

**The Queens Botanical Garden
Society, Inc.**

Financial Statements

June 30, 2018

Independent Auditors' Report

Board of Trustees

The Queens Botanical Garden Society, Inc.

We have audited the accompanying financial statements of The Queens Botanical Garden Society, Inc. (the "Society"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Queens Botanical Garden Society, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

January 7, 2019

The Queens Botanical Garden Society, Inc.

Statement of Financial Position
June 30, 2018
(with comparative amounts at June 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,193,993	\$ 817,923
Grants and other receivables	477,813	344,840
Prepaid expenses and other assets	43,100	48,166
Investments	806,384	898,354
Restricted cash and cash equivalents	75,836	75,836
Restricted investments	124,164	124,164
Property and equipment, net	22,471,174	23,236,512
Total Assets	\$ 25,192,464	\$ 25,545,795
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued benefits	\$ 149,154	\$ 132,359
Deferred revenue	132,662	118,898
Accrued expenses and other liabilities	268,971	205,753
Postretirement health benefit obligations	1,395,767	1,558,692
Total Liabilities	1,946,554	2,015,702
Net Assets		
Unrestricted		
Operations	276,035	58,577
Board designated endowment	450,907	445,696
Total Unrestricted	726,942	504,273
Temporarily restricted	22,318,968	22,825,820
Permanently restricted	200,000	200,000
Total Net Assets	23,245,910	23,530,093
	\$ 25,192,464	\$ 25,545,795

See notes to financial statements

The Queens Botanical Garden Society, Inc.

Statement of Activities Year Ended June 30, 2018 (with summarized totals for the year ended June 30, 2017)

	2018				2017	
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Total
	Operations	Board Designated Endowment				
SUPPORT AND REVENUE						
Governmental						
New York City appropriations	\$ 1,482,180	\$ -	\$ 414,984	\$ -	\$ 1,897,164	\$ 2,463,789
Other NYC grants	200,000	-	-	-	200,000	180,000
NYC Department of Sanitation grant	-	-	891,549	-	891,549	544,712
New York State grants	33,193	-	185,936	-	219,129	188,436
Foundation grants	57,264	-	355,000	-	412,264	548,543
Corporate grants	96,944	-	45,977	-	142,921	132,100
Individual contributions	86,880	-	139,951	-	226,831	162,740
Other grants	-	-	-	-	-	16,500
In-kind contributions	24,942	-	-	-	24,942	10,367
Fundraising events, net of expenses of \$31,135 and \$32,889	119,900	-	-	-	119,900	104,561
Parking fees, net of income tax (refund) of (\$11,310) and \$25,700	214,099	-	-	-	214,099	155,579
Admission fees	215,668	-	-	-	215,668	202,452
Gift shop and other sales	63,099	-	-	-	63,099	45,264
Education	560,859	-	-	-	560,859	486,210
Rental of facilities	169,652	-	-	-	169,652	161,671
Memberships	68,428	-	-	-	68,428	65,358
Other income	95,594	-	-	-	95,594	83,166
Net investment income	4,305	5,211	2,065	-	11,581	11,861
Net assets released from restrictions	2,542,314	-	(2,542,314)	-	-	-
Total Support and Revenue	<u>6,035,321</u>	<u>5,211</u>	<u>(506,852)</u>	<u>-</u>	<u>5,533,680</u>	<u>5,563,309</u>
EXPENSES						
Program Services						
Grounds care and security	1,627,208	-	-	-	1,627,208	1,679,022
Education and composting	1,957,147	-	-	-	1,957,147	2,305,553
Visitor services and public programs	1,009,846	-	-	-	1,009,846	789,788
Outreach and volunteers	341,171	-	-	-	341,171	-
Planning/capital projects and research	241,314	-	-	-	241,314	138,255
Total Program Services	5,176,686	-	-	-	5,176,686	4,912,618
Administrative and general	547,876	-	-	-	547,876	449,186
Fundraising and development	309,652	-	-	-	309,652	346,533
Total Expenses	<u>6,034,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,034,214</u>	<u>5,708,337</u>
Change in Net Assets Before Actuarial (Loss) on Postretirement Benefit Obligation	1,107	5,211	(506,852)	-	(500,534)	(145,028)
Actuarial gain (loss) on postretirement benefit obligation	216,351	-	-	-	216,351	(74,249)
Change in Net Assets	217,458	5,211	(506,852)	-	(284,183)	(219,277)
NET ASSETS						
Beginning of year	58,577	445,696	22,825,820	200,000	23,530,093	23,749,370
End of year	<u>\$ 276,035</u>	<u>\$ 450,907</u>	<u>\$22,318,968</u>	<u>\$ 200,000</u>	<u>\$23,245,910</u>	<u>\$23,530,093</u>

See notes to financial statements

The Queens Botanical Garden Society, Inc.

