




---

# **Greater Des Moines Botanical Garden**

## **Independent Auditor's Report and Financial Statements**

June 30, 2023

---



**Greater Des Moines Botanical Garden**  
**June 30, 2023**

**Contents**

**Independent Auditor’s Report..... 1**

**Financial Statements**

Statement of Financial Position..... 3  
Statement of Activities ..... 4  
Statement of Functional Expenses..... 5  
Statement of Cash Flows ..... 6  
Notes to Financial Statements ..... 7

## Independent Auditor's Report

Board of Directors  
Greater Des Moines Botanical Garden  
Des Moines, Iowa

### ***Opinion***

We have audited the financial statements of Greater Des Moines Botanical Garden, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Greater Des Moines Botanical Garden as of June 30, 2023, 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 (GAAS). 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 Greater Des Moines Botanical Garden 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 opinion.

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

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

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

### ***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 GAAS 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 GAAS, 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 Greater Des Moines Botanical Garden'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 Greater Des Moines Botanical Garden'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.

**FORVIS, LLP**

West Des Moines, Iowa  
October 3, 2023

**Greater Des Moines Botanical Garden**  
**Statement of Financial Position**  
**June 30, 2023**

	<b>2023</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 504,307
Restricted cash	514,863
Contributions receivable, less allowance for doubtful accounts and net of discount	76,484
Accounts receivable	173,143
Prepaid expenses	48,127
Garden shop inventory	56,156
Investment in assets held by the Community Foundation of Greater Des Moines	3,721,169
Intangibles, net	136,671
Right of use asset - finance	111,455
Beneficial interest	1,399,787
Property and equipment, net	15,568,861
Total assets	\$ 22,311,023
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Notes payable	169,998
Accounts payable	626,795
Accrued expenses	122,987
Lease liability - finance	111,917
Line of credit	233,842
Deferred revenue	398,460
Total liabilities	1,663,999
<b>Net Assets</b>	
Without donor restrictions	16,688,281
With donor restrictions	3,958,743
Total net assets	20,647,024
Total liabilities and net assets	\$ 22,311,023

**Greater Des Moines Botanical Garden**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Admission	\$ 834,915	\$ -	\$ 834,915
Facility rentals and catering	557,882	-	557,882
Merchandise sales	347,112	-	347,112
Membership dues	75,248	-	75,248
Contributions and grants	2,214,013	508,061	2,722,074
Programs and outreach	348,926	-	348,926
Contributions of nonfinancial assets	192,336	-	192,336
Net investment return	213,296	216,171	429,467
	<u>4,783,728</u>	<u>724,232</u>	<u>5,507,960</u>
Net assets released from restrictions	423,749	(423,749)	-
	<u>5,207,477</u>	<u>300,483</u>	<u>5,507,960</u>
<b>Expenses</b>			
Program services	4,718,680	-	4,718,680
Management and general	224,234	-	224,234
Fundraising	154,983	-	154,983
	<u>5,097,897</u>	<u>-</u>	<u>5,097,897</u>
<b>Change in Net Assets</b>	109,580	300,483	410,063
<b>Net Assets, Beginning of Year</b>	<u>16,578,701</u>	<u>3,658,260</u>	<u>20,236,961</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 16,688,281</u></u>	<u><u>\$ 3,958,743</u></u>	<u><u>\$ 20,647,024</u></u>

# Greater Des Moines Botanical Garden

## Statement of Functional Expenses

Year Ended June 30, 2023

	2023			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 1,916,906	\$ 171,319	\$ 118,410	\$ 2,206,635
Horticulture supplies, materials and maintenance	193,992	406	280	194,678
Services and professional fees	399,247	30,272	20,923	450,442
Office and occupancy	687,922	2,251	1,556	691,729
Supplies and travel	352,663	10,415	7,199	370,277
Cost of merchandise	167,091	-	-	167,091
Depreciation and amortization	927,742	3,036	2,098	932,876
Other expenses	73,117	6,535	4,517	84,169
Total expenses	<u>\$ 4,718,680</u>	<u>\$ 224,234</u>	<u>\$ 154,983</u>	<u>\$ 5,097,897</u>

