

Houston Botanic Garden

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

Houston Botanic Garden

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Independent Auditors' Report

To the Board of Directors of
Houston Botanic Garden:

Report on the Financial Statements

Opinion

We have audited the financial statements of Houston Botanic Garden, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, of cash flows, and of functional expenses for the years 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 Houston Botanic Garden as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Houston Botanic Garden and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Houston Botanic Garden's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

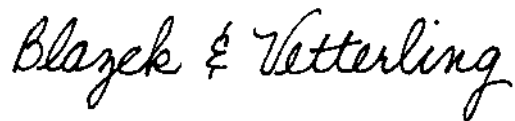
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

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 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, 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 Houston Botanic 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 Houston Botanic 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.

A handwritten signature in black ink, reading "Blazeck & Vetterling". The script is cursive and fluid, with the ampersand clearly visible.

September 23, 2024

Houston Botanic Garden

Statements of Financial Position as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,392,742	\$ 2,822,525
Prepaid expenses and other assets	119,023	193,676
Contributions receivable, net (<i>Note 3</i>)	452,214	639,059
Property, net (<i>Note 4</i>)	<u>31,257,224</u>	<u>32,732,702</u>
TOTAL ASSETS	<u>\$ 33,221,203</u>	<u>\$ 36,387,962</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,276,808	\$ 1,758,035
Deferred membership and other revenue	<u>220,220</u>	<u>182,264</u>
Total liabilities	<u>1,497,028</u>	<u>1,940,299</u>
Net assets:		
Without donor restrictions	30,844,093	33,096,034
With donor restrictions (<i>Note 5</i>)	<u>880,082</u>	<u>1,351,629</u>
Total net assets	<u>31,724,175</u>	<u>34,447,663</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,221,203</u>	<u>\$ 36,387,962</u>

See accompanying notes to financial statements.

Houston Botanic Garden

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support:			
Contributions	\$ 1,415,939	\$ 1,602,016	\$ 3,017,955
Special event	546,015		546,015
Direct donor benefits – special event	(58,157)		(58,157)
Admission and other fees	1,897,353		1,897,353
Memberships	306,277		306,277
Other income	<u>352,156</u>	<u> </u>	<u>352,156</u>
Total revenue	4,459,583	1,602,016	6,061,599
Net assets released from restrictions:			
Program expenditures	<u>2,073,563</u>	<u>(2,073,563)</u>	<u> </u>
Total	<u>6,533,146</u>	<u>(471,547)</u>	<u>6,061,599</u>
EXPENSES:			
Botanic garden and guest services	7,354,033		7,354,033
Management and general	655,888		655,888
Garden marketing	242,035		242,035
Fundraising	<u>533,131</u>	<u> </u>	<u>533,131</u>
Total expenses	<u>8,785,087</u>	<u> </u>	<u>8,785,087</u>
CHANGES IN NET ASSETS	(2,251,941)	(471,547)	(2,723,488)
Net assets, beginning of year	<u>33,096,034</u>	<u>1,351,629</u>	<u>34,447,663</u>
Net assets, end of year	<u>\$ 30,844,093</u>	<u>\$ 880,082</u>	<u>\$ 31,724,175</u>

See accompanying notes to financial statements.

Houston Botanic Garden

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Public support:			
Contributions	\$ 1,969,080	\$ 968,115	\$ 2,937,195
Special event	424,593		424,593
Direct donor benefits – special event	(53,698)		(53,698)
Admission and other fees	1,426,215		1,426,215
Memberships	262,551		262,551
Other income	<u>243,929</u>		<u>243,929</u>
Total revenue	4,272,670	968,115	5,240,785
Net assets released from restrictions:			
Program expenditures	531,187	(531,187)	
Time restrictions	<u>50,000</u>	<u>(50,000)</u>	
Total	<u>4,853,857</u>	<u>386,928</u>	<u>5,240,785</u>
EXPENSES:			
Botanic garden and guest services	6,448,473		6,448,473
Management and general	802,836		802,836
Garden marketing	322,534		322,534
Fundraising	<u>878,110</u>		<u>878,110</u>
Total expenses	<u>8,451,953</u>		<u>8,451,953</u>
CHANGES IN NET ASSETS	(3,598,096)	386,928	(3,211,168)
Net assets, beginning of year	<u>36,694,130</u>	<u>964,701</u>	<u>37,658,831</u>
Net assets, end of year	<u>\$ 33,096,034</u>	<u>\$ 1,351,629</u>	<u>\$ 34,447,663</u>

See accompanying notes to financial statements.

Houston Botanic Garden

Statements of Cash Flows for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (2,723,488)	\$ (3,211,168)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	2,385,183	2,369,829
Contributions restricted for capital projects	(568,565)	(280,000)
Forgiveness of note payable		(150,000)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	74,653	(157,337)
Contributions receivable (excluding capital)	186,845	1,710,928
Accounts payable and accrued expenses	(481,227)	(30,968)
Deferred memberships and other revenue	<u>37,956</u>	<u>34,927</u>
Net cash provided (used) by operating activities	<u>(1,088,643)</u>	<u>286,211</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(909,705)</u>	<u>(246,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable		(1,835,868)
Proceeds from contributions restricted for capital projects	<u>568,565</u>	<u>280,000</u>
Net cash provided (used) by financing activities	<u>568,565</u>	<u>(1,555,868)</u>
NET CHANGE IN CASH	(1,429,783)	(1,516,637)
Cash, beginning of year	<u>2,822,525</u>	<u>4,339,162</u>
Cash, end of year	<u>\$ 1,392,742</u>	<u>\$ 2,822,525</u>

See accompanying notes to financial statements.

Houston Botanic Garden

Statement of Functional Expenses for the year ended December 31, 2023

	BOTANIC GARDEN AND GUEST <u>SERVICES</u>	MANAGEMENT AND <u>GENERAL</u>	GARDEN <u>MARKETING</u>	<u>FUNDRAISING</u>	TOTAL <u>EXPENSES</u>
Salaries and related expenses	\$ 1,899,020	\$ 200,280	\$ 69,188	\$ 125,630	\$ 2,294,118
Contract services	2,211,322	80,065	79,251	104,495	2,475,133
Depreciation	2,082,448	98,618	55,043	149,074	2,385,183
Building and grounds maintenance	340,055	5,608	1,871	3,518	351,052
Garden materials and supplies	213,214	629	6,730	719	221,292
Furniture and equipment	217,724	1,090	8	1,624	220,446
Technology and communications	65,289	41,630	16,288	41,953	165,160
Professional services		125,906			125,906
Insurance	97,942	10,052	3,472	6,305	117,771
Utilities	84,198	8,880	3,068	5,570	101,716
Travel	62,461	12,679	1,086	24,606	100,832
Office supplies	36,629	3,983	300	26,296	67,208
Credit card and other fees		60,510			60,510
Printing and postage	16,562	103	2,648	36,601	55,914
Dues	21,376	735	2,976	5,848	30,935
Other	<u>5,793</u>	<u>5,120</u>	<u>106</u>	<u>892</u>	<u>11,911</u>
Total expenses	<u>\$ 7,354,033</u>	<u>\$ 655,888</u>	<u>\$ 242,035</u>	<u>\$ 533,131</u>	8,785,087
Direct donor benefits – special event					<u>58,157</u>
Total					<u>\$ 8,843,244</u>

See accompanying notes to financial statements.

Houston Botanic Garden

Statement of Functional Expenses for the year ended December 31, 2022

	BOTANIC GARDEN AND GUEST <u>SERVICES</u>	MANAGEMENT AND <u>GENERAL</u>	GARDEN <u>MARKETING</u>	<u>FUNDRAISING</u>	TOTAL <u>EXPENSES</u>
Salaries and related expenses	\$ 1,475,573	\$ 203,449	\$ 119,796	\$ 397,527	\$ 2,196,345
Contract services	1,826,397	15,545	114,438	124,615	2,080,995
Depreciation	2,069,043	97,983	54,688	148,114	2,369,828
Building and grounds maintenance	347,553	8,767	1,222	2,877	360,419
Garden materials and supplies	273,461	33,311	5,308	29,147	341,227
Furniture and equipment	91,473	9,379	1,078	19,419	121,349
Technology and communications	124,025	43,282	12,311	42,460	222,078
Professional services		193,737			193,737
Insurance	78,726	12,598	1,734	4,696	97,754
Utilities	86,872	4,519	2,273	6,155	99,819
Travel	51,971	12,325	329	25,166	89,791
Office supplies	3,236	12,638	4,431	1,084	21,389
Credit card and other fees		70,504			70,504
Printing and postage	10,204	850	2,842	68,227	82,123
Dues	7,597	6,340	2,084	6,754	22,775
Other	<u>2,342</u>	<u>77,609</u>		<u>1,869</u>	<u>81,820</u>
Total expenses	<u>\$ 6,448,473</u>	<u>\$ 802,836</u>	<u>\$ 322,534</u>	<u>\$ 878,110</u>	8,451,953
Direct donor benefits – special event					<u>53,698</u>
Total					<u>\$ 8,505,651</u>

See accompanying notes to financial statements.

Houston Botanic Garden

Notes to Financial Statements for the years ended December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Formed in 2002, Houston Botanic Garden (HBG) is a nonprofit organization whose mission is to enrich lives through discovery, education, and the conservation of plants and the natural environment. HBG broke ground in 2019 on a 132-acre site located a short distance from downtown Houston. Since 2015, HBG has raised over \$38 million to construct the first phase of the gardens, which opened to the public in fall 2020 as a major addition to Houston’s cultural landscape and growing list of greenspaces. The botanic gardens provide a place for visitors to learn about plants, conservation, and nature; connects Houstonians across different cultures and ethnicities; and closes an existing gap in the world-class city’s collection of amenities for residents and tourists.

Federal income tax status – HBG is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Property is reported at cost if purchased and at fair value at the date of gift if donated. HBG capitalizes property that has a cost or fair value of \$5,000 or greater and an estimated useful life of more than one year. HBG recognizes depreciation using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years.

Included with property in the statement of financial position is a right to use 132 acres of real property for 90 years provided by the City of Houston. This right is being amortized over the life of the agreement.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *net assets*

with donor restrictions. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when conditions have been met.

Admission and other fees are derived primarily from admission to the gardens and guest programs. Revenue is recognized when the services are provided in an amount that reflects the consideration that HBG expects to be entitled to in exchange for those services. The nature of these services does not give rise to contract costs, refunds, or other related obligations. Admission and other fees collected in advance are reported as deferred revenue.

Membership fees are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total membership fees paid and the exchange element and are due at the time of purchase. Memberships provide various benefits based on membership level such as admission, special exhibits and events, private tours, discounted facility rentals, discounts at the gift shop, and invitations to private events. Membership admission fees represent the fair value of benefits provided to members and are recognized ratably over the annual membership period based on the output method. The fair value of each benefit is based on the expected utilization. Payments for membership admission fees received for performance obligations not yet satisfied are reported as deferred memberships. The excess of membership dues paid over membership benefits is recognized upon receipt and is reported with contributions.

In-kind contributions – Donated materials and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant amounts of time in connection with HBG for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Advertising and marketing costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or other supporting activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs and contract services are allocated on the basis of estimated time and effort expended. Occupancy and maintenance related costs are estimated based upon the property usage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 1,392,742	\$ 2,822,525
Contributions receivable, net	452,214	639,059
Other assets	<u>61,684</u>	<u> </u>
Total financial assets	1,906,640	3,461,584
Less:		
Donor-restricted for future capital projects	<u>(869,226)</u>	<u>(835,000)</u>
Total financial assets available for general expenditure	<u>\$ 1,037,414</u>	<u>\$ 2,626,584</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, HBG considers all expenditures related to its ongoing activities (excluding capital expenditures), as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Garden is supported by admissions and contributions from supportive donors. Management is closely monitoring unrestricted cash flow to meet ongoing needs.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 469,589	\$ 656,434
Allowance for uncollectible contributions	<u>(17,375)</u>	<u>(17,375)</u>
Contributions receivable, net	<u>\$ 452,214</u>	<u>\$ 639,059</u>

Contributions receivable at December 31, 2023 are expected to be collected as follows:

Receivable in less than one year	\$ 394,589
Receivable in one to five years	<u>75,000</u>
Total contributions receivable	<u>\$ 469,589</u>

NOTE 4 – PROPERTY

Property is comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 275,028	\$ 275,028
Gardens	9,730,492	9,653,560
Buildings and improvements	5,952,925	5,100,009
Land improvements	19,140,842	19,140,842
Equipment, furnishings, and vehicles	425,959	319,757
Right to use asset – 132-acre land parcel	3,000,000	3,000,000
Construction in progress		<u>126,347</u>
Total property	38,525,246	37,615,543
Accumulated depreciation and amortization	<u>(7,268,022)</u>	<u>(4,882,841)</u>
Property, net	<u>\$ 31,257,224</u>	<u>\$ 32,732,702</u>

HBG has a long-term land lease with the City of Houston for a right to use 132 acres of property for up to 90 years (see Note 7 for further information).

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Garden expansion	\$ 584,226	\$ 635,000
Education	133,382	207,626
Green house project		200,000
Art in the Garden	147,474	159,003
Other garden projects	<u>15,000</u>	<u>150,000</u>
Total net assets with donor restrictions	<u>\$ 880,082</u>	<u>\$ 1,351,629</u>

NOTE 6 – OPERATING AGREEMENT WITH THE CITY OF HOUSTON

In 2015, HBG entered into a 30-year operating agreement with the City of Houston (the City) to develop a sustainable botanic garden on the 132 acres formerly known as the Glenbrook Golf Course. HBG agreed to raise the necessary funding to create, construct and operate a botanic garden. In exchange for this commitment, the City has granted an irrevocable option to be exercised by HBG for the use of this property. The agreement includes the option for HBG to renew this agreement for two consecutive 30-year terms. HBG occupancy of the property began in April 2018. The City provided up to \$1 million in bridge and road improvements for the project. Any net proceeds from fees received must be used toward the administration, operation, maintenance and improvements of the botanic garden.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.