Statement of Functional Expenses Year Ended June 30, 2018 (with summarized totals for the year ended June 30, 2017)

	2018										2017	
	Program Services					Supporting Services						Grand Total
	Grounds Care and Security	Education and Composting	Visitor Services and Public Programs	Outreach and Volunteer	Planning/ Capital Projects and Research	Total	Administrative and General	Fundraising and Development	Total	Grand Total		
Salaries	\$ 641,747	\$ 885,395	\$ 420,688	\$ 155,768	\$ 80,906	\$ 2,184,504	\$ 276,338	\$ 143,722	\$ 420,060	\$ 2,604,564	\$ 2,406,739	
Payroll taxes and fringe	231,993	320,269	152,400	56,358	29,166	790,186	99,705	51,900	151,605	941,791	960,332	
Professional services	63,384	98,113	89,780	9,723	69,516	330,516	37,255	8,897	46,152	376,668	299,418	
Supplies and materials	48,795	110,455	90,976	15,756	6,670	272,652	2,178	27,624	29,802	302,454	294,058	
Furniture and equipment	21,649	21,825	4,583	6,778	14,928	69,763	226	815	1,041	70,804	87,165	
Postage and freight	-	6,715	2,570	5,259	279	14,823	765	2,306	3,071	17,894	18,758	
Printing	281	11,772	14,344	6,451	844	33,692	-	4,884	4,884	38,576	40,366	
Promotion	-	3,916	7,561	82	-	11,559	-	-	-	11,559	12,969	
Travel	50	12,586	37	2,160	511	15,344	125	-	125	15,469	20,102	
Staff development	2,703	6,139	836	6,942	133	16,753	942	421	1,363	18,116	23,303	
Utilities	35,417	49,003	21,888	9,217	4,652	120,177	14,261	7,184	21,445	141,622	132,417	
Insurance	15,229	29,587	18,259	3,696	1,920	68,691	6,558	3,411	9,969	78,660	59,772	
Depreciation	565,206	394,770	169,636	61,068	31,719	1,222,399	108,337	56,346	164,683	1,387,082	1,324,997	
Miscellaneous	754	6,602	16,288	1,913	70	25,627	1,186	2,142	3,328	28,955	27,941	
Total Expenses	<u>\$ 1,627,208</u>	<u>\$ 1,957,147</u>	<u>\$ 1,009,846</u>	<u>\$ 341,171</u>	<u>\$ 241,314</u>	<u>\$ 5,176,686</u>	<u>\$ 547,876</u>	<u>\$ 309,652</u>	<u>\$ 857,528</u>	<u>\$ 6,034,214</u>	<u>\$ 5,708,337</u>	

See notes to financial statements

The Queens Botanical Garden Society, Inc.

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for the year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (284,183)	\$ (219,277)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,387,082	1,324,997
Contributed building improvements and equipment	(414,984)	(1,076,562)
Realized and unrealized loss on investments	4,746	365
Postretirement health benefit obligations adjustment	(95,466)	195,411
Change in operating assets and liabilities		
Grants and other receivables	(132,973)	(127,122)
Prepaid expenses and other assets	5,066	(1,882)
Restricted cash and cash equivalents	-	86,223
Accrued benefits	16,795	(1,634)
Deferred revenue	13,764	20,719
Accrued expenses and other liabilities	63,218	(19,081)
Postretirement health benefit obligations	(67,459)	(75,535)
Net Cash from Operating Activities	495,606	106,622
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,776)	(243,186)
Proceeds from sale of investments	100,000	175,000
Acquisition of property and equipment	(206,760)	(138,958)
Net Cash From Investing Activities	(119,536)	(207,144)
 Net Change in Cash and Cash Equivalents	376,070	(100,522)
 CASH AND CASH EQUIVALENTS		
Beginning of year	817,923	918,445
End of year	\$ 1,193,993	\$ 817,923
 SUPPLEMENTAL CASH FLOW INFORMATION		
Unrelated business income tax paid	\$ -	\$ 25,700

See notes to financial statements

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

1. Organization and Tax Status

The Queens Botanical Garden Society, Inc. (the "Society") is an urban oasis where people, plants and cultures are celebrated through inspiring gardens, innovative educational programs and demonstrations of environmental stewardship.