**Greater Des Moines Botanical Garden**  
**Statement of Cash Flows**  
**Years Ended June 30, 2023**

	<b>2023</b>
<b>Operating Activities</b>	
Change in net assets	\$ 410,063
Items not requiring operating activities cash flows:	
Noncash donation of property and equipment	(5,000)
Depreciation and amortization	932,876
(Gain) loss on investments held at the	
Community Foundation of Greater Des Moines	(219,442)
Investment (gain) loss on beneficial interest	(91,864)
Contributions restricted for long-term investment	(20,000)
Contributions restricted for acquisition of long-lived assets	(488,061)
Loss on disposal of assets	26,139
Changes in:	
Contributions receivable	100,200
Accounts receivable	(17,711)
Prepaid expenses and other	42,567
Accounts payable and accrued expenses	118,597
Deferred revenue	32,615
Net cash provided by operating activities	820,979
<b>Investing Activities</b>	
Purchase of property and equipment	(1,438,731)
Net cash used in investing activities	(1,438,731)
<b>Financing Activities</b>	
Proceeds from notes payable	20,755
Proceeds from line of credit	733,842
Proceeds from contributions for investment in endowment	20,000
Proceeds from contributions for acquisition of long-lived assets	488,061
Repayment of finance lease liability	(9,670)
Repayment of notes payable	(757)
Repayment of line of credit	(500,000)
Net cash provided by financing activities	752,231
<b>Increase in Cash, Cash Equivalents and Restricted Cash</b>	134,479
<b>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>	884,691
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	\$ 1,019,170
<b>Supplemental Cash Flows Information</b>	
Fixed asset purchases in accounts payable	\$ 339,892
ROU assets obtained in exchange for new finance lease liabilities	121,587



# Greater Des Moines Botanical Garden

## Notes to Financial Statements

June 30, 2023

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

Greater Des Moines Botanical Garden (the Garden) is a not-for-profit organization with the following mission: exploring, explaining, and celebrating the world of plants. Beyond the beauty and inspiration of its urban setting, the Garden is dedicated to creating signature, memorable experiences through progressive garden design and innovative programming for visitors of all ages. As a renowned cultural institution, the Garden cultivates diverse plants and connects people to the environment surrounding them. From the storied Bonsai collection and uncommon, unique plant species to the diverse and stunning indoor and outdoor gardens, there's something of interest for garden enthusiasts and casual observers alike.

Originally opened as the Greater Des Moines Botanical Center in 1979 as part of the City of Des Moines Parks and Recreation Department, the geodesic domed conservatory was the heart of the operations. Des Moines Water Works assumed the operation in 2004, opening the Gardeners Showhouse, which laid a foundation for a more robust garden. In 2013, the Greater Des Moines Botanical Garden became a 501(c)3 not-for-profit organization and assumed a long-term lease for the land on which the Garden is located, forming a strong public/private partnership with the City of Des Moines. Extensive expansion of additional outdoor gardens has continued, with approximately twelve acres of free-access and admission-based gardens available today. Programming expansion has aligned with physical expansion, including robust children's programming, wellness programs, classes for wide ranging interests, seasonal music series, and unique experiences during the cold-weather months to make the most of the Garden's unique indoor tropical climate. The Garden has also added programs to reduce/eliminate access barriers based on a variety of factors.

#### *Use of Estimates*

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

#### *Cash Equivalents*

The Garden considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents.

At June 30, 2023, the Garden's cash accounts exceeded federally insured limits by approximately \$616,000.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

***Restricted Cash***

Restricted cash consists of a depository account at a financial institution restricted for capital projects.

***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from members and customers, of which the Garden has an unconditional right to receive plus any accrued and unpaid interest. The Garden provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Inventories***

Inventories consist of merchandise for sale in the gift shop. Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

***Investments***

The Garden measures securities, other than investments that qualify for equity method of accounting, at fair value.

***Investment in Assets Held at the Community Foundation of Greater Des Moines***

Certain donors have contributed funds to the Garden. The Garden has invested these funds at the Community Foundation of Greater Des Moines (CFGDM). The Garden reports its interest in these funds at fair value, which is determined and provided by CFGDM, as a component of net assets without donor restrictions. Income distributed to the Garden from the funds is calculated as a percentage of the balance each year and is reported as net assets without donor restrictions. Changes in fair value of the underlying funds are reported as unrestricted changes in investment income (loss).

***Net Investment Return***

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

The Garden maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under finance lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Years</u>
Buildings and grounds	20-40
Office furniture, fixtures, and equipment	5-10
Computer audio and network equipment	3

***Long-Lived Asset Impairment***

The Garden evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2023.

***Deferred Revenue***

Membership dues are deferred when received and recognized as income over the term of the underlying membership.

The Garden rents out space for private events. The entire fee is due within thirty days of booking the space and is non-refundable. Revenue from fees for venue rentals are deferred and recognized over the periods to which the fees relate.

Deposits are also received for garden travel study program hosted by the Garden. These deposits are held as deferred until the completion of the program.

Sponsorships are frequently collected prior to events and are deferred until the event takes place.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

***Membership, Education and Retail Sales Revenue***

Membership, education and retail sales revenue is recognized as the Garden satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Garden expects to be entitled in exchange for providing goods or services. The Garden determines the transaction price based on standard charges for goods and services provided, reduced by implicit and explicit price concessions. The Garden determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies and historical experience.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Contributions**

Contributions are provided to the Garden either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Garden overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions and then released from restrictions.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

***Income Taxes***

The Garden is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Garden is subject to federal income tax on any unrelated business taxable income.

The Garden files tax returns in the U.S. federal jurisdiction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one function are allocated. Salaries and benefits are allocated based on time and effort. Office and occupancy expenses are allocated based on square footage. Materials and maintenance, services and professional fees, supplies and travel, depreciation and amortization, and other expenses are allocated using estimates based on historical data combined with managements knowledge of the current year activities.

***Revision***

Certain immaterial revisions have been made to the beginning net assets without donor restrictions on the statement of activities. These revisions did not have a significant impact on the financial statement line items impacted.

**Note 2: Contributions Receivable**

Contributions receivable consisted of the following:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Due within one year	\$ -	\$ 76,500	\$ 76,500
Due within one to five years	-	-	-
	-	76,500	76,500
Less: Unamortized discount	-	(16)	(16)
	\$ -	\$ 76,484	\$ 76,484

The discount rate was 1.0% for 2023.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 3: Beneficial Interest in Community Foundation**

The Garden is the beneficiary of an account, held at the CFGDM, under the Endow Iowa provisions of the Iowa Code. Pursuant to this agreement, the Garden may receive distributions from the fund not exceeding 5% of the balance at the previous year end. Although CFGDM has the power to modify restrictions or conditions on the distributions under certain conditions, the Garden does not consider this to effectively constitute variance power, due to the unlikelihood of such conditions occurring.

The balance is being accounted for as a beneficial interest and is valued at the fair value of the underlying assets. The balance of the beneficial interest as of June 30, 2023 is \$1,399,787.

Adjustments to the amount reported as an asset are based on an annual review using the same basis as used to initially measure the asset and are recorded in the statements of activities under the caption "investment income."

**Note 4: Property and Equipment**

Property and equipment at June 30, 2023 consists of:

	<b>2023</b>
Furniture and fixtures - office	\$ 650,822
Vehicles	10,839
Land and improvements	8,175,492
Building and leasehold improvements	10,463,211
Construction in progress	1,475,656
	20,776,020
Accumulated depreciation	(5,207,159)
	<b>\$ 15,568,861</b>

Depreciation expense for the year ended June 30, 2023 was \$899,901.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 5: Intangible Assets**

The carrying basis and accumulated amortization of recognized intangible assets at June 30, 2023, were:

	<b>2023</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
Amortized intangible assets		
Website development costs	\$ 24,812	\$ 15,671
Trademark	4,935	1,761
Long-range planning	223,648	99,292
	\$ 253,395	\$ 116,724

Amortization expense for the year ended June 30, 2023 was \$22,843. Estimated amortization expense for each of the following five years is:

2024	\$	22,843
2025		22,843
2026		21,352
2027		19,299
2028		19,299

**Note 6: Line of Credit**

The Garden has a \$6,000,000 revolving line of credit that steps down in February 2026 to a \$2,000,000 revolving line of credit that expires in 2030. At June 30, 2023, there was \$233,842 borrowed against the line. The line is collateralized by substantially all the Garden's assets. Interest varies with the New York Prime Rate less a margin of 1%, with a minimum of 4.0%. The rate was 7.25% at June 30, 2023 and is payable monthly.

**Note 7: Notes Payable**

	<b>2023</b>
U.S. Small Business Administration note	\$ 150,000
John Deere Financial note	19,998
	\$ 169,998



**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

On July 14, 2020, the Garden borrowed \$150,000 due December 14, 2053. Payments of \$641 are payable monthly. The interest rate as of June 30, 2023 is a fixed rate of 2.75%. The note is secured by substantially all of the Garden’s assets.

On April 21, 2023, the Garden borrowed \$20,755 due April 21, 2027. Payments of \$495 are payable monthly. The interest rate as of June 30, 2023 is a fixed rate of 6.8%. The note is secured by the equipment purchased with the loan.

Aggregate annual payments of notes payable at June 30, 2023, are:

2024	\$	4,727
2025		5,058
2026		8,895
2027		8,509
2028		3,802
Thereafter		139,007
	\$	169,998

**Note 8: Leases**

***Change in Accounting Principle***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

The Garden adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. The Garden elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. Also, the Garden elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Garden did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The standard did not significantly affect our statements of financial position, activities or cash flows.

# Greater Des Moines Botanical Garden

## Notes to Financial Statements

### June 30, 2023

#### ***Accounting Policies***

The Garden determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Garden determines lease classification as operating or finance at the lease commencement date.

The Garden has elected to combine lease and non-lease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Garden has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Garden is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Garden has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

#### ***Nature of Leases***

The Garden has entered into the following lease arrangements:

##### ***Finance Leases***

The Garden has leases for audio visual equipment that expire in February 2028. Leases are typically paid on a monthly basis over the lease term. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

##### ***All Leases***

The Garden's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Garden has no material related-party leases.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Quantitative Disclosures**

The lease cost and other required information for the year ended June 30, 2023, are:

	<b>2023</b>
<b>Lease cost</b>	
Financing lease cost	
Amortization of right-of-use asset	\$ 10,132
Interest on lease liabilities	1,391
Total lease cost	\$ 11,523
<b>2023</b>	
<b>Other information</b>	
Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from financing leases	\$ 9,670
Right-of-use assets obtained in exchange for new financing lease liabilities	\$ 123,781
Weighted-average remaining lease term	
Financing leases	4.61 years
Weighted-average discount rate	
Financing leases	3.63%

Future minimum lease payments and reconciliation to the balance sheet at June 30, 2023, are as follows:

	<b>Finance Leases</b>
2024	\$ 26,548
2025	26,547
2026	26,547
2027	26,547
2028	15,487
Total future undiscounted lease payments	121,676
Less imputed interest	(9,759)
Lease liabilities	\$ 111,917

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

***Lease Revenue***

The Garden leases various portions of its building for events throughout the year. The contracts are all short-term in nature, typically lasting for a few hours. Total lease revenues recognized in 2023 were \$420,983.

**Note 9: Contributed Nonfinancial Assets**

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities included:

	<b>Amounts</b>	<b>Usage in Activities</b>	<b>Fair Value Techniques</b>
Fixed assets	\$ 5,000	Program & Administrative	Based on actual expense incurred and paid by donors
Utilities	22,587	Program	Based on actual expense incurred and paid by donors
Equipment & supplies	28,746	Program & Administrative	Based on actual expense incurred and paid by donors
Professional services	<u>136,003</u>	Program & Administrative	Based on standard bill rates and hours donated
	<u>\$ 192,336</u>		

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

**Note 10: Revenue from Contracts with Customers**

***Membership Revenue***

Member dues primarily consist of annual memberships that grant privileges such as access to member-only events. Membership also offers discounted registration for education and events hosted by the Garden. Each membership privilege is considered part of a bundle of services and therefore is accounted for as a single performance obligation. Membership terms extend 12 months from the point of purchase and are recognized on a straight-line basis over the performance measurement period. The Garden determined this method provides a valid depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and the Garden stands ready to makes its goods and services available to the customer on a constant basis over the contract period.

# Greater Des Moines Botanical Garden

## Notes to Financial Statements

### June 30, 2023

#### ***Education Services Revenue***

The Garden offers various classes each year that are available to both members and non-members. Each event is considered distinct and therefore are accounted for as separate performance obligations. Revenue is earned from class registrations. Revenue is recognized as the service has been performed and the Garden has an enforceable right to payment.

#### ***Retail Sales Revenue***

The Garden operates a “garden shop”, similar to gift shops found in museums. This gift shop sells a variety of educational, mission-focused, and hand-crafted items to both members and non-members. Each item is considered distinct and therefore is accounted for as separate performance obligations. Revenue is recognized as the goods are provided to the customer and the Garden has an enforceable right to payment.

#### ***Catering Revenue***

The Garden maintains a list of approved caterers for rental clients which lease the Garden’s venue space for private events. Agreements for catering services are made between rental clients and the approved caterer and the hired caterer pays a determined transactions price to the Garden. This service is available to all rental clients, regardless of membership status. Each catering agreement is considered distinct and therefore is accounted for as separate performance obligations. Revenue is recognized as the service is provided to the customer and the Garden has an enforceable right to payment.

#### ***Transaction Price and Recognition***

The Garden determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Garden’s policy and implicit price concessions provided to customers. The Garden determines its estimates of explicit price concessions based on its discount policies. The Garden determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

The Garden has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- Geography of the service location
- Garden’s line of business that provided the service

For the year ended June 30, 2023 the Garden recognized revenue of \$284,274 from goods and services that transfer to the customer over time and \$1,318,925 from goods and services that transfer to the customer at a point in time.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Contract Balances**

The following table provides information about the Garden’s receivables, contract assets and contract liabilities from contracts with customers:

	<b>2023</b>
Accounts receivable, beginning of year	\$ 155,432
Accounts receivable, end of year	173,143
Contract liabilities, beginning of year	220,015
Contract liabilities, end of year	398,460

**Note 11: Pension and Other Postretirement Benefit Plans**

**Defined Contribution Plan**

The Garden participates in a multi-employer 401(k) sponsored by Oasis HR, Inc. for all eligible employees. The Garden matches 100% of employee’s deferrals up to 3% of eligible compensation. Retirement plan expense was \$33,413 for the year ended June 30, 2023.

**Note 12: Net Assets**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Capital improvements	\$ 1,438,703
Endowments	
Subject to endowment spending policy and appropriation	
Available for general use	902,404
Education	46,479
Asian Garden	1,571,157
Total endowments	2,520,040
Net assets with donor restrictions	\$ 3,958,743

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions at June 30 have been designated for the following purposes:

**Net Assets Without Donor Restrictions**

	<b>2023</b>
Undesignated	\$ (19,943)
Invested in property and equipment, net of related debt	14,708,224
Designated by the board for endowment	2,000,000
Net assets without donor restrictions	\$ 16,688,281

***Net Assets Released from Restrictions***

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

**Net Assets Released From Restrictions**

	<b>2023</b>
Satisfaction of purpose restrictions	
Capital improvements	\$ 311,825
Operations	63,386
	375,211
Restricted purpose spending-rate distributions and appropriations	
General use	48,538
	\$ 423,749

**Note 13: Endowment**

The Garden's governing body is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Garden classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

Additionally, in accordance with UPMIFA, the Garden considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Garden and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Garden
7. Investment policies of the Garden

The Garden's endowment consists primarily of approximately 7 individual funds, including a board designated fund, six other restricted funds, two of which are Endow Iowa funds, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2023, was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 2,000,000	\$ -	\$ 2,000,000
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,493,835	2,493,835
Accumulated investment gains	-	26,205	26,205
	<u>\$ 2,000,000</u>	<u>\$ 2,520,040</u>	<u>\$ 4,520,040</u>
Total endowment funds	<u>\$ 2,000,000</u>	<u>\$ 2,520,040</u>	<u>\$ 4,520,040</u>



**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

Change in endowment net assets for the year ended June 30, 2023 were:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 2,000,000	\$ 2,338,915	\$ 4,338,915
Investment return, net	-	209,663	209,663
Contributions and designations	-	20,000	20,000
Endowment payout	-	(48,538)	(48,538)
Endowment net assets, end of year	<u>\$ 2,000,000</u>	<u>\$ 2,520,040</u>	<u>\$ 4,520,040</u>

***Investment and Spending Policies***

The Garden has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Garden must hold in perpetuity or for donor-specified periods. Under the Garden’s policies, endowment assets are invested in a manner that is intended to produce results that maintain the adjusted value of the Garden’s investments while assuming a moderate level of investment risk. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Garden relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Garden 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.

The Garden has a spending policy of appropriating for expenditure each year of 5% of its endowment fund’s average prior three-year fund balance. Investment earnings in excess of the distribution, administrative fees, and direct expenses are added to the principal of the fund. The CFGDM Board of Directors may approve distributions in excess of the spending formula, up to 100% of the fund balance provided such requests are submitted in writing with a certified copy of the resolution authorizing the withdrawal signed by two Directors of the Garden’s Board of Directors.

# Greater Des Moines Botanical Garden

## Notes to Financial Statements

### June 30, 2023

#### ***Underwater Endowments***

The governing body of the Garden has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Garden considers a fund to be underwater 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 Garden has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2023 funds with original gift values of \$1,752,377; fair values of \$1,571,157; and deficiencies of \$181,220, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Garden has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations.

#### **Note 14: Café Operator Agreement**

The Garden had an agreement that grants a company (the Caterer) the exclusive right to operate the Garden's café through October 31, 2022. The Caterer pays the Garden a percentage of the café's gross total revenues. The Garden also receives a commission on certain internal catering revenues earned by the Caterer. The agreement automatically renewed for a second four-year term on November 1, 2022, which will expire on October 1, 2026. The agreement can be terminated by either party with six months advance written notice. The Caterer is required to maintain all licenses, permits, and insurance necessary to operate the café.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 15: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023, comprise the following:

	<b>2023</b>
Cash and cash equivalents	\$ 1,019,170
Accounts receivable	173,143
Contributions receivable, net	76,484
Investment in assets held at the Community	
Foundation of Greater Des Moines	3,721,169
Beneficial interest	1,399,787
	6,389,753
Less:	
Restricted funds	1,438,703
Endowments	2,520,040
Internal designations	
Quasi-endowment	2,000,000
	5,958,743
Total financial assets available within one year	\$ 431,010

The Garden's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$2,000,000 is subject to an annual spending rate of 5% as described in Note 13. Although the Garden does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Garden has committed lines of credit in the amount of \$6,000,000, which it could draw upon.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 16: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023:

	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)
<b>June 30, 2023</b>				
<b>Assets</b>				
Beneficial interest	\$ 1,399,787	\$ -	\$ -	\$ 1,399,787
Interest in assets at Community Foundation of Greater Des Moines	3,721,169	-	-	3,721,169
Total assets	\$ 5,120,956	\$ -	\$ -	\$ 5,120,956

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

**Greater Des Moines Botanical Garden**  
**Notes to Financial Statements**  
**June 30, 2023**

***Beneficial Interest***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

***Interest in Assets at Greater Des Moines Community Foundation***

Fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

**Note 17: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Investments***

The Garden invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

**Note 18: Subsequent Events**

Subsequent events have been evaluated through October 3, 2023, which is the date the financial statements were available to be issued.