

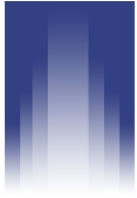
FAIRCHILD TROPICAL BOTANIC GARDEN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
OCTOBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor’s Report	1-2
Financial Statements	
Statements of Financial Position	3
Statement of Activities – October 31, 2020	4
Statement of Activities – October 31, 2019	5
Statement of Functional Expenses – October 31, 2020	6
Statement of Functional Expenses – October 31, 2019	7
Statements of Cash Flows	8
Notes to Financial Statements	9-22
Supplementary Information	
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 <i>Government Auditing Standards</i>	23-24
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	25-26
Schedule of Expenditures of Federal Awards	27
Notes to the Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs	29-30



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, 2020 and 2019, 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 financial statements based on our audit. We conducted our audit in accordance with 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. 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, 2020 and 2019, 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 Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2021 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.

Gutierrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

August 13, 2021, except for our report of the Schedule of Expenditures of Federal Awards for which the date is March 4, 2022

**FAIRCHILD TROPICAL BOTANIC GARDEN
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,231,780	\$ 1,134,947
Investments, including endowment of \$16,050,723 and \$16,537,926, respectively	22,099,419	22,676,747
Pledges receivable, net - short-term	510,000	635,000
Grants receivable	975,527	953,870
Other receivables	-	59,352
Prepaid expenses	334,231	188,189
Inventory	201,086	245,766
TOTAL CURRENT ASSETS	<u>26,352,043</u>	<u>25,893,871</u>
Property and equipment, net	18,209,238	18,073,224
Pledges receivable, net long term	2,281,837	2,551,864
TOTAL ASSETS	<u>\$ 46,843,118</u>	<u>\$ 46,518,959</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 635,529	\$ 122,304
Accrued expenses	340,732	550,720
Deferred revenue	285,080	403,887
Capital lease obligations	29,700	49,680
TOTAL LIABILITIES - CURRENT	<u>1,291,041</u>	<u>1,126,591</u>
Capital lease obligations- long term	3,479	32,180
TOTAL LIABILITIES	<u>1,294,520</u>	<u>1,158,771</u>
NET ASSETS		
Without donor restrictions	22,640,554	21,941,628
With donor restrictions	22,908,044	23,418,560
TOTAL NET ASSETS	<u>45,548,598</u>	<u>45,360,188</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,843,118</u>	<u>\$ 46,518,959</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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 2,439,870	\$ 238,085	\$ 2,677,955
Grants	405,002	3,506,566	3,911,568
General memberships	1,217,947	-	1,217,947
Admissions	666,805	-	666,805
Garden shop, net of cost of sales of \$274,563	75,912	-	75,912
Special events and other fundraising, net of expenses of \$617,288	543,034	10,000	553,034
Unrealized/realized loss and dividend income, net	(349,877)	(25,521)	(375,398)
Educational program fees	105,647	-	105,647
Facility rentals	146,743	-	146,743
Other income	39,304	-	39,304
Net assets released from restrictions	4,239,646	(4,239,646)	-
TOTAL REVENUES AND OTHER SUPPORT	<u>9,530,033</u>	<u>(510,516)</u>	<u>9,019,517</u>
EXPENSES			
PROGRAM EXPENSES			
Horticulture	2,389,302	-	2,389,302
Research	1,579,059	-	1,579,059
Education	2,101,382	-	2,101,382
Community outreach	987,997	-	987,997
Garden shop and visitor services	1,073,429	-	1,073,429
SUPPORTING EXPENSES			
General and administrative	528,611	-	528,611
Fundraising	171,327	-	171,327
TOTAL EXPENSES	<u>8,831,107</u>	<u>-</u>	<u>8,831,107</u>
CHANGE IN NET ASSETS	698,926	(510,516)	188,410
NET ASSETS - BEGINNING OF YEAR	<u>21,941,628</u>	<u>23,418,560</u>	<u>45,360,188</u>
NET ASSETS - END OF YEAR	<u>\$ 22,640,554</u>	<u>\$ 22,908,044</u>	<u>\$ 45,548,598</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 costs of sales \$397,131	197,376	-	197,376
Special Events, net of expenses \$630,917	471,063	-	471,063
Investment return	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
CHANGE IN NET ASSETS			
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2020**

	Program Services				Supporting Services			Total Expenses
	Horticulture	Research	Education	Community Outreach	Garden Shop and Visitor Services	General and Administrative	Fundraising	
Salaries and benefits	\$ 969,669	\$ 701,409	\$ 1,053,867	\$ 391,048	\$ 711,190	\$ 286,388	\$ 69,080	\$ 4,182,651
Professional fees	127,276	41,585	330,490	88,659	7,819	82,833	32,153	710,815
Supplies	141,398	56,984	128,558	23,822	33,262	3,866	8,080	395,970
Telephone	16,489	15,557	8,070	2,164	4,506	2,982	1,026	50,794
Postage and freight	5,113	2,812	4,862	22,539	4,028	944	202	40,500
Building and grounds operating costs	461,311	178,795	75,567	21,452	40,542	8,903	8,301	794,871
Equipment rental and maintenance	124,035	87,079	75,568	38,295	61,473	10,486	24,242	421,178
Printing and publications	35,332	24,711	32,728	238,561	19,396	2,547	-	353,275
Travel	2,313	9,374	5,184	132	9	-	-	17,012
Conferences and training	1,105	2,412	17,843	838	1,632	1,228	445	25,503
Organization dues and membership	14,630	9,897	10,360	10,644	2,309	1,957	452	50,249
Insurance	99,273	67,258	114,352	74,909	77,972	50,431	-	484,195
Recognitions	36	332	40,615	240	16	679	1,384	43,302
Miscellaneous	6,149	3,585	7,628	22,213	-	3,324	1,086	43,985
Total Expenses before depreciation and amortization	2,004,129	1,201,790	1,905,692	935,516	964,154	456,568	146,451	7,614,300
Depreciation and amortization	385,173	377,269	195,690	52,481	109,275	72,043	24,876	1,216,807
Total Expenses	\$ 2,389,302	\$ 1,579,059	\$ 2,101,382	\$ 987,997	\$ 1,073,429	\$ 528,611	\$ 171,327	\$ 8,831,107

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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 188,410	\$ 878,648
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in discount	(124,973)	(144,138)
Realized loss (gain) on investments	92,294	(2,440,503)
Unrealized loss on investments	491,390	1,201,734
Depreciation	1,168,126	1,333,762
Amortization	48,681	44,751
Gain on sale of property and equipment	-	(116,810)
Forgiveness of note payable - PPP	(826,100)	-
(Increase) Decrease in Operating Assets:		
Pledges receivable	520,000	545,000
Grants receivable	(21,657)	(92,108)
Other receivables	(146,042)	52,624
Prepaid expenses	59,352	(49,089)
Inventory	44,680	24,462
Increase (Decrease) in Operating Liabilities:		
Accounts payable	513,225	(207,449)
Accrued expenses	(209,988)	166,732
Deferred revenue	(118,807)	166,832
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,678,591</u>	<u>1,364,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) proceeds of investments	(6,356)	(419,574)
Purchase of property and equipment	(1,352,821)	(1,665,043)
Proceeds from disposal of property and equipment	-	1,237,497
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,359,177)</u>	<u>(847,120)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(48,681)	37,109
Proceeds on note payable - PPP	826,100	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>777,419</u>	<u>37,109</u>
NET INCREASE IN CASH	1,096,833	554,437
CASH, BEGINNING OF YEAR	<u>1,134,947</u>	<u>580,510</u>
CASH, END OF YEAR	<u>\$ 2,231,780</u>	<u>\$ 1,134,947</u>
NONCASH FINANCING ACTIVITIES		
Purchases through capital leases	<u>\$ -</u>	<u>\$ 153,257</u>

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, 2020 AND 2019**

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, 2020 and 2019 was \$22,908,044 and \$23,418,560, 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, net as of October 31, 2020 and 2019 was \$975,527 and \$953,870, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED OCTOBER 31, 2020 AND 2019**

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, 2020. 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, 2020 and 2019 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.

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 over \$5,000. 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

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.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019 was \$285,080 and \$403,887, respectively.

Other Revenues

Revenues without donor restrictions are obtained from the admission fees, food services, rental income, sale of merchandise, special events, and program fees. These revenues are recorded when the service is provided, or the merchandise is sold. Admission revenues are recorded when the tickets are used, which is generally within a short time period as these tickets are normally sold on the day of attendance or in advance with a specific time and date of eligible use. Educational program fees are recorded as revenues on the date the program occurs. Merchandise sales are recorded as revenues upon transfer of the goods to the purchaser, with a very limited right of return. Rental revenues are recorded when the event has taken place. Educational program revenues, rental revenue and admission fees received in advance of their usage are classified as deferred revenue in the statement of financial position.

Membership fees are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total fees paid and the exchange element. The Organization recognizes the exchange portion of membership fees as revenue over the membership period (which is normally one year from date of purchase), and the associated contribution revenue when received. Membership fees related to the exchange element of the transaction that carry member benefits which can be utilized in future periods have been recorded as deferred revenue in the statements of financial position.

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 not subject to U.S. Federal or State examinations by tax authorities for years before 2017.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2020 and 2019, advertising expense was \$224,535 and \$46,481, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 has adopted Accounting Standards Update (ASU) No. 2018-08 – *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Fairchild's financial reporting.

Subsequent Events

Fairchild has evaluated subsequent events through August 13, 2021, which is the date the financial statements were available to be issued, except for our report of the Schedule of Expenditures of Federal Awards for which the date is March 4, 2022. (See Note 14)

NOTE 3 – PLEDGES RECEIVABLE, NET

At October 31, 2020 and 2019, pledges receivable consisted of:

	2020	2019
Pledges Receivable	\$ 3,515,000	\$ 4,035,000
Less: Discount to Net Present Value	(723,163)	(848,136)
	<u>\$ 2,791,837</u>	<u>\$ 3,186,864</u>

Pledges are scheduled to be collected as follows:

Year ending October 31,	2021	\$	510,000
	2022		455,000
	2023		300,000
	2024		300,000
	Thereafter		<u>1,950,000</u>
			<u>\$ 3,515,000</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 2020 and 2019.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

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 without donor restriction 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.

The following table summarizes the aggregate amount of each of Fairchild's four investment accounts at fair value as of October 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment Funds:		
Fairchild Endowment Fund	\$ 14,367,220	\$ 14,858,357
Cultural Endowment Program Fund	1,683,503	1,679,569
Other Investment Funds:		
Capital Improvements/Special Activities Fund	4,665,740	4,730,344
Whitman Tropical Fruit Fund	1,382,956	1,408,477
Total	<u>\$ 22,099,419</u>	<u>\$ 22,676,747</u>

The following schedule summarizes the net investment earnings and losses for the years ended October 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Dividends, Interest, and Other Income, Net of Expenses of \$19,278 and \$26,053, respectively	\$ 208,286	\$ 468,515
Net Realized (Loss) Gain	(92,294)	2,440,503
Net Unrealized (Loss)	(491,390)	(1,201,734)
Total	<u>\$ (375,398)</u>	<u>\$ 1,707,284</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

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 assets 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, 2020 and 2019.

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.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following table represents Fairchild’s financial instruments measured at fair value on a recurring basis at October 31, 2020 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)
Cash	\$ 18,642,719	\$ 18,642,719	\$ -	\$ -
Short term reserves	3,456,700	3,456,700	-	-
	<u>\$ 22,099,419</u>	<u>\$ 22,099,419</u>	<u>\$ -</u>	<u>\$ -</u>

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 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.

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, 2020:

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	\$ 2,791,837	\$ -	\$ -	\$ 2,791,837
	<u>\$ 2,791,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,791,837</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 5 – 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, 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
	\$ 3,186,864	\$ -	\$ -	\$ 3,186,864

There were no financial liabilities measured at fair value on a recurring or non-recurring basis at October 31, 2020 and 2019.

The following summarizes the changes in value of the Level 3 assets for the year ended October 31, 2020 and 2019:

	Pledges Receivable, net
Balance, October 31, 2018	\$ 3,587,726
New Pledges	400,000
Payments on Pledges	(945,000)
Changes in Present Value Discount	144,138
Balance, October 31, 2019	3,186,864
New Pledges	-
Payments on Pledges	(520,000)
Changes in Present Value Discount	124,973
Balance, October 31, 2020	\$ 2,791,837

NOTE 6 – PROPERTY AND EQUIPMENT

At October 31, 2020 and 2019, property and equipment consisted of:

	2020	2019
Land and Land Improvements	\$ 5,202,967	\$ 5,202,967
Building and Building Improvements	24,729,904	23,581,384
Equipment, Furniture and Fixtures	8,190,092	7,985,790
Transportation Equipment (capital leases)	153,257	153,257
	38,276,220	36,923,398
Less: Accumulated Depreciation and Amortization	(20,066,982)	(18,850,174)
	\$ 18,209,238	\$ 18,073,224

Included in land and land improvements is \$600,000 in donor restricted net assets. Depreciation expense for the years ended October 31, 2019 and 2020 was \$1,168,126 and \$1,333,762, respectively. Amortization expense for the years ended October 31, 2020 and 2019 was \$48,681 and \$44,751, respectively. During 2019, Fairchild sold a property, which resulted in a gain on the sale of \$116,810.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at October 31, 2020 and 2019 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Education	\$ 468,360	\$ 504,814
Research	306,211	289,282
Horticulture	743,617	999,984
Capital Improvements	365,562	530,451
Special Events	200	30,280
For Future Periods	8,021,478	8,061,133
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>\$ 22,908,044</u>	<u>\$ 23,418,560</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:

	<u>2020</u>	<u>2019</u>
Education	\$ 463,375	\$ 448,970
Research	488,589	560,046
Horticulture	446,743	375,270
Special Events	-	44,014
Capital Improvement	439,573	916,088
Passage of Time	2,401,366	887,459
	<u>\$ 4,239,646</u>	<u>\$ 3,231,847</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, 2020 and 2019 was \$55,829 and \$63,778, respectively.

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, 2020, Fairchild had demand deposits in financial institutions which exceeded the depositor's insurance provided by the applicable guarantee agency by approximately \$1,765,000.

At October 31, 2020, Fairchild had approximately \$22,099,000 in investments 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, 2020, Fairchild had pledges, grants, and other receivables of approximately \$3,800,000. 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.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

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 2024. Future minimum lease payments on equipment leases are as follows:

Year Ended October 31,	2021	\$	32,570
	2022		33,850
	2023		35,318
	2024		15,255
		\$	<u>116,993</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.

Consulting Agreement

In May 2019, 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 2024 and the remaining minimum payments to be paid to Fairchild are as follows:

Year Ended October 31,	2021	\$	145,524
	2022		145,524
	2023		145,524
	2024		48,508
		\$	<u>485,080</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 11 – CAPITAL LEASE OBLIGATIONS

Fairchild entered into capital leases for transportation equipment which as of October 31, 2020 had balances of \$153,257, net of accumulated amortization of \$116,746 and \$68,065 as of October 31, 2020 and 2019, respectively. The leased transportation equipment is depreciated over an estimated useful life of 37 months with an interest rate of 2%. Principal payments of equipment under capital leases were approximately \$49,000 and \$48,100 for the years ended October 31, 2020 and 2019, respectively. Amortization expense for the years ended October 31, 2020 and 2019 was \$48,681 and \$44,751. Future minimum lease payments consist of the following:

Year Ended October 31,	2021	\$	29,700
	2022		3,479
		<u>\$</u>	<u>33,179</u>

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, 2020 AND 2019**

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

	Without Donor Restrictions	With Donor Restrictions	Total
At October 31, 2020:			
Board Designated Endowment Funds	\$ 3,048,107	\$ -	\$ 3,048,107
Donor-restricted Endowment Funds	-	13,002,616	13,002,616
Total Funds	<u>\$ 3,048,107</u>	<u>\$ 13,002,616</u>	<u>\$ 16,050,723</u>
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>

Changes in endowment net assets for the years ended October 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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 (loss)	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>
Contribution	-	-	-
Investment Return:			
Investment Income, net of fees	151,556	-	151,556
Realized Gain	(76,589)	-	(76,589)
Unrealized (loss)	(362,170)	-	(362,170)
Total Investment Return	<u>(287,203)</u>	<u>-</u>	<u>(287,203)</u>
Appropriation for Expenditures	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Endowment Net Assets - October 31, 2020	<u>\$ 3,048,107</u>	<u>\$ 13,002,616</u>	<u>\$ 16,050,723</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, 2020 and 2019, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 12 – ENDOWMENTS (Continued)

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.

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:

	<u>2020</u>	<u>2019</u>
Total Assets	\$ 46,843,118	\$ 46,518,959
Less:		
Endowment (board designated)	(3,048,107)	(3,535,310)
Endowment (donor restricted)	(16,050,723)	(16,537,926)
Pledges receivable, net	(2,791,837)	(3,186,864)
Prepaid expenses	(334,231)	(188,189)
Inventory	(201,086)	(245,766)
Property and equipment, net	<u>(18,209,238)</u>	<u>(18,073,224)</u>
Total assets available for general expenditures	\$ 6,207,896	\$ 4,751,680

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 \$3,048,107 at October 31, 2020. These resources are invested for long-term appreciation and investment income may be spent at the discretion of the Board of Directors.

NOTE 14 – PAYCHECK PROTECTION PROGRAM – (“PPP”)

On April 25, 2020, Fairchild received loan proceeds for \$826,100 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times the organization’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Fairchild used the full amount of the PPP loan proceeds for purposes consistent with the PPP, and after year-end Fairchild received loan forgiveness from the financial institution who serviced the loan. Forgiveness of PPP note payable of \$826,100 is recorded as contribution revenue on the statements of activities.

Subsequent to year-end, Fairchild received a PPP Second Draw Loan in the amount of \$612,475.

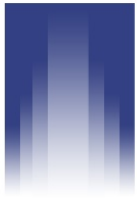
NOTE 15 – LITIGATION MATTER

Fairchild is involved in an ongoing litigation surrounding an infringement of copyright. Fairchild has retained legal counsel and is vigorously defending its claim. As of October 31, 2020, legal counsel believes that Fairchild has a reasonable chance in prevailing resulting in no loss.

NOTE 16 – COVID-19

During the fiscal year ended October 31, 2020, the novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Fairchild is closely monitoring its liquidity and are working to minimize the impact of these declines. The extent of the impact of COVID-19 on Fairchild’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Fairchild’s grantors, donors, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Fairchild’s financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

SUPPLEMENTARY INFORMATION



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, 2020, 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 August 13, 2021.

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

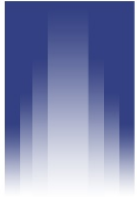
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fairchild's internal control or on compliance. This report is an integral part of an audit performed in accordance 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

August 13, 2021



GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Fairchild Tropical Botanic Garden ("Fairchild") (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Fairchild's major federal programs for the year ended October 31, 2020. Fairchild's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fairchild's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fairchild's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fairchild's compliance.

Opinion on Each Major Federal Program

In our opinion, Fairchild complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2020.

Report on Internal Control Over Compliance

Management of Fairchild is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fairchild's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fairchild's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gutierrez Madariaga, CPA P.A.

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

March 4, 2022

**FAIRCHILD TROPICAL BOTANIC GARDEN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2020**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Contract Number	Expenditure
U.S. Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters):			
Direct - U.S. Department of Homeland Security	97.036	Z0712	\$ 313,054
Program Total			<u>313,054</u>
Total U.S. Department of Homeland Security			<u>313,054</u>
National Aeronautical and Space Administration:			
Office of Stem Engagement (OSTEM):			
Direct - Growing Beyond Earth Innovation Studio	43.008	80NSSC18K1225	\$ 238,726
Direct - Growing Beyond Earth STEM Education	43.008	NNX16AM32G	334,794
Program Total			<u>573,520</u>
Total National Aeronautical and Space Administration			<u>573,520</u>
National Endowment for the Humanities:			
Museums For America:			
Direct - Institute of Museum and Library Services	45.301	MA-10-18-0382-18	\$ 68,210
Program Total			<u>68,210</u>
Total National Endowment for the Humanities			<u>68,210</u>
U.S. Department of the Interior			
Cooperative Research and Training Programs:			
Direct - USDI Everglades Cape Sable	15.945	P18AC01420	\$ 32,224
Program Total			<u>32,224</u>
U.S. Department of the Interior			
Cooperative Ecosystem Studies Units:			
Direct - USFWS Coastal	15.678	F19AC00209	\$ 17,282
Program Total			<u>17,282</u>
Total U.S. Department of the Interior			<u>49,506</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,004,290</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**FAIRCHILD TROPICAL BOTANIC GARDEN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2020**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Fairchild under programs of the federal government for the year ended October 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fairchild, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Fairchild.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Fairchild has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**FAIRCHILD TROPICAL BOTANIC GARDEN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED OCTOBER 31, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516 (a) of the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
43.008	Growing Beyond Earth Innovation Studio and STEM Education	\$573,520

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

**FAIRCHILD TROPICAL BOTANIC GARDEN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL PROGRAM FINDINGS AND QUESTIONED COSTS

None

SECTION IV – OTHER ISSUES

1. A management letter was issued for the year ended October 31, 2020 with no findings.
2. A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to the financial statements for the year ended October 31, 2020.
3. A Corrective Action Plan is not required because there were no findings required to be reported under Federal Single Audit Act.