The Society is a 39-acre public institution comprised of an 18-acre botanical garden and a 21-acre arboretum located at the northeast corner of Flushing Meadows Corona Park. The City of New York, (the "City") owns the land as well as the buildings and the improvements made on the premises. Effective July 1, 1997, capital expenditures paid for by the City are recorded as property and equipment and undepreciated amounts are reflected in temporarily restricted net assets in the Society's financial statements. Capital expenditures paid for by the City totaled \$414,984 and \$1,076,562 in fiscal 2018 and 2017. The Society has been granted an operating agreement by the City to occupy, operate and maintain the botanical garden and arboretum. This operating agreement remains in effect so long as the Society observes the provisions of the agreement. The Society owns the plants and other items on the property. In addition, the heat, light and power costs for the Society are paid directly by the City. Such costs were \$119,221 and \$110,253 for the fiscal 2018 and 2017. Furthermore, certain employee pension costs are paid by the City.

For the fiscal year 2018, the Society's facilities and programs attracted over 250,000 visitors. Features include six demonstration gardens designed for different home environments; a compost education garden; the Victorian Wedding Garden; teaching gardens including herb, woodland, bee and perennial gardens; a pinetum; and seasonal flower displays. The Education Building is attached to the propagation range and houses two classrooms and offices. In addition, the Society's Visitor and Administration center is an award winning green building, which has attained LEED® platinum status from the U.S. Green Building Council. LEED® is a nationally recognized system for ranking green buildings. The Society also charges admission on a seasonal basis, from April through October.

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, net revenue resulting from certain activities not related to the Society's tax exempt status is subject to Federal and State income tax. Income tax expense relating to these activities for the years ended June 30, 2018 and 2017 is included as a reduction in parking fees in the accompanying statement of activities.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the statement of cash flow purposes, the Society considers money market funds and certificates of deposit with maturities of three months or less at the time of purchase to be cash equivalents.

Support and Promises to Give

Contributions and grants are recognized when the donor makes a promise to give that is unconditional or when substantially all conditions have been met. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted net assets. Permanently restricted support requires the Society to maintain those funds in perpetuity. When a restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At June 30, 2018 and 2017, management has concluded that an allowance is not required.

Unconditional promises to give are expected to be collected within one year.

Fair Value Measurements

The Society follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted market prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation and Investment Income Recognition

Investments other than certificates of deposit ("CDs") are stated at fair value. CDs are stated at cost plus accrued interest which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment

Purchased property and equipment are stated at cost. Major expenditures for property and improvements that substantially increase the useful life of the property are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the change in net assets. Depreciation is provided by both straight-line and accelerated methods over the estimated useful lives of the assets.

The Society reviews property and equipment assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value. No impairment loss has been recognized during the years ended June 30, 2018 and 2017.

Accrued Benefits

Upon termination, employees are entitled to receive accrued vacation and compensatory time. Additionally, the union contract provides for termination payments upon retirement. Accordingly, these amounts have been accrued when earned.

Deferred Revenue

Deposits received in advance for the use of the Society's facilities or to attend future programs are deferred and recognized in the period to which they pertain.

Postretirement Benefit Plan

The Society is the sponsor of a postretirement benefit plan and is required to recognize the funded status of its postretirement benefits plan in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the statement of financial position date, and provide other disclosures.

Net Asset Presentation

The financial statements report amounts separately by class of net assets. Unrestricted amounts are not subject to donor-imposed stipulation and are currently available at the discretion of the Board of Trustees for use in the Society's operations. Temporarily restricted amounts are those which are stipulated by donors for specific purposes or restricted by time. As the stipulations are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statement of activities as net assets released from restrictions. Permanently restricted amounts are donor restricted to provide a permanent endowment for operations.

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

2. Summary of Significant Accounting Policies (continued)

Contributed Property and Equipment

The appropriations from the City for property, equipment and leasehold improvements are temporarily restricted and are released to unrestricted net assets over their useful lives.

Contributed Services and Goods

The Society receives volunteer and donated services. The Society does not recognize the value of volunteer support provided to program and support services if an objective basis for valuing the services is not available. However, the Society does recognize goods and services provided which have an ascertainable value and are an integral part of the Society's program services, which would have been purchased if not donated.

Accounting for Uncertainty in Income Taxes

The Society makes disclosures about the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Society had no uncertain tax positions that would require financial statement recognition or disclosure. The Society is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to fiscal 2015.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosures and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 7, 2019.

Prior Year Summarized Financial Information

The financial statements present prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended June 30, 2017 from which the summarized financial information was derived.

Functional Expenses

The Society allocates its expenses on a functional basis between its program services, management and general, and fundraising expenses. Expenses which can be identified with a specific program or supporting activity are allocated directly to that activity. Other expenses that are common to several functions are allocated among the program services, management and general and fundraising expenses based on management estimates.

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

3. Concentration of Credit Risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and certain grants and other receivables. The Society places its cash with financial institutions and throughout the year balances may exceed the Federal insured limits. The Society invests in mutual funds maintained at a major financial institution. The Society believes that no significant concentration of credit risk exists with respect to grants and other receivables.

4. Investments

The following are major categories of investments measured at fair value as of June 30:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Mutual Funds, at Fair Value		
Long-term bond	\$ 47,868	\$ 48,192
Short-term bond	208,779	208,485
Conservative allocation	<u>103,006</u>	<u>99,792</u>
	359,653	356,469
CDs, at cost plus accrued interest	<u>570,895</u>	<u>666,049</u>
Total	<u>\$ 930,548</u>	<u>\$ 1,022,518</u>

As of and for the years ended June 30, 2018 and 2017 all of the Society's investments bought, sold, and held were valued using Level 1 inputs under the fair value hierarchy.

Net investment income consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividend	\$ 16,327	\$ 12,226
Realized gain on sale of investment	1,183	987
Unrealized loss on investments	<u>(5,929)</u>	<u>(1,352)</u>
Total	<u>\$ 11,581</u>	<u>\$ 11,861</u>

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

5. Property and Equipment

Major classes of property and equipment as of June 30 consist of the following:

	Estimated Useful Life Years	2018	2017
Furniture, fixtures and equipment	5-7	\$ 1,140,464	\$ 968,769
Leasehold improvements	5-30	1,134,242	1,099,177
Building improvements - DCA* (Notes 1 and 7)	5-30	<u>32,463,002</u>	<u>32,048,018</u>
		34,737,708	34,115,964
Less accumulated depreciation		<u>12,266,534</u>	<u>10,879,452</u>
Net property and equipment		<u>\$ 22,471,174</u>	<u>\$ 23,236,512</u>

*Department of Cultural Affairs

6. Held for the NYC Department of Sanitation (DSNY)

The DSNY Bureau of Waste Prevention, Reuse and Recycling engaged the Society to act as an agent to disburse available funding to other composting and recycling programs. For its effort, the Society receives a fee equal to 5% of the disbursement. During fiscal 2018 and 2017, the Society received \$2,073,016 and \$1,713,500, of which, the Society disbursed \$1,974,301 and \$1,631,905 to Big Initiatives Incorporated, upon DSNY's written request. During fiscal 2018 and 2017, the Society earned \$98,715 and \$81,595 in fees on these disbursements. All funds allocated to the Society by the DSNY under this program including prior year balances were completely disbursed at the request of DSNY as of June 30, 2018.

7. New York City Appropriations

Department of Cultural Affairs (DCA)

The Society has an operating agreement since 1963 with the City, now through DCA, for the unrestricted occupancy, operation and maintenance by the Society of a botanical garden within the Kissena Corridor Park area (Flushing, New York) on land and a physical plant owned by the City. DCA annually provides to the Society, by appropriations, such sums as may be deemed proper for the maintenance and care of the buildings and other improvements.

The Society is responsible for the salary of the executive director, cost of plant material needed for development and exhibition, and the cost of research and lectures, classes, library books and other educational activities that the Society may conduct.

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

8. Temporarily Restricted Net Assets

As of June 30, temporarily restricted net assets are available for the following:

	<u>2018</u>	<u>2017</u>
Use of capital improvements	\$ 21,506,567	\$ 22,344,518
Educational Programs including Children's Garden	41,560	50,040
Composting, Urban Farm & Organics Recovery	112,126	53,962
Gardens on Parade / Taiwan Garden	36,795	20,000
Intern program	16,189	6,448
New Education Center	398,046	313,666
Horticulture	24,281	6,825
Public programs	12,500	14,305
NYS program services	-	16,056
Technology	10,000	-
Outreach	160,904	-
Total Other	<u>812,401</u>	<u>481,302</u>
Total	<u>\$ 22,318,968</u>	<u>\$ 22,825,820</u>

Net assets released from restriction for the years ended June 30, consist of the following:

	<u>2018</u>	<u>2017</u>
Capital improvements	\$ 1,252,935	\$ 1,350,159
Educational Programs including Children's Garden	133,480	120,978
Gardens on Parade / Taiwan Garden	14,858	-
Composting, Urban Farm & Organics Recovery	833,386	756,916
Intern program	9,099	7,742
Horticulture	12,544	16,425
New Education Center	30,621	48,734
Public programs	14,303	10,960
Outreach	39,096	-
Program services	-	15,000
NYS program services	201,992	219,021
Technology	-	10,000
Total	<u>\$ 2,542,314</u>	<u>\$ 2,555,935</u>

9. Endowment and Net Assets Designated for Investments

The Society maintains donor-restricted and board-designated funds whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board of Trustees looks to the explicit direction of the donor and provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
June 30, 2018

9. Endowment and Net Assets Designated for Investments (continued)

Permanently restricted net assets at June 30, 2018 and 2017 represent a gift amounting to \$200,000, which is restricted by the donor in perpetuity, the income of which is expendable to support the Society's intern program.

The following is a reconciliation of the investment activity in the donor restricted and unrestricted endowment funds for the years ended June 30, 2018 and 2017:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance at July 1, 2016	\$ 415,870	\$ -	\$ 200,000	\$ 615,870
Receipts/additions	25,828	-	-	25,828
Investment income earned	3,998	835	-	4,833
Appropriated for expenditures	-	(835)	-	(835)
Balance at June 30, 2017	445,696	-	200,000	645,696
Investment income earned	5,211	1,912	-	7,123
Appropriated for expenditures	-	(1,912)	-	(1,912)
Balance at June 30, 2018	<u>\$ 450,907</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 650,907</u>

Interpretation of Relevant Law

The Board of the Society has interpreted NYPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment fund, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of any donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA. At June 30, 2018, all earnings associated with permanently restricted net assets were appropriated.

Investment Policy

The principal and investment income from the Board Designated Endowment Fund may be invested in FDIC insured bank deposits, money market accounts, and short to intermediate term bond funds with Morningstar ratings of at least three stars. Currently, expenditure of the fund's income or principal requires a vote of the Board of Trustees.

The Queens Botanical Garden Society, Inc.

Notes to Financial Statements
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9. Endowment and Net Assets Designated for Investments (continued)

Investment Policy (continued)

The principal of the permanently restricted fund is invested at the direction of the Finance committee of the Board of Trustees which considers the advice of the donor in its decision making. The principal of this fund is permanently restricted while investment income may be expended to support internship positions in the Horticulture and Education departments.

10. Employee Pension Plans

The Society contributes to the Cultural Institutions Retirement System (CIRS), a multi-employer defined benefit pension plan. Retirement benefits are based on a computation that incorporates the number of years of creditable service, the final average salary and the participant's primary social security benefits. The plan is funded by the Society and the City through contributions and accumulated interest. The frozen initial liability method is used to determine contributions to the plan.

The risk of participating in a multiemployer plan are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Society's participation in this type of plan for the years ended June 30, 2018 and 2017 is outlined in the table below. The "EIN Number" column provides the employer identification number for the plan. The most recent Pension Protection Act ("PPA") zone status is green at June 30, 2018 and 2017 and, as required by the PPA, is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "Status Pending/Implemented" column indicates plans for which a Financial Improvement Plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreement to which the plan is subject. The Society's contributions to the plan did not exceed more than 5% of the total contributions to this plan for the years ended June 30, 2018 and 2017.

Pension Fund	EIN Number	Plan Number	Protection Act Zone Status		Status Pending/ Implemented	Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2018	2017		2018	2017	
The Cultural Institutions Pension Plan	11-200170	001	Green	Green	N/A	\$ 210,628	\$ 194,305	6/30/2020

The Queens Botanical Garden Society, Inc.

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10. Employee Pension Plans (continued)

Total pension plan costs for the years ended June 30 consisted of the following:

	2018	2017
Paid by the City	\$ 124,552	\$ 118,396
Paid by the Society	86,076	75,909
	\$ 210,628	\$ 194,305

The Society also sponsors a 401(k) savings plan. Eligible employees may contribute a portion of their compensation, subject to statutory limitations. The Society does not make contributions to the 401(k) savings plan.

11. Postretirement Health Benefit Obligations

In addition to providing pension benefits, the Society provides certain postretirement health and supplemental welfare benefits for eligible retired employees. Substantially all of the Society's fulltime employees may become eligible for those benefits if they reach normal retirement age while working for the Society. Current benefits, which may be changed at the Society's discretion are based on, