

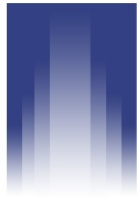
**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**

FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED  
OCTOBER 31, 2022 AND 2021

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# GUTIERREZ MADARIAGA

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Fairchild Tropical Botanic Garden, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of October 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of October 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2023, on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

*Gutierrez Madariaga, CPA P.A.*

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

August 1, 2023

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**OCTOBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,279,498	\$ 3,963,426
Investments, including endowment of \$15,894,405 and \$16,369,804 respectively, and \$2,891,789 and \$3,367,188, respectively are board designated endowments	23,874,371	22,549,836
Contribution receivable, net - short-term	585,000	485,000
Grants receivable	299,520	734,814
Other receivables	23,881	-
Prepaid expenses	256,001	356,979
Inventory	150,168	74,807
TOTAL CURRENT ASSETS	<u>28,468,438</u>	<u>28,164,862</u>
Property and equipment, net	16,038,643	17,154,231
Contribution receivable, net long term	2,400,261	2,010,300
TOTAL ASSETS	<u>\$ 46,907,343</u>	<u>\$ 47,329,393</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 261,858	\$ 430,814
Accrued expenses	309,208	338,377
Contract liabilities	211,661	279,329
TOTAL LIABILITIES - CURRENT	<u>782,727</u>	<u>1,048,520</u>
Capital lease obligations- long term	-	2,434
TOTAL LIABILITIES	<u>782,727</u>	<u>1,050,954</u>
NET ASSETS		
Without donor restrictions	29,904,501	23,710,737
With donor restrictions	16,220,115	22,567,702
TOTAL NET ASSETS	<u>46,124,616</u>	<u>46,278,439</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,907,343</u>	<u>\$ 47,329,393</u>

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

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED OCTOBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 3,746,155	\$ 860,428	\$ 4,606,583
Grants	1,808,207	-	1,808,207
General memberships	1,365,454	-	1,365,454
Admissions	2,020,713	-	2,020,713
Garden shop, net of cost of sales of \$245,322	239,084	-	239,084
Special events	521,915	-	521,915
Dividends and interest, net of fees	155,064	-	155,064
Unrealized/realized loss	(839,235)	-	(839,235)
Educational program fees and other sales	299,823	-	299,823
Facility rentals	224,741	-	224,741
Other income	342,146	-	342,146
Net assets released from restrictions	7,208,015	(7,208,015)	-
TOTAL REVENUES AND OTHER SUPPORT	<u>17,092,084</u>	<u>(6,347,587)</u>	<u>10,744,497</u>
EXPENSES			
PROGRAM EXPENSES			
Horticulture	2,798,309	-	2,798,309
Research	1,734,889	-	1,734,889
Education	1,900,257	-	1,900,257
Community outreach	1,714,546	-	1,714,546
Garden shop and visitor services	995,591	-	995,591
SUPPORTING EXPENSES			
General and administrative	1,340,220	-	1,340,220
Fundraising	414,508	-	414,508
TOTAL EXPENSES	<u>10,898,320</u>	<u>-</u>	<u>10,898,320</u>
CHANGE IN NET ASSETS	6,193,764	(6,347,587)	(153,823)
NET ASSETS - BEGINNING OF YEAR	<u>23,710,737</u>	<u>22,567,702</u>	<u>46,278,439</u>
NET ASSETS - END OF YEAR	<u>\$ 29,904,501</u>	<u>\$ 16,220,115</u>	<u>\$ 46,124,616</u>

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

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED OCTOBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 2,005,303	\$ 1,492,236	\$ 3,497,539
Grants	114,220	1,588,941	1,703,161
General memberships	1,490,612	-	1,490,612
Admissions	1,111,797	-	1,111,797
Garden shop, net of cost of sales of \$325,010	69,758	-	69,758
Special events and other fundraising, net of expenses of \$500,690	962,946	-	962,946
Dividends and interest, net of fees	38,854	2,523	41,377
Unrealized gain	385,371	26,456	411,827
Educational program fees and other sales	179,998	-	179,998
Facility rentals	216,058	-	216,058
Other income	59,311	-	59,311
Net assets released from restrictions	3,450,498	(3,450,498)	-
TOTAL REVENUES AND OTHER SUPPORT	<u>10,084,726</u>	<u>(340,342)</u>	<u>9,744,384</u>
EXPENSES			
PROGRAM EXPENSES			
Horticulture	2,595,241	-	2,595,241
Research	1,665,890	-	1,665,890
Education	2,024,577	-	2,024,577
Community outreach	1,264,449	-	1,264,449
Garden shop and visitor services	858,790	-	858,790
SUPPORTING EXPENSES			
General and administrative	434,565	-	434,565
Fundraising	171,031	-	171,031
TOTAL EXPENSES	<u>9,014,543</u>	<u>-</u>	<u>9,014,543</u>
CHANGE IN NET ASSETS	1,070,183	(340,342)	729,841
NET ASSETS - BEGINNING OF YEAR	<u>22,640,554</u>	<u>22,908,044</u>	<u>45,548,598</u>
NET ASSETS - END OF YEAR	<u>\$ 23,710,737</u>	<u>\$ 22,567,702</u>	<u>\$ 46,278,439</u>

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

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2022**

	Program Services						Supporting Services		
	Horticulture	Research	Education	Community Outreach	Garden Shop and Visitor Services	Total Program Services	Management & General	Fund-Raising	Total Expenses
Salaries, taxes and benefits	\$ 1,087,249	\$ 645,919	\$ 1,006,921	\$ 548,798	\$ 682,144	\$ 3,971,032	\$ 270,715	\$ 73,024	\$ 4,314,771
Professional fees	235,555	249,378	356,156	712,194	100,831	1,654,114	135,219	100,087	1,889,420
Supplies	183,040	103,426	245,099	38,700	14,172	584,436	78,274	15,621	678,331
Telephone	16,967	15,090	124	215	24,174	56,570	-	542	57,112
Postage and freight	484	4,825	-	19,350	19,351	44,010	-	1,033	45,043
Building and grounds operating costs	675,193	188,361	1,500	-	-	865,054	38,109	9,714	912,876
Equipment rental and maintenance	186,326	136,055	40,472	35,005	4,306	402,164	98,694	123,755	624,612
Printing and publications	1,600	215	1,257	273,297	25,844	302,213	681	-	302,894
Travel	16,071	19,817	3,503	-	-	39,392	38,088	-	77,479
Conferences and training	98	1,695	40,681	-	1,703	44,177	13,215	10,642	68,034
Organization dues and membership	-	-	-	-	-	-	30,941	-	30,941
Insurance	-	-	-	-	-	-	551,339	-	551,339
Miscellaneous	-	-	12,804	29,512	16,263	58,579	44,046	55,692	158,317
Total expenses before depreciation expense	2,402,581	1,364,782	1,708,517	1,657,071	888,788	8,021,739	1,299,319	390,111	9,711,169
Depreciation expense	395,728	370,107	191,740	57,475	106,803	1,121,853	40,901	24,397	1,187,151
Total expenses	<u>\$ 2,798,309</u>	<u>\$ 1,734,889</u>	<u>\$ 1,900,257</u>	<u>\$ 1,714,546</u>	<u>\$ 995,591</u>	<u>\$ 9,143,592</u>	<u>\$ 1,340,220</u>	<u>\$ 414,508</u>	<u>\$ 10,898,320</u>

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



**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2021**

	Program Services					Supporting Services			
	Horticulture	Research	Education	Community Outreach	Garden Shop and Visitor Services	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and benefits	\$ 930,720	\$ 710,492	\$ 1,091,395	\$ 395,846	\$ 496,659	\$ 3,625,112	\$ 274,689	\$ 66,838	\$ 3,966,639
Professional fees	80,949	49,183	109,763	147,279	28,516	415,690	94,742	34,735	545,167
Supplies	161,011	75,140	216,329	24,202	40,253	516,935	903	12,220	530,058
Telephone	16,275	15,904	10,203	3,259	4,586	50,227	1,171	1,044	52,442
Postage and freight	3,990	4,856	2,997	15,679	1,414	28,936	257	1,347	30,540
Building and grounds operating costs	606,760	201,789	84,271	30,669	46,537	970,026	4,738	9,913	984,677
Equipment rental and maintenance	148,016	104,747	81,211	65,966	53,073	453,013	4,515	9,906	467,434
Printing and publications	39,300	17,342	25,440	165,056	9,163	256,301	-	4,041	260,342
Travel	25,853	9,138	1,176	642	34	36,843	-	-	36,843
Conferences and training	295	615	10,564	-	-	11,474	238	385	12,097
Organization dues and membership	9,254	9,957	4,621	10,273	3,344	37,449	2,498	156	40,103
Insurance	112,317	80,044	139,738	115,019	62,128	509,246	35,978	-	545,224
Recognitions	13	50	39,618	2	4	39,687	793	2,596	43,076
Bad debt expense	-	-	-	200,000	-	200,000	-	-	200,000
Miscellaneous	33,370	4,243	9,389	25,054	3,137	75,193	2,210	2,650	80,053
Total Expenses before depreciation and amortization	2,168,123	1,283,500	1,826,715	1,198,946	748,848	7,226,132	422,732	145,831	7,794,695
Depreciation and amortization	427,118	382,390	197,862	65,503	109,942	1,182,815	11,833	25,200	1,219,848
Total Expenses	<u>\$ 2,595,241</u>	<u>\$ 1,665,890</u>	<u>\$ 2,024,577</u>	<u>\$ 1,264,449</u>	<u>\$ 858,790</u>	<u>8,408,947</u>	<u>\$ 434,565</u>	<u>\$ 171,031</u>	<u>\$ 9,014,543</u>

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

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (153,823)	\$ 729,841
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in discount	32,954	183,464
Realized (gain) on investments	(1,696)	-
Unrealized loss (gain) on investments	840,931	(411,827)
Depreciation	1,187,151	1,183,338
Amortization	-	36,511
Bad debt expense	-	200,000
Forgiveness of note payable - PPP	-	(612,475)
(Increase) Decrease in Operating Assets:		
Pledges receivable	(522,915)	(86,927)
Grants receivable	411,412	240,713
Prepaid expenses	100,978	(22,748)
Inventory	(75,361)	126,279
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(168,955)	(204,716)
Accrued expenses	(28,124)	(2,355)
Contract liabilities	(67,668)	(5,751)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,554,884</u>	<u>1,353,347</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,163,770)	(38,590)
Purchase of property and equipment	(71,563)	(164,841)
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,235,333)</u>	<u>(203,431)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(3,479)	(30,745)
Proceeds on note payable - PPP	-	612,475
NET CASH (USED IN) PROVIDED IN FINANCING ACTIVITIES	<u>(3,479)</u>	<u>581,730</u>
NET (DECREASE) INCREASE IN CASH	(683,928)	1,731,646
CASH, BEGINNING OF YEAR	<u>3,963,426</u>	<u>2,231,780</u>
CASH, END OF YEAR	<u>\$ 3,279,498</u>	<u>\$ 3,963,426</u>

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

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

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**NOTE 1 – ORGANIZATION AND OPERATIONS**

Fairchild Tropical Botanic Garden (the “Organization”) 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, the organization 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”). The Organization 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 restriction – include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the net assets without donor restriction class.

Net assets with donor restriction – include those net assets whose use by the Organization has been limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with the investment return available for operations. Net assets with donor restrictions at October 31, 2022 and 2021 was \$16,220,115 and \$22,567,702, respectively.

**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.

**Investments**

The Organization 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.

**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 of allowance as of October 31, 2022 and 2021 were \$299,520 and \$734,814, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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

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 the Organization; 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.

**Revenue Recognition**

*Contributions*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. In accordance with FASB ASC, contributions received are recorded as without donor restrictions or donor-restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted purposes unless specifically restricted by the donor. Amounts received that are designated for a future period or restricted by the donor for specific purposes are reported as net assets with donor restrictions support that increases those net asset classes. When a donor restriction expires, 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 accordance with FASB ASC, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions to be deemed a contribution. A contribution is considered to be conditional when if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of return of release of a promise to transfer assets exist. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement.

*Grants*

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, the Organization recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit as well as review by grantor agencies. Such review could result in disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, the Organization's management believes costs ultimately disallowed, if any, would not materially affect the financial statements.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

*Memberships*

Members can join the Organization for annual periods and there are various membership levels for a member to choose from that provide various benefits. The Organization has allocated the total membership transactions price to the benefits available at each level using the residual value approach. The residual value, if any, is recognized as a contribution at the time the membership begins. The remaining identified transaction price is associated with performance obligations that are recognized over time. Members generally pay the annual fee in advance and unearned membership fees are included in contract liabilities in the statement of financial position.

*Admissions*

Admissions are reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to their customers. Admission fees grant the customer the right to enter the premises of the Organization. As an admission ticket is given for the day, the Organization recognizes revenue at the point in time in which entry is granted.

*Retail sales, educational classes and facility rentals*

Revenues are reported at an amount that reflects the consideration to which the Organization expects to be entitled in to in exchange for the goods and services performed. Amounts received are recorded as revenue at the point in time the goods or services are transferred to the customer. Payment is due at the time of sale or in advance.

*Special events*

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable reason exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are included in special events revenue and simultaneously recorded as costs of direct donor benefits. Proceeds from special events are recognized as revenue when the event occurs. Direct costs incurred prior to the events are recorded as other assets until the event occurs, at which time they are recognized as special event costs.

**Contract Liabilities**

Grant advances and revenue from memberships is deferred and recognized over the membership period to which they relate. Contract liabilities as of October 31, 2022 and 2021 were \$211,661 and \$279,329, respectively.

**Income Taxes**

The Organization is organized as a not-for-profit entity and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the year ended October 31, 2022, would be subject to federal income taxes. The Organization's information returns filed with the Internal Revenue Service have not been examined in the past. The Organization is not aware of any uncertainties that could jeopardize its not-for-profit status. Therefore, no provision or liability for income taxes is deemed necessary.

The Organization follows the provisions of uncertain tax provisions addressed by FAS ASC 740-10 Accounting for Uncertainty in Income Taxes. The Organization has no uncertain tax positions at October 31, 2022, for which the ultimate deductibility is highly certain but for which there are uncertainty about the timing of such deductibility. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. The Organization has determined that no amount required to be accrued for taxes or related penalties and interest for any tax position taken through October 31, 2022. The Organization is no longer subject to U.S. Federal and Florida income tax examinations by authorities for the years before 2019.

**Use of Estimates**

In preparing the financial statements of the Organization, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the statement of financial position date, and the revenues and expenses for the period then ended. Actual results could differ from those estimates. A description of some of the estimates used in the preparation of the financial statements is included in the following significant accounting policies.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Measurements**

Fair value measurements establish a hierarchy to prioritize the computation of fair value. Such hierarchy consist of a) - valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), b) - valuations based on observable unadjusted quoted prices for similar assets and liabilities in active markets (Level 2), and c) - valuations based on inputs that are unobservable and are supported by little or no market activity, therefore, requiring management's best estimate of what market participants would use as fair value (Level 3). A description of the Organization's accounting principles and basis of presentation with regards to the fair market value of its assets and liabilities follows:

*Financial Assets and Liabilities*

The Organization reflects certain financial assets and liabilities such as accounts receivable, payables, prepaid expense and deferred revenue at their carrying values in accordance with generally accepted accounting principles in the United States.

*Non-Financial Assets*

The Organization's non-financial assets comprise of assets which are measured at fair value on a nonrecurring basis such as contribution receivable. The Organization's contribution receivable as further explained in Note 3 is discounted using present value techniques and adjusted to fair market value based on a Level 2 or 3 type of valuation when circumstances.

**Advertising**

Advertising costs are expensed as incurred. For the years ended October 31, 2022 and 2021, advertising expense was \$155,765 and \$224,535, respectively.

**Recent Accounting Pronouncements**

The Organization has adopted Accounting Standards Update ("ASU") No. 2014-09 – *Revenue from Contract Customers* (Topic 606), as amended. This ASU introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Organization has adopted Accounting Standards Update No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). The FASB issued this ASU to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounting for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

In September 2020, the FASB issued ASU 2020-07, *Not-for-profit Entities (Topic 958) Presentation Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed financial assets as a separate line item on the statement of activities, apart from contributions of cash and other financial assets. ASU 2020-07 includes additional disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The standard is to be applied on a retrospective basis and the Organization does not expect the new standard will impact its financial statements other than additional disclosures.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting Standards – to be adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new guidance requires lessees to recognize a right to use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for years beginning after December 15, 2021.

**Subsequent Events**

The Organization has evaluated subsequent events through August 1, 2023, which is the date the financial statements were available to be issued.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE, NET**

At October 31, 2022, contributions receivable consisted of:

	October 31, 2022		
	Less than 1 Year	1 Year to 10 Years	Total
Individuals and organizations	\$ 585,000	\$ 2,972,915	\$ 3,557,915
Total contribution receivables	<u>\$ 585,000</u>	<u>\$ 2,972,915</u>	<u>\$ 3,557,915</u>
Less: discount (4%)			(572,654)
Contribution receivable			2,985,261
Less: current portion			(585,000)
Long-term portion			<u>\$ 2,400,261</u>

At October 31, 2021, contributions receivable consisted of:

	October 31, 2021		
	Less than 1 Year	1 Year to 10 Years	Total
Individuals and organizations	\$ 485,000	\$ 2,550,000	\$ 3,035,000
Total contribution receivables	<u>\$ 485,000</u>	<u>\$ 2,550,000</u>	<u>\$ 3,035,000</u>
Less: discount (4%)			(539,700)
Contribution receivable			2,495,300
Less: current portion			(485,000)
Long-term portion			<u>\$ 2,010,300</u>

Contributions receivable due in more than one year are reflected at the present value of their estimated future cash flows using a discount rate of 4%. Contributions receivable, net includes a write off of \$0 and \$200,000 as of October 31, 2022 and 2021, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**NOTE 4 – INVESTMENTS**

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

**Endowment Funds**

The Organization 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 the Organization and the certainty of its programs. Income from these endowment assets is used for the Organization'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 31<sup>st</sup>.

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 the Organization 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**

The Organization's Capital Improvements/Special Activities Fund was created for the purpose of investing funds designated to be used for the Organization'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.

The Organization's Whitman Tropical Fruit Fund was created for the purpose of investing restricted funds designated by the donor to be used for the Organization'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 the Organization's four investment accounts at fair value as of October 31, 2022 and 2021:

	2022	2021
Endowment Funds:		
Fairchild Endowment Fund	\$ 14,213,420	\$ 14,685,305
Cultural Endowment Program Fund	1,680,985	1,684,499
Other Investment Funds:		
Capital Improvements/Special Activities Fund	7,979,966	6,051,472
Whitman Tropical Fruit Fund	-	128,560
Total	<u>\$ 23,874,371</u>	<u>\$ 22,549,836</u>

The following schedule summarizes the net investment earnings and losses for the years ended October 31, 2022 and 2021:

	2022	2021
Dividends and interest, net of fees	\$ 155,064	\$ 41,377
Realized gain	1,696	-
Unrealized (loss) gain	(840,931)	411,827
Total	<u>\$ (684,171)</u>	<u>\$ 453,204</u>



**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**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-level valuation hierarchy is established for the measurement and disclosure of fair value. The valuation hierarchy is based upon the transparency of inputs used to measure fair value. The three levels are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical investments that the entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity). During the years ended October 31, 2022 and 2021, there were no purchases and issues, and no transfers into or out of such assets.

**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, 2022 and 2021.

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 the Organization 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, INC.**  
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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at October 31, 2022 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	\$ 73,204	\$ 73,204	\$ -	\$ -
Stocks	1,866,343	1,866,343	-	-
Bonds	21,211,197	21,211,197	-	-
Short term reserves	267	267	-	-
Money market	723,360	723,360	-	-
	<u>\$ 23,874,371</u>	<u>\$ 23,874,371</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at October 31, 2021 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	\$ 94,042	\$ 94,042	\$ -	\$ -
Stocks	2,472,437	2,472,437	-	-
Bonds	2,225,578	2,225,578	-	-
Short term reserves	265	265	-	-
Money market	17,757,514	17,757,514	-	-
	<u>\$ 22,549,836</u>	<u>\$ 22,549,836</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of October 31, 2022:

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)
Contributions receivable, net	\$ 2,985,261	\$ -	\$ -	\$ 2,985,261
	<u>\$ 2,985,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,985,261</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**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, the Organization's assets at fair value as of October 31, 2021:

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)
Contributions receivable, net	\$ 2,495,300	\$ -	\$ -	\$ 2,495,300
	<u>\$ 2,495,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,495,300</u>

During the year ended October 31, 2022, the contributions receivable balance increased \$489,961 from 2021, as a result of a new pledge, pledge payments made and present value discount.

**NOTE 6 – PROPERTY AND EQUIPMENT**

At October 31, 2022 and 2021, property and equipment consisted of:

	2022	2021
Land and Land Improvements	\$ 5,215,522	\$ 5,202,967
Building and Building Improvements	24,900,605	24,874,685
Equipment, Furniture and Fixtures	8,243,242	8,190,092
Transportation Equipment	153,257	173,317
	<u>38,512,626</u>	<u>38,441,061</u>
Less: Accumulated Depreciation and Amortization	<u>(22,473,982)</u>	<u>(21,286,830)</u>
	<u>\$ 16,038,643</u>	<u>\$ 17,154,231</u>

Included in land and land improvements is \$600,000 in donor restricted net assets. Depreciation expense for the years ended October 31, 2022 and 2021 was \$1,187,151 and \$1,183,338, respectively.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at October 31, 2022 and 2021 consist of the following:

	2022	2021
Specific purpose	\$ -	\$ 2,002,842
Future periods	3,217,499	7,562,244
Fairchild Endowment Fund	11,202,616	11,202,616
Cultural Endowment Program Fund	1,200,000	1,200,000
Real Estate	600,000	600,000
	<u>\$ 16,220,115</u>	<u>\$ 22,567,702</u>

During the years ended October 31, 2022 and 2021, net assets released from restrictions were \$7,208,015 and \$3,450,498, respectively.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – EMPLOYEE BENEFIT PLANS**

Employee elective deferrals and the Organization's matching contribution are remitted directly to the plan's sponsor. the Organization's matching contribution for the years ended October 31, 2022 and 2021 was \$54,759 and \$51,765, respectively.

**NOTE 9 – CONCENTRATION OF CREDIT RISK**

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

The Organization maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At October 31, 2022, the Organization had demand deposits in financial institutions which exceeded the depositor's insurance provided by the applicable guarantee agency by approximately \$2,330,000.

At October 31, 2022, the Organization had approximately \$23,874,000 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 the Organization. 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, 2022, the Organization had contributions, grants, and other receivables of approximately \$3,557,000. The Organization'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. The Organization 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 the Organization's pledges, grants and other receivables.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Land**

The Organization 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 the Organization during the period of the lease. A board member of the Montgomery Foundation is also a board member of the Organization.

The Organization 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, the Organization 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 the Organization during the period of the lease. The land lease agreement grants the Organization the exclusive right to use the property for tropical gardens and programs. The Organization 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**

The Organization 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:

2023	35,318
2024	15,255
	<u>\$ 50,573</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)**

**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 the Organization 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. The Organization 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, the Organization entered into a facilities management service agreement with the University of Miami in which the Organization 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 the Organization are as follows:

2023	145,524
2024	84,889
	<u>\$ 230,413</u>

**NOTE 11 – ENDOWMENTS**

The Organization'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. The Organization 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, the Organization 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. The Organization has a policy to not spend from deficient endowments unless directed otherwise by the donor.

In accordance with the FUPMIFA, the Organization 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 the Organization
- (7) The investment policies of the Organization

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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NOTE 11 – ENDOWMENTS (Continued)

Summary of Endowment Assets:

	Without Donor Restrictions	With Donor Restrictions	Total
At October 31, 2022:			
Board Designated Endowment Funds	\$ 2,891,789	\$ -	\$ 2,891,789
Donor-restricted Endowment Funds	-	13,002,616	13,002,616
Total Funds	<u>\$ 2,891,789</u>	<u>\$ 13,002,616</u>	<u>\$ 15,894,405</u>
At October 31, 2021:			
Board Designated Endowment Funds	\$ 3,367,188	\$ -	\$ 3,367,188
Donor-restricted Endowment Funds	-	13,002,616	13,002,616
Total Funds	<u>\$ 3,367,188</u>	<u>\$ 13,002,616</u>	<u>\$ 16,369,804</u>

Changes in endowment net assets for the years ended October 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - October 31, 2020	<u>\$ 3,048,107</u>	<u>\$ 13,002,616</u>	<u>\$ 16,050,723</u>
Contribution	-	-	-
Investment Return:			
Investment Income, net of fees	29,138	-	29,138
Unrealized gain	289,943	-	289,943
Total Investment Return	<u>319,081</u>	<u>-</u>	<u>319,081</u>
Endowment Net Assets - October 31, 2021	<u>3,367,188</u>	<u>13,002,616</u>	<u>16,369,804</u>
Contribution	-	-	-
Investment Return:			
Investment Income, net of fees	123,549	-	123,549
Realized Gain	1,192	-	1,192
Unrealized (loss)	(600,140)	-	(600,140)
Total Investment Return	<u>(475,399)</u>	<u>-</u>	<u>(475,399)</u>
Endowment Net Assets - October 31, 2022	<u>\$ 2,891,789</u>	<u>\$ 13,002,616</u>	<u>\$ 15,894,405</u>

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**NOTE 11 – ENDOWMENTS (Continued)**

**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 the Organization 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, 2022 and 2021, respectively.

**Return Objectives and Risk Parameters**

The Organization 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 the Organization 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. The Organization 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, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization 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**

The Organization 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. The Organization'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 31<sup>st</sup>.

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 the Organization incurred while engaged in programs directly related to cultural activities.

**FAIRCHILD TROPICAL BOTANIC GARDEN, INC.**  
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**NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization 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. The Organization 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>2022</u>	<u>2021</u>
Total Assets	\$ 46,907,343	\$ 47,329,393
Less:		
Endowment (board designated)	(2,891,789)	(3,367,188)
Endowment (donor restricted)	(13,002,616)	(13,002,616)
Contributions receivable, net	(2,985,261)	(2,495,300)
Prepaid expenses	(256,001)	(356,979)
Inventory	(150,168)	(74,807)
Property and equipment, net	<u>(16,038,643)</u>	<u>(17,154,231)</u>
Total assets available for general expenditures	<u>\$ 11,582,864</u>	<u>\$ 10,878,272</u>

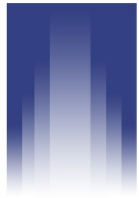
The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization has available for spending without limitation board-designated endowment of \$2,891,789 and \$3,367,188 at October 31, 2022 and 2021, respectively. These resources are invested for long-term appreciation and investment income may be spent at the discretion of the Board of Directors.

**NOTE 13 – LITIGATION MATTER**

The Organization is involved in an ongoing litigation surrounding an infringement of copyright. The Organization has retained legal counsel and is vigorously defending its claim. As of October 31, 2022, legal counsel believes that the Organization has a reasonable chance in prevailing resulting in no loss, and if there is any loss, it will be covered by the Organization's insurance carrier.



## 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*

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To the Board of Trustees  
Fairchild Tropical Botanic Garden, Inc.  
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, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of October 31, 2022, 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 1, 2023.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization'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 1, 2023