

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**DENVER BOTANIC GARDENS, INC.
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Denver Botanic Gardens, Inc.
Denver, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Denver Botanic Gardens, Inc. (the Gardens), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Denver Botanic Gardens, Inc. as of December 31, 2021, and the results of its changes in 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) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Denver Botanic Gardens, Inc. 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.

Other Matters – Prior Period Financial Statements

The consolidated financial statements of Denver Botanic Gardens, Inc. as of December 31, 2020, were audited by other auditors whose report dated May 25, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Denver Botanic Gardens, Inc.'s ability to continue as a going concern for one year after the date 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 consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

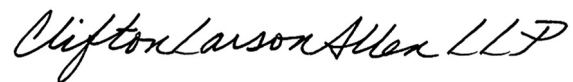
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Denver Botanic Gardens, Inc.'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 Denver Botanic Gardens, Inc.'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.

Board of Trustees
Denver Botanic Gardens, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2022, on our consideration of Denver Botanic Gardens, Inc.'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 Denver Botanic Gardens, Inc.'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 Denver Botanic Gardens, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
May 20, 2022

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
Cash and Cash Equivalents	\$ 18,131,090	\$ 6,062,456
Supplemental Lease Payment Fund	963,227	952,863
Investments	41,751,635	37,125,268
Receivables:		
Scientific and Cultural Facilities District	1,549,235	1,294,398
Employee Retention Credit Receivable	4,671,745	-
Other Accounts Receivable	381,242	130,019
Contributions Receivable, Net	1,013,301	2,339,406
Inventory	332,040	281,967
Prepaid Expenses and Other	248,424	300,206
Property and Equipment, Net	886,261	881,213
Total Assets	\$ 69,928,200	\$ 49,367,796
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,827,229	\$ 1,817,886
Deferred Revenue	3,494,462	3,240,708
Paycheck Protection Program Loan	-	3,062,100
Annuity Payable	44,017	53,145
Total Liabilities	5,365,708	8,173,839
NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,205,808	(1,957,236)
Board Designated	27,390,241	14,501,769
Total Net Assets Without Donor Restrictions	32,596,049	12,544,533
With Donor Restrictions	31,966,443	28,649,424
Total Net Assets	64,562,492	41,193,957
Total Liabilities and Net Assets	\$ 69,928,200	\$ 49,367,796

See accompanying Notes to Consolidated Financial Statements.

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Membership Dues	\$ 3,318,218	\$ -	\$ 3,318,218
Special Events and Facility Rentals	6,076,146	-	6,076,146
Admissions	4,523,049	-	4,523,049
Scientific and Cultural Facilities District	5,880,302	-	5,880,302
City and County of Denver, Colorado Support	1,122,625	-	1,122,625
Contributions and Grants	2,809,753	322,184	3,131,937
Endowment Distribution	269,677	943,887	1,213,564
Other	381,265	-	381,265
Chatfield Farms	2,648,157	-	2,648,157
Education/Public Programs	837,619	-	837,619
Gift Shop	817,335	-	817,335
Federal Grant Revenue	5,672,558	-	5,672,558
Paycheck Protection Program Loan Forgiveness	5,062,100	-	5,062,100
Employee Retention Credit	4,671,745	-	4,671,745
Net Assets Released from Restrictions	1,309,282	(1,309,282)	-
Total Revenue, Gains, and Other Support	<u>45,399,831</u>	<u>(43,211)</u>	<u>45,356,620</u>
EXPENSES			
Program Services:			
Horticulture, Science, and Conservation	4,511,485	-	4,511,485
Education and Outreach	4,574,057	-	4,574,057
Chatfield Farms	2,882,510	-	2,882,510
Visitor Experience	6,558,434	-	6,558,434
Operations and Maintenance	5,040,771	-	5,040,771
Total Program Services	<u>23,567,257</u>	<u>-</u>	<u>23,567,257</u>
Support Services:			
General and Administrative	1,962,480	-	1,962,480
Development	1,193,930	-	1,193,930
Total Support Services	<u>3,156,410</u>	<u>-</u>	<u>3,156,410</u>
Total Expenses	<u>26,723,667</u>	<u>-</u>	<u>26,723,667</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING INCOME (LOSS) AND NET ASSETS	18,676,164	(43,211)	18,632,953
NONOPERATING INCOME (LOSS)			
Endowment and Capital Campaign Contributions	427,121	763,512	1,190,633
Capital Projects	(849,977)	-	(849,977)
Release of Net Assets - Designated for Nonoperating Activities	383,274	(383,274)	-
Investment Return on Endowment - Net, After Distribution	1,414,934	2,979,992	4,394,926
Bond Proceeds	-	-	-
Total Nonoperating Income	<u>1,375,352</u>	<u>3,360,230</u>	<u>4,735,582</u>
CHANGE IN NET ASSETS	20,051,516	3,317,019	23,368,535
Net Assets - Beginning of Year	12,544,533	28,649,424	41,193,957
NET ASSETS - END OF YEAR	<u>\$ 32,596,049</u>	<u>\$ 31,966,443</u>	<u>\$ 64,562,492</u>

See accompanying Notes to Consolidated Financial Statements.

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Membership Dues	\$ 3,228,668	\$ -	\$ 3,228,668
Special Events and Facility Rentals	2,694,289	-	2,694,289
Admissions	1,783,441	-	1,783,441
Scientific and Cultural Facilities District	4,981,617	-	4,981,617
City and County of Denver, Colorado Support	1,122,625	-	1,122,625
Contributions and Grants	3,059,086	1,142,512	4,201,598
Endowment Distribution	244,079	906,782	1,150,861
Other	170,601	-	170,601
Chatfield Farms	1,048,196	-	1,048,196
Education/Public Programs	491,783	-	491,783
Gift Shop	301,057	-	301,057
Federal Grant Revenue	-	-	-
Paycheck Protection Program Loan Forgiveness	-	-	-
Employee Retention Credit	-	-	-
Net Assets Released from Restrictions	1,332,415	(1,332,415)	-
Total Revenue, Gains, and Other Support	<u>20,457,857</u>	<u>716,879</u>	<u>21,174,736</u>
EXPENSES			
Program Services:			
Horticulture, Science, and Conservation	4,049,617	-	4,049,617
Education and Outreach	3,908,514	-	3,908,514
Chatfield Farms	2,262,475	-	2,262,475
Visitor Experience	5,004,820	-	5,004,820
Operations and Maintenance	4,260,413	-	4,260,413
Total Program Services	<u>19,485,839</u>	<u>-</u>	<u>19,485,839</u>
Support Services:			
General and Administrative	1,967,879	-	1,967,879
Development	1,102,900	-	1,102,900
Total Support Services	<u>3,070,779</u>	<u>-</u>	<u>3,070,779</u>
Total Expenses	<u>22,556,618</u>	<u>-</u>	<u>22,556,618</u>
CHANGE IN NET ASSETS BEFORE NONOPERATING INCOME (LOSS) AND NET ASSETS	(2,098,761)	716,879	(1,381,882)
NONOPERATING INCOME (LOSS)			
Endowment and Capital Campaign Contributions	640,168	654,862	1,295,030
Capital Projects	(9,383,985)	-	(9,383,985)
Release of Net Assets - Designated for Nonoperating Activities	8,102,535	(8,102,535)	-
Investment Return on Endowment - Net, After Distribution	1,124,061	2,301,881	3,425,942
Bond Proceeds	596,000	-	596,000
Total Nonoperating Income (Loss)	<u>1,078,779</u>	<u>(5,145,792)</u>	<u>(4,067,013)</u>
CHANGE IN NET ASSETS	(1,019,982)	(4,428,913)	(5,448,895)
Net Assets - Beginning of Year	13,564,515	33,078,337	46,642,852
NET ASSETS - END OF YEAR	<u>\$ 12,544,533</u>	<u>\$ 28,649,424</u>	<u>\$ 41,193,957</u>

See accompanying Notes to Consolidated Financial Statements.

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Service					Support Services				2021 Total
	Horticulture, Science, and Conservation	Education and Outreach	Chatfield Farms	Visitor Experience	Operations and Maintenance	Total	General and Administrative	Development	Total	
Salaries	\$ 2,893,532	\$ 2,730,581	\$ 1,441,765	\$ 2,598,068	\$ 2,023,906	\$ 11,687,852	\$ 818,357	\$ 589,182	\$ 1,407,539	\$ 13,095,391
Fringe Benefits	978,446	949,768	445,290	769,361	696,987	3,839,852	447,319	205,645	652,964	4,492,816
Professional Services	330,829	445,779	443,312	653,665	212,437	2,086,022	190,626	13,760	204,386	2,290,408
Occupancy	-	1,977	19,209	1,558,068	648,380	2,227,634	86,559	86,559	173,118	2,400,752
Program Supplies	82,822	63,517	143,049	16,809	53,004	359,201	105	727	832	360,033
Advertising	-	30	3,324	2,178	-	5,532	221,112	-	221,112	226,644
Equipment, Furniture, and Fixtures	2,750	3,984	11,811	20,024	74,109	112,678	11,650	249	11,899	124,577
Exhibit Fees	-	104,528	-	-	-	104,528	-	-	-	104,528
Information Technology	3,801	34,077	-	4,130	289,648	331,656	35	5,760	5,795	337,451
Insurance	47,813	47,781	30,111	67,384	52,599	245,688	15,532	13,152	28,684	274,372
Miscellaneous	15,615	49,281	34,796	507,554	100,991	708,237	31,369	60,165	91,534	799,771
Office Supplies	44,614	85,703	55,179	81,320	95,467	362,283	109,036	48,984	158,020	520,303
Plants and Seeds	49,505	-	43,099	-	-	92,604	-	-	-	92,604
Postage and Shipping	1,542	13,012	82	91,941	102	106,679	977	9,420	10,397	117,076
Printing and Publications	4,639	30,029	2,449	78,905	-	116,022	975	37,452	38,427	154,449
Repairs and Maintenance	22,566	-	48,779	-	638,035	709,380	-	-	-	709,380
Contract Security	-	-	147,759	31,187	7,424	186,370	-	580	580	186,950
Trainings, Conferences, and Meetings	9,455	11,159	11,114	70,424	5,745	107,897	24,085	121,960	146,045	253,942
Travel	23,556	2,851	1,382	7,416	1,413	36,618	4,743	335	5,078	41,696
Depreciation	-	-	-	-	140,524	140,524	-	-	-	140,524
Total	\$ 4,511,485	\$ 4,574,057	\$ 2,882,510	\$ 6,558,434	\$ 5,040,771	\$ 23,567,257	\$ 1,962,480	\$ 1,193,930	\$ 3,156,410	\$ 26,723,667

See accompanying Notes to Consolidated Financial Statements.

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Service					Support Services				2020 Total
	Horticulture, Science, and Conservation	Education and Outreach	Chatfield Farms	Visitor Experience	Operations and Maintenance	Total	General and Administrative	Development	Total	
Salaries	\$ 2,574,183	\$ 2,479,746	\$ 1,253,534	\$ 2,058,226	\$ 1,828,914	\$ 10,194,603	\$ 821,075	\$ 586,277	\$ 1,407,352	\$ 11,601,955
Fringe Benefits	872,032	857,115	401,300	690,918	641,252	3,462,617	425,644	192,002	617,646	4,080,263
Professional Services	176,544	316,741	251,877	308,910	305,693	1,359,765	131,483	7,177	138,660	1,498,425
Occupancy	-	5,222	20,609	1,464,990	678,252	2,169,073	81,388	81,388	162,776	2,331,849
Program Supplies	72,023	23,003	101,937	12,908	47,194	257,065	51,971	1,660	53,631	310,696
Advertising	-	515	3,475	-	-	3,990	180,099	-	180,099	184,089
Equipment, Furniture, and Fixtures	20,405	128	17,573	219	2,097	40,422	-	1,843	1,843	42,265
Exhibit Fees	-	11,250	-	-	-	11,250	-	-	-	11,250
Information Technology	3,008	20,910	-	8,797	365,486	398,201	417	1,998	2,415	400,616
Insurance	44,258	42,750	24,727	54,698	45,080	211,513	24,137	11,683	35,820	247,333
Miscellaneous	56,325	30,735	21,464	272,483	985	381,992	179,169	31,578	210,747	592,739
Office Supplies	47,149	23,636	29,610	33,138	61,800	195,333	49,141	914	50,055	245,388
Plants and Seeds	48,568	-	36,305	2,126	3,730	90,729	-	-	-	90,729
Postage and Shipping	5,448	10,518	40	43,773	225	60,004	330	29,177	29,507	89,511
Printing and Publications	42,566	64,346	1,589	1,530	128	110,159	-	140,931	140,931	251,090
Repairs and Maintenance	-	-	8,202	-	139,580	147,782	-	-	-	147,782
Contract Security	-	-	80,938	21,695	1,795	104,428	-	-	-	104,428
Trainings, Conferences, and Meetings	14,223	8,051	6,602	23,683	2,398	54,957	23,025	15,570	38,595	93,552
Travel	72,885	13,848	2,693	6,726	223	96,375	-	702	702	97,077
Depreciation	-	-	-	-	135,581	135,581	-	-	-	135,581
Total	\$ 4,049,617	\$ 3,908,514	\$ 2,262,475	\$ 5,004,820	\$ 4,260,413	\$ 19,485,839	\$ 1,967,879	\$ 1,102,900	\$ 3,070,779	\$ 22,556,618

See accompanying Notes to Consolidated Financial Statements.

DENVER BOTANIC GARDENS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 23,368,535	\$ (5,448,895)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	140,524	135,581
Capital Projects Expensed	849,977	9,383,985
Cash Received Restricted for Endowment	(104,000)	(12,550)
Contribution Revenue Restricted for Capital Campaign	(1,086,633)	(1,282,480)
Bond Proceeds Revenue	-	(596,000)
Net Realized and Unrealized Gains on Investments	(4,752,002)	(3,687,380)
Loss on Disposal of Property and Equipment	134,957	-
Bad Debt	11,378	111,216
Gain on Paycheck Protection Program Loan Forgiveness	(5,062,100)	-
Changes in Assets and Liabilities:		
Accounts Receivable - Scientific and Cultural Facilities District	(254,837)	21,082
Employee Retention Credit Receivable	(4,671,745)	-
Account Receivable - Other	(251,223)	705,267
Contributions Receivable	1,314,727	(133,242)
Prepaid Expenses and Other Assets	51,782	28,712
Inventory	(50,073)	52,084
Accounts Payable and Accrued Liabilities	9,343	(5,055,127)
Deferred Revenue	253,754	525,997
Annuity Payable	(9,128)	(9,125)
Net Cash Provided (Used) by Operating Activities	9,893,236	(5,260,875)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(6,996,641)	(911,909)
Proceeds from Sale of Investments	7,122,276	576,430
Change in Value of Supplemental Lease Payment Fund	(10,364)	3,358
Payments for Purchases of Improvements and Equipment	(280,529)	(154,368)
Payments for Capital Projects	(849,977)	(9,383,985)
Cash Received from Bond Proceeds	-	596,000
Net Cash Used by Investing Activities	(1,015,235)	(9,274,474)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received Restricted for Endowment	104,000	12,550
Proceeds from Contributions Restricted for Capital Campaign	1,086,633	3,611,114
Proceeds from Paycheck Protection Program Loan	2,000,000	3,062,100
Net Cash Provided by Financing Activities	3,190,633	6,685,764
NET DECREASE IN CASH AND CASH EQUIVALENTS	12,068,634	(7,849,585)
Cash and Cash Equivalents - Beginning of Year	6,062,456	13,912,041
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 18,131,090	\$ 6,062,456

See accompanying Notes to Consolidated Financial Statements.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Denver Botanic Gardens, Inc. (DBG) is a nonprofit corporation organized for the establishment and maintenance of botanical gardens and arboreta in cooperation with the City and County of Denver, Colorado (the City) for its Denver site (Denver Botanic Gardens) and the United States Army Corps of Engineers (the Army Corps) for its site in Jefferson County, Colorado (Denver Botanic Gardens at Chatfield Farms).

DBG entered into an amended cooperative agreement with the City on April 5, 1991, expiring on December 31, 2029, whereby:

1. DBG will manage, control, and operate the facilities and all the buildings, grounds, plantings, collections, exhibits, programs, operations, and properties constituting Denver Botanic Gardens for the benefit of the public.
2. DBG will donate to the City, for the benefit of the people of the City, all its right, title, and interest in and to any fixtures or improvements to real property, including plantings and horticulture exhibits, that are located on or in any of the facilities that constitute Denver Botanic Gardens.
3. The City will provide or purchase water, utilities, and certain types of insurance and other services, as deemed necessary, to DBG. These costs are paid directly to or reimbursed by the City. During the years ended December 31, 2021 and 2020, the City appropriated to DBG \$1,122,625 and \$1,122,625, respectively, for operations and provided telephone and certain types of administrative services to DBG.

On April 28, 1975, the City entered into a lease agreement with the Army Corps on behalf of DBG for the Chatfield Farms site. Effective September 1, 2019, the City relinquished its lease on behalf of DBG, and DBG signed a direct lease with the Army Corps for Chatfield Farms.

DBG occupies and manages the properties described above, but they are owned by the City and the Army Corps and, therefore, are not capitalized in the accompanying consolidated financial statements. Per the cooperative agreement with the City, funds spent by DBG on capital projects immediately become the property of the City upon certification of occupancy.

DBG funds the operating costs of the properties but does not pay rent to the City or Army Corps. These properties are unique and have no clear alternative purpose; therefore, the fair value of the properties is not determinable. Accordingly, DBG has not recorded the value of the use of the botanical garden properties located at 909 and 1007 York Street and at Chatfield Farms in the accompanying consolidated financial statements (see Note 8).

**DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reporting Entity

The accompanying consolidated financial statements include the accounts of Denver Botanic Gardens, Inc. and Denver Botanic Gardens Endowment, Inc. (DBGE), a separate nonprofit organization established in 1991 with the transfer to DBGE of the majority of DBG's endowment funds. DBGE was formed for the purpose of, but not limited to, providing private financial support for DBG and its programs so long as DBG remains a tax-exempt entity and so long as its present contract with the City remains in effect.

The consolidated financial statements also include the accounts of an affiliated volunteer organization: the Denver Botanic Gardens Guild (the Guild). This affiliate works for the betterment of DBG by providing volunteer assistance and financial aid.

The above entities are referred herein collectively as the Gardens.

Basis of Presentation

The consolidated financial statements of the Gardens have been prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Classification of Net Assets

The Gardens are required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – represent amounts without donor restrictions that are currently available at the discretion of the board of trustees (the board) for use in the Gardens' operations.

Net Assets With Donor Restrictions – represent amounts with donor restrictions that are either monies restricted by donors specifically for certain projects, programs, and time limitations or are assets that must be maintained in perpetuity by the Gardens, as required by the donor, but the Gardens are permitted to use or expend part or all of any income derived from those assets in accordance with donor specifications.

Contributions

Contributions are recorded as without donor restrictions or donor-restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Gardens. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return or release—are recorded when the conditions upon which they depend have been met. Until that time, they are reported on the statements of financial position as a refundable advance. For donor-restricted conditional contributions whose restrictions are met in the same period in which the corresponding revenue is recognized, the revenue is reported as support without donor restrictions.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions (Continued)

All other contribution revenue that is originally restricted by the donor, including pledges, is reported as an increase in donor-restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor-restricted net assets are classified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Unconditional contributions receivable are recognized as revenue in the period the pledge is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Gardens use the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Change to Economic Environment

On March 16, 2020, Denver Botanic Gardens was required to close its operations to follow local government stay-at-home orders. DBG was allowed to open on May 26 with outdoor operations at 25% of normal capacity. As of May 20, 2022, DBG is operating at near normal indoor and outdoor capacity. As a result of the stay-at-home orders and continued limited capacity, DBG experienced a significant decrease in memberships, admissions, classes, private rentals and gift shop sales for the year ended December 31, 2020. Also, DBG canceled its summer concert series and summer camps for kids and closed its conservatory, galleries, and library for the year ended December 31, 2021.

In order to assist with cash flows and to maintain employment and benefits for employees, and continue operations, DBG applied for and received pandemic funding in the form of a Shutter Venue Operator Grant (see Note 16), two Paycheck Protection Program (PPP) loans (see Note 17), and three quarters of funding from the Employee Retention Credit (ERC) (see Note 18).

Capital Campaign

In 2009, the Gardens embarked on a master development plan that is funded through the Flourish Capital Campaign, with a goal to raise a total of \$116 million. As of December 31, 2020, the Gardens had raised over \$116 million through contributions and bond proceeds that have been used for projects, including the Freyer-Newman Center for Science, Art, and Education; renovation of the Boettcher Memorial Hall, parking structure, children's garden, and various other garden enhancements; and infrastructure improvements. Bond proceeds were provided to the Gardens as qualified expenses were incurred and submitted to the City for reimbursement. The Gardens closed out the capital campaign and completed all remaining projects as of December 31, 2020.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition for Contracts with Customers

To determine revenue recognition for the arrangements that the Gardens determines are within the scope of Topic 606, the Gardens performs the following five steps (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation in the contract, and (5) recognize revenue when (or as) the Gardens satisfies performance obligations.

Revenue from contracts with customers is composed of the following:

Membership Dues

The Gardens recognizes revenue from member dues over the membership period, which is one year from the date the membership is purchase. The performance obligations of the membership are simultaneously received and consumed by members; therefore, the revenue is recognized ratably over the course of the membership period using a straight-line method. Unearned dues are included in deferred revenue.

Admissions and Special Events

Fees paid for admission to the Gardens or to attend special events are paid in full upon purchase of the initial ticket and recognized as during customers' admittance to the gardens or event. Fees paid in advance are deferred and recognized over time when during customers' admittance to the Gardens or the special event, both typically occur within a single day.

Facility Rentals

The Gardens enter into contracts to rent out portions of their facilities. Pricing and rental dates are set in a signed contract with the customer. Deposits and required prepayments are deferred and recognized over time during the designated facility rental, which typically occurs within a single day.

Educational/Public Programs

The Gardens provide various educational programs. Fees charged for the educational programs are deferred until the classes are held. Revenue is recognized over time as classes occur.

Gift Shop

Income from sales of merchandise is recognized at the time of sale.

Chatfield Farms

The Chatfield Farms line item in the consolidated statement of activities and changes in net assets is composed of the admissions, special events, and facility rental revenue for the Chatfield Farms location. Those revenue streams are recognized on the same basis as disclosed above.

**DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition for Contracts with Customers (Continued)

Other Information

Total revenue from contracts with customers was \$18,601,789 for the year ended December 31, 2021, of which \$15,283,571 was recognized at a point in time and \$3,318,218 was recognized over time.

Total revenue from contracts with customers was \$9,716,950 for the year ended December 31, 2021, of which \$6,488,282 was recognized at a point in time and \$3,228,668 was recognized over time.

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits presented as deferred revenue (contract liabilities) on the consolidated statements of financial position. Amounts are billed either billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g. monthly) or upon achievement of contractual milestones. Generally, billing occurs upon revenue recognition, resulting in accounts receivable. However, the Gardens sometimes receive advances or deposits from our customers, before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts Receivable	\$ 381,242	\$ 130,019	\$ 2,714,711
Unbilled Receivables	\$ -	\$ -	\$ -
Deferred Revenue	\$ 3,494,462	\$ 3,240,708	\$ 835,286

Cash and Cash Equivalents

The Gardens consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in marketable equity and fixed-income securities with readily determinable market values are recorded at fair value based on quoted prices in active markets. The market values for alternative investments represent DBGE's pro rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by management. Alternative investments are not publicly traded on national security market exchanges, are generally illiquid, and may be valued differently than if readily available markets existed for such investments. Because of inherent uncertainties of valuation of alternative investments, the reported market values of such investments may differ significantly from realizable values.

Investment income consists of DBGE's distributive share of any interest, dividends, capital gains, and losses generated from investments. Realized gains and losses attributable to investments are reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities and changes in net assets.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Concentrations of Credit Risk

Financial instruments that potentially subject the Gardens to concentrations of credit risk consist of cash and temporary investments, investment securities, and contributions receivable. The Gardens place their cash and temporary investments with creditworthy, high-quality financial institutions. A portion of the Gardens' cash deposits is not insured by the Federal Deposit Insurance Corporation (FDIC).

DBGE has significant investments in equity and debt securities and, therefore, is subject to concentrations of credit risk. Investments are managed by investment advisors who are supervised by the DBGE board of directors (the directors). Though the market value of investments is subject to fluctuations on a year-to-year basis, the directors believe that the investment policy is prudent for the long-term welfare of the Gardens.

Credit risk, with respect to contributions receivable, is limited due to the number and creditworthiness of the corporations, foundations, and individuals who comprise the contributor base.

Inventory

Inventory consists of gift shop items and is stated at the lower of cost or net realizable value, using the first-in, first-out method.

Property and Equipment

The York Street land and certain buildings are owned by the City and County of Denver (see Note 8). The Chatfield land and property are owned by the Army Corps of Engineers (see Note 8). The Gardens have a policy that any land or building improvements on those properties are expensed as incurred. The Gardens only capitalize improvements made to buildings owned by the Gardens. The Gardens also capitalize vehicles, furniture, fixtures, and other equipment. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Total historical cost of property and equipment at December 31, 2021 and 2020 is \$2,029,930 and 1,884,194, respectively, with total related accumulated depreciation at December 31, 2021 and 2020 of \$1,143,669 and 1,002,981, respectively.

Collections

The Gardens' collections, which were acquired through purchases and contributions since the Gardens' inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries may be used for new collections or the direct care of other collections and are reflected as increases in the appropriate net asset classes.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Charitable Gift Annuity

The Gardens were the recipient of a charitable gift annuity with a total contribution of approximately \$152,000. The gift annuity assets are included in investments (see Note 4). The Gardens have a related annuity payment liability of \$44,017 and \$53,145 as of December 31, 2021 and 2020, respectively, which represents the present value of the future distributions due to the benefactor.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donated Goods and Services

Volunteers from the community and the Guild have donated a significant number of hours in assisting the Gardens in achieving the goals of their various service programs. The value of this contributed time is not reflected in the accompanying consolidated financial statements because it does not meet the recognition criteria under U.S. GAAP. The Gardens received approximately 45,000 and 31,000 volunteer hours in 2021 and 2020, respectively.

Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Donated goods and services received during the years ended December 31, 2021 and 2020, include various advertising, plants, books, and supplies and totaled approximately \$160,000 and \$129,000, respectively.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2021 and 2020 was approximately \$227,000 and \$184,000.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various programs and support services on several bases and estimates. Certain wages and benefits have been allocated based on time and effort estimates. Certain supplies, postage, shipping, and insurance expenses have been allocated based on usage. IT has been allocated based on headcount. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Nonoperating Income (Loss)

Nonoperating income (loss) includes endowment and capital campaign contributions, capital projects expenditures, bond proceeds, and investment return.

Income Taxes

The Gardens are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and qualify for the charitable contribution deduction. However, income from activities not directly related to the Gardens' tax-exempt purpose is subject to taxation as unrelated business income. There was no significant unrelated taxable business income in 2021 and 2020.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Gardens' financial assets available for general expenditures within one year of are as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents (Excluding Certain Board-Designated and Donor-Restricted Amounts)	\$ 2,465,154	\$ 3,467,718
Receivables from Scientific and Cultural Facilities District (SCFD)	1,549,235	1,294,398
Employee Retention Credit Receivable	4,671,745	-
Other Receivables	380,590	130,019
Contributions Receivable for Operations Due Next Year	219,719	209,557
Board-Designated Endowment Assets		
Appropriated for Next Year	851,664	778,738
Total	<u>\$ 10,138,107</u>	<u>\$ 5,880,430</u>

Endowment funds held by DBGE consist of donor-restricted endowments and funds designated by the board to function as endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 12, the annual endowment distribution is set at 4% of the endowment's average market value over the prior 12 quarters as of June 30 of the prior year.

**DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

To manage liquidity, the Gardens structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. In the event of unanticipated liquidity needs, the Gardens have committed a line of credit in the amount of \$2,500,000 that they could draw upon. The line of credit is more fully described in Note 15. Additionally, the investments include board-designated endowments totaling \$12,692,604 and \$11,209,549, respectively, as of December 31, 2021 and 2020. Although the Gardens do not intend to spend from the board-designated endowments other than amounts appropriated for general expenditure as part of their annual budget approval and appropriation process, amounts from this endowment could be made available if necessary. However, both the board-designated endowments and donor-restricted endowments contain investments with lockup provisions that would reduce the total investments that could be made available (see Note 5). None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

NOTE 3 CITY AND COUNTY OF DENVER, COLORADO COOPERATIVE AGREEMENT ON PARKING

Facility

In a third amendment to the cooperative agreement between the City and DBG, the City entered into a lease purchase agreement on October 1, 2008 in the amount of \$17.7 million to finance the construction of a parking facility located on the grounds of DBG. The City has agreed to a schedule of lease payments for the parking facility, and DBG has agreed to reimburse the City semiannually through its maturity in 2028. In February 2017, the City refinanced the parking facility lease to reduce both the interest rate to 2.5% and the future payment schedule. As a result, interest-only payments were due through November 2018, with interest and principal payments beginning in December 2018 until maturity in 2028. For the years ended December 31, 2021 and 2020, DBG made total lease payments of \$1,731,000 and \$1,628,000, respectively.

Future minimum annual commitments under the operating lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 1,750,013
2023	1,769,900
2024	1,730,588
2025	1,744,962
2026	1,770,136
Thereafter	3,576,602
Total	<u>\$ 12,342,201</u>

Additionally, DBG is required to maintain a supplemental lease payment fund equal to 55% of the following year's debt payment to be funded out of incremental revenue. The balance in this fund at December 31, 2021 and 2020, was \$963,000 and \$953,000, respectively, which meets the 55% of the debt service requirement for the next annual payment to the City under the lease terms as of December 31, 2021.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 INVESTMENTS

Investment assets, which include private and publicly held investments, are dedicated to providing the financial resources needed to meet the Gardens' charitable objectives. The investments are held in various investment structures. DBGE has adopted an investment policy that is approved annually by DBGE's governing board, whereby the investment portfolio is invested in a manner that is intended to produce maximum yield results while assuming a moderate level of investment risk. The investment portfolio is reviewed by the governing board and its investment advisors on a quarterly basis.

Marketable and private alternative investments are exposed to various risks that may cause the reported value of the investment assets to fluctuate from period to period and result in a material change to the net assets of DBGE. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, business and industry market conditions, and the general economic environment.

The values of bond investments and other fixed-income securities fluctuate in response to changing interest rates, creditworthiness of issuers, and overall economic policies that impact market conditions. Some investment managers are permitted to use various investment strategies and techniques that are designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes.

Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements, and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the investment portfolio.

The details of the Gardens' investments at fair value are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Marketable Securities:		
Money Market Funds	\$ 31,225	\$ 37,302
Fixed-Income Mutual Funds	3,294,653	2,173,295
Equity Mutual Funds	29,218,425	28,375,632
Alternative Investments:		
Private Equity Funds	2,421,156	1,409,760
Real Estate Fund	2,092,527	1,769,202
Hedge Funds	4,693,649	3,360,077
Total	<u>\$ 41,751,635</u>	<u>\$ 37,125,268</u>

Investment return, net of distribution, is summarized as follows for the year ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and Dividend Income	\$ 888,219	\$ 917,511
Net Realized and Unrealized Gains	4,752,002	3,687,380
Less: Investment Management Fees	(31,731)	(28,088)
Less: Endowment Distribution	(1,213,564)	(1,150,861)
Total	<u>\$ 4,394,926</u>	<u>\$ 3,425,942</u>

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 FAIR VALUE MEASUREMENTS

The Gardens follow accounting standards that establish a framework for measuring fair value and require enhanced disclosures about fair value measurements. The guidance establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring financial assets at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments are categorized within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Gardens can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Gardens develop inputs using the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for assets measured at fair value:

Marketable Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Private Equity Funds, Absolute Return Funds, Real Estate Fund, and Hedge Funds: Value based on net asset value per share of the investments.

There were no changes in valuation methodology during the years ended December 31, 2021 and 2020.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

In accordance with U.S. GAAP, certain investments that are measured at fair value using net asset value practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position. The following table presents information about the Gardens' assets measured at fair value on a recurring basis at December 31, 2021 and 2020, and the valuation techniques used by the Gardens to determine those fair values.

Fair values of assets measured on a recurring basis are as follows at December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 32,544,303	\$ -	\$ -	\$ 32,544,303
Investments Measured at NAV	-	-	-	9,207,332
Total	<u>\$ 32,544,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,751,635</u>

	2020			
	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 30,586,229	\$ -	\$ -	\$ 30,586,229
Investments Measured at NAV	-	-	-	6,539,039
Total	<u>\$ 30,586,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,125,268</u>

The following table summarizes the significant information required by ASU No. 2009-12 as of December 31:

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private Equity Funds (a)	\$ 2,421,156	\$ 1,062,396	N/A	N/A
Real Estate Fund (b)	2,092,527	-	Annually Monthly, Semiannually	30 Days
Hedge Funds (c)	4,693,649	-	Semiannually	45-95 Days
Total	<u>\$ 9,207,332</u>	<u>\$ 1,062,396</u>		

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private Equity Funds (a)	\$ 1,409,760	\$ 1,322,806	N/A	N/A
Real Estate Fund (b)	1,769,202	-	Annually Monthly, Semiannually	30 Days
Hedge Funds (c)	3,360,077	-	Semiannually	45-95 Days
Total	<u>\$ 6,539,039</u>	<u>\$ 1,322,806</u>		

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

- (a) The objectives of these funds are to provide capital appreciation-oriented investment strategies through illiquid vehicles. These strategies may include, but are not limited to, venture capital, operations-oriented buyouts, subordinated debt, restructuring and distressed debt and securities, special situations, and recapitalizations. The fair value of these investments has been estimated using net asset value per share of the investments. Investments in these funds cannot be redeemed because the investments have lockup periods of several years.
- (b) The objective of the fund is to achieve a long-term 5% real rate of return (gross of fees) and to meet or exceed the NCREIF Fund Index Open-End Diversified Core Equity. The strategy utilized by the fund is to invest in both barrier and growth markets. The current fund leverage target is 20% to 25%, with a maximum of 30% of total assets. The fund is valued quarterly by a valuation consultant, and assets are externally appraised at least annually in a staggered rotation, with approximately 25% of the properties appraised each quarter. Investment in this fund can be redeemed each December 31 with 30 days' notice.

The real estate partnership, which is included with the real estate fund, is a 5.7% limited partnership interest with underlying real estate assets. As the underlying properties in the partnership have not been appraised in many years, management believes that the Gardens' ending capital balance is a conservative approximation of its share of the fair value of the partnership.

- (c) The objective of these funds is to produce equity-like returns with low volatility and low correlation to the equity and credit markets. The strategies include capitalizing on long-term market inefficiencies through investments in global equities, futures, forwards, credit opportunities, distressed securities, and various arbitrage-based approaches. The individual hedge funds have different redemption requirements, with the most restrictive requiring nine months' notice for a full withdrawal.

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable include several unconditional promises to give generated from a capital campaign and other operational contributions receivable. At December 31, they are included as follows:

	2021	2020
Contributions Receivable	\$ 1,061,071	\$ 2,530,813
Less: Allowance for Uncollectible Pledges	(10,000)	(100,000)
Less: Discount	(37,770)	(91,407)
Contributions Receivable, Net	\$ 1,013,301	\$ 2,339,406
Contributions Receivable are Due as Follows:		
	2021	2020
Less than one Year	\$ 624,071	\$ 1,420,313
One to Five Years	437,000	1,110,500
Total	\$ 1,061,071	\$ 2,530,813

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 CONTRIBUTIONS RECEIVABLE (CONTINUED)

Contributions receivable are from various entities, including foundations, corporations, and individuals. The discount factor utilized in the present value calculation is 2.5%.

Pledges receivable from four donors at December 31, 2021 and 2020, represented 74% and 84% of gross contributions receivable, respectively.

NOTE 7 CONDITIONAL CONTRIBUTIONS

The Gardens receive grant funding from federal and state agencies. These grant funds are conditional based on future expenditures and activities occurring. As of December 31, 2021 and 2020, conditional grant contributions outstanding totaled \$1,135,206 and \$263,623, respectively, which are composed of the following:

	2021		
	Grant Award	Grant Revenue Recognized	Conditional Grant Award Remaining
Institute of Museum and Library Services - NYBG	\$ 129,589	\$ 70,286	\$ 59,303
National Science Foundation - Bromecast - Utah State University	93,641	41,472	52,169
US Department of Agriculture	504,527	28,823	475,704
Institute of Museum and Library Services - IDEA	245,033	3,263	241,770
US Bureau of Land Management	370,000	63,740	306,260
Total	<u>\$ 1,342,790</u>	<u>\$ 207,584</u>	<u>\$ 1,135,206</u>
	2020		
	Grant Award	Grant Revenue Recognized	Conditional Grant Award Remaining
Institute of Museum and Library Services	\$ 368,042	\$ 204,576	\$ 163,466
National Science Foundation - Bromecast - Utah State University	93,460	16,993	76,467
National Endowment of the Arts	25,000	1,310	23,690
Total	<u>\$ 486,502</u>	<u>\$ 222,879</u>	<u>\$ 263,623</u>

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 REAL ESTATE

Denver Botanic Gardens at Chatfield Farms

In September 2019, the U.S. Army Corps of Engineers terminated a long-term lease/sublease arrangement with the City and the Gardens and entered into a direct lease with the Gardens for approximately 700 acres of land near Chatfield State Park. The Gardens lease the land at no charge from the Army Corps under an agreement that expires in 2044. The Gardens have developed and operate Chatfield Farms on this property. The costs of developing the property have been expensed as incurred.

The Botanic Gardens House

The Gardens have title to land and buildings located at 909 York Street, Denver, Colorado, which houses its administrative offices and is listed in the National Historic Register. This property is not recorded as an asset due to a reversionary clause in the title. The Gardens use the property at no charge.

Other Property

Other property, totaling \$283,566 and \$418,523 as of December 31, 2021 and 2020, respectively, consists of property and water rights acquired primarily through donations. The gifts were recorded at fair value at the date of donation. The property is utilized in Gardens' programs for education and community outreach.

NOTE 9 COLLECTIONS

The Gardens' collections consist of living plants, herbarium, a library, and historical collections. The Gardens' living plant and herbarium collections are made up of over 18,000 taxa of living plants, 63,000 herbarium specimen sheets, and 18,000 preserved and documented native mushrooms. The Gardens have a library consisting of over 30,000 books; periodicals; and seed and nursery catalogs, slides, and pamphlets. The Gardens have over 1,400 two-dimensional works of art in an array of media, including photographs, lithography drawings, maps, and engravings, and 60 pieces of three-dimensional art in the form of bronze, glass, and stone sculptures. Additionally, the Gardens have historic buildings, tools, and farm implements at its Chatfield Farms location.

All of these collections are held for educational, research, scientific, and curatorial purposes. Each of these collection items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to support the Gardens' collections. The Gardens defines direct care of collections as any activity that involves the protection and preservation of the collection; this includes the salary and benefits of our curating staff, consultant fees, and costs such as the purchase of protective storage materials and their maintenance. During 2021 and 2020, deaccessioned items, primarily traded or donated to other botanical gardens, were not significant.

DENVER BOTANIC GARDENS, INC.
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NOTE 10 SCIENTIFIC AND CULTURAL FACILITIES DISTRICT

In November 1988, the voters of the Denver metropolitan area approved formation of a special tax district to support the scientific and cultural institutions within the district. Beginning in 1989, revenue for the special tax district was generated through a sales tax and distributed to various institutions, including the Gardens, in accordance with the provisions of the act. In 2016, the voters of the Denver metropolitan area extended the expiration date of the special tax district through June 30, 2030. During 2021 and 2020, the Gardens' share of the tax amounted to \$5,880,302 and \$4,981,617, respectively. As of December 31, 2021 and 2020, \$1,549,235 and \$1,294,398, respectively, is due from the Scientific and Cultural Facilities District.

As part of the reauthorization in 2016, the SCFD partnered with a community foundation to establish a fund (the Fund) that will provide merit-based grants to Tier III organizations. As part of this agreement, all Tier 1 organizations will financially support the Fund directly for a period of 12 years. As a result, the Gardens entered into a memorandum of understanding whereby the Gardens will contribute \$150,000 of their annual SCFD funds from 2018 through 2029 to the Fund. The 2021 contribution has been netted against the gross proceeds from the SCFD in the consolidated statement of activities and changes in net assets.

NOTE 11 NET ASSETS

Net assets without donor restrictions consist of the following as of December 31:

	2021		
	DBG and Affiliates	DBGE	Total
Board-Designated Net Assets:			
Designated for Controlled Maintenance and Capital Improvements	\$ 7,334,290	\$ 4,840,000	\$ 12,174,290
Designated for Gardens Programs	7,363,347	7,852,604	15,215,951
Total Board-Designated Net Assets	14,697,637	12,692,604	27,390,241
Undesignated Net Assets	5,205,808	-	5,205,808
Total	\$ 19,903,445	\$ 12,692,604	\$ 32,596,049
	2020		
	DBG and Affiliates	DBGE	Total
Board-Designated Net Assets:			
Designated for Controlled Maintenance and Capital Improvements	\$ 2,804,900	\$ 4,333,219	\$ 7,138,119
Designated for Gardens Programs	487,320	6,876,330	7,363,650
Total Board-Designated Net Assets	3,292,220	11,209,549	14,501,769
Undesignated Net Assets	(1,957,236)	-	(1,957,236)
Total	\$ 1,334,984	\$ 11,209,549	\$ 12,544,533

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 NET ASSETS (CONTINUED)

Net assets with donor restrictions are available for the following purposes as of December 31:

	2021		
	DBG and Affiliates	DBGE	Total
Subject to Expenditures for a Specified Time or Purpose:			
Capital Improvements	\$ 535,217	\$ -	\$ 535,217
Education and Outreach	305,987	-	305,987
Horticulture, Science, and Conservation	1,883,279	-	1,883,279
Chatfield Farms	221,093	-	221,093
Earnings on Endowments (Note 12)	-	20,023,870	20,023,870
Endowment Funds Held in Perpetuity (Note 12)	-	8,996,997	8,996,997
Total	<u>\$ 2,945,576</u>	<u>\$ 29,020,867</u>	<u>\$ 31,966,443</u>
	2020		
	DBG and Affiliates	DBGE	Total
Subject to Expenditures for a Specified Time or Purpose:			
Capital Improvements	\$ 348,980	\$ -	\$ 348,980
Education and Outreach	233,430	-	233,430
Horticulture, Science, and Conservation	1,933,041	-	1,933,041
Chatfield Farms	169,327	-	169,327
Earnings on Endowments (Note 12)	-	17,071,649	17,071,649
Endowment Funds Held in Perpetuity (Note 12)	-	8,892,997	8,892,997
Total	<u>\$ 2,684,778</u>	<u>\$ 25,964,646</u>	<u>\$ 28,649,424</u>

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

The endowment consists of 34 individual funds established for a variety of purposes. DBGE's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

DBGE is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of DBGE 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, DBGE 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. DBGE has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

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

- The duration and preservation of the fund
- The purpose of DBGE and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of DBGE
- The investment policies of DBGE

	2021		
	Without Donor Restriction	Donor Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 29,020,867	\$ 29,020,867
Board-Designated Endowment Funds	12,692,604	-	12,692,604
Total	\$ 12,692,604	\$ 29,020,867	\$ 41,713,471
	2020		
	Without Donor Restriction	Donor Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 25,964,646	\$ 25,964,646
Board-Designated Endowment Funds	11,209,549	-	11,209,549
Total	\$ 11,209,549	\$ 25,964,646	\$ 37,174,195

**DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 12 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

	2021		
	Without Donor Restriction	Donor Restricted	Total
Endowment Net Assets -			
Beginning of Year	\$ 11,209,549	\$ 25,964,646	\$ 37,174,195
Investment Income	1,684,611	3,923,879	5,608,490
Contributions	68,121	104,000	172,121
Transfer to Board-Designated Endowment	-	-	-
Appropriation of Endowment Assets for DBG Programs	(269,677)	(943,887)	(1,213,564)
Appropriation of Endowment Assets - Other	-	(27,771)	(27,771)
Endowment Net Assets - End of Year	<u>\$ 12,692,604</u>	<u>\$ 29,020,867</u>	<u>\$ 41,713,471</u>

	2020		
	Without Donor Restriction	Donor Restricted	Total
Endowment Net Assets -			
Beginning of Year	\$ 9,445,320	\$ 23,676,685	\$ 33,122,005
Investment Income	1,368,140	3,208,663	4,576,803
Contributions	-	12,550	12,550
Transfer to Board-Designated Endowment	640,168	-	640,168
Appropriation of Endowment Assets for DBG Programs	(244,079)	(906,782)	(1,150,861)
Appropriation of Endowment Assets - Other	-	(26,470)	(26,470)
Endowment Net Assets - End of Year	<u>\$ 11,209,549</u>	<u>\$ 25,964,646</u>	<u>\$ 37,174,195</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Gardens to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2021 and 2020.

DENVER BOTANIC GARDENS, INC.
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NOTE 12 DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

Endowment assets include donor-restricted funds that must be held in perpetuity, as well as board-designated funds. The board has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable, and sustainable level of distribution to the DBG that supports current needs and provides for growth in assets and income over time. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is at least 4.5% greater than the Consumer Price Index. The rate of return has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the investment portfolio. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, DBGE 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). DBGE 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 Policy and How the Investment Objectives Related to Spending Policy

DBGE has a board-approved spending policy for appropriating funds to DBG for expenditure each year. The annual endowment distribution is set at 4% of the endowment's average market value over the prior 12 quarters as of June 30 of the prior year. In establishing this policy, long-term expected return on its endowment was considered. Accordingly, over the long term, DBGE expects the current spending policy to allow its endowment to grow at an average of approximately 3% annually. This is consistent with DBGE's objective to maintain the purchasing power of endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

In determining the annual grant to DBG, the board may make an exception to the distribution policy.

NOTE 13 EMPLOYEE BENEFIT PLAN

The Gardens have a tax-sheltered annuity plan (the Plan) under section 403(b) of the IRC. The Plan covers substantially all full-time employees and regular part-time employees working more than 25 hours per week. Under the Plan, the Gardens contribute an amount equal to 6% of the participants' compensation. For 2021 and 2020, the Gardens' contribution to the Plan was \$625,563 and \$589,310, respectively.

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NOTE 14 MEDICAL SELF-INSURANCE

Under the Gardens' insurance programs, coverage is obtained for catastrophic exposure, as well as those risks required to be insured by law or contract. It is the policy of the Gardens to self-insure for a portion of certain expected losses related primarily to health insurance. Provisions for losses expected under these programs are recorded based upon the Gardens' estimates of aggregate liability for claims incurred. The amount of actual losses incurred could differ materially from the estimates reflected in these consolidated financial statements. The Gardens have in place a specific stop-loss policy of \$60,000 per incident. As of December 31, 2021 and 2020, approximately \$197,000 and \$164,000 was accrued for the medical self-insurance policy.

NOTE 15 LINE OF CREDIT

The Gardens have a line of credit agreement in the amount of \$2,500,000. The line of credit has an interest rate equal to the bank's prime rate less 0.75% (3%) at December 31, 2021. The line of credit is secured by the general assets of the Gardens and matures in August 1, 2023. There were no borrowings on the line of credit during the year ended December 31, 2021.

NOTE 16 SHUTTERED VENUE OPERATOR GRANT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled, in accordance with ASC 958-605. On July 9, 2021, the Gardens received Shuttered Venue Operators Grant (SVOG) funding from U.S. Small Business Administration in the amount of \$5,433,642 in compliance with the program. Grants related to this program are classified as revenue. The Organization recognized \$5,433,642 of SVOG revenue related to performance requirements being met and costs being incurred in compliance with the program during the year ended December 31, 2021. The revenue is included in federal grant income in the consolidated statements of activities and changes in net assets.

NOTE 17 PAYCHECK PROTECTION PROGRAM LOAN

First Draw PPP Loan

In 2020, the Gardens received a loan in the amount of \$3,062,100 to fund payroll, rent and utilities through the federal Paycheck Protection Program. This loan had stipulations that allowed the amounts owed to be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program administered by the U.S. Small Business Administration. The loan originated on April 6, 2020, at a 1% fixed interest rate. On May 27, 2021, the Gardens was notified that the SBA approved full forgiveness for the entire amount of its PPP Loan. Accordingly, the Gardens recognized \$3,062,100 of Paycheck Protection Program Loan Forgiveness revenue related to this agreement during the year ended December 31, 2021, which represents the entire amount of the PPP loan as management believes that all the related performance barriers have been met.

DENVER BOTANIC GARDENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

Second Draw PPP Loan

In 2021, the Gardens received a loan in the amount of \$2,000,000 to fund payroll, rent and utilities through the federal Paycheck Protection Program. This loan had stipulations that allowed the amounts owed to be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program administered by the U.S. Small Business Administration. The loan originated on March 3, 2021, at a 1% fixed interest rate. On October 27, 2021 the Gardens was notified that the SBA approved full forgiveness for the entire amount of its PPP Loan. Accordingly, the Gardens recognized \$2,000,000 of Paycheck Protection Program Loan Forgiveness revenue related to this agreement during the year ended December 31, 2021, which represents the entire amount of the PPP loan as management believes that all the related performance barriers have been met.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 18 EMPLOYEE RETENTION CREDIT

The Gardens claimed the Employee Retention Credit (ERC) for the first three quarters of 2021. The ERC is a refundable payroll tax credit, provided under the CARES Act of 2020, and amended by the Relief Act of 2021, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act. The purpose of the ERC is to encourage employers to keep employees on their payroll. In order to be eligible for the ERC, the Gardens must satisfy certain conditions under the law. Therefore, the Gardens has classified this ERC as a conditional contribution for accounting purposes in accordance with ASC 958-605. The Gardens has determined that it has satisfied all of the conditions to be eligible for the ERC as of December 31, 2021, and therefore recognized \$4,671,745 of Employee Retention Credit revenue. The credit is also show as a receivable as of December 31, 2021 as the Gardens had not yet received payment (see Note 20).

NOTE 19 CONTINGENCIES

The Gardens may become involved in claims and pending litigation arising in the normal course of its operations. In the opinion of management, the effect of such matters will not have a material adverse effect on the Garden's financials position or liquidity. Therefore, no provision has been made in the accompanying consolidated financial statements for losses, if any, that might result from the ultimate outcome of the matters.

NOTE 20 SUBSEQUENT EVENTS

The consolidated financial statements and related disclosures include evaluation of events up through and including May 20, 2022, which is the date the consolidated financial statements were available to be issued. Subsequent to year end the Gardens received payment for the 2021 second quarter ERC in the amount of \$1,589,869 on April 19, 2022.

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