</u>	<u>\$ 2,767,757</u>

Fairchild has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Although not expected to be needed, Fairchild has available for spending without limitation board-designated endowment of \$3,535,310 at October 31, 2019. These resources are invested for long-term appreciation and investment income may be spent at the discretion of the Board of Directors.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018**

NOTE 14 – SUBSEQUENT EVENTS

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to Fairchild, its performance, and its financial results.



GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Fairchild Tropical Botanic Garden
Coral Gables, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fairchild Tropical Botanic Garden ("Fairchild") (a nonprofit organization), which comprise the statement of financial position as of October 31, 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, and have issued our report thereon dated July 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fairchild's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairchild's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fairchild's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fairchild's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gutierrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

July 20, 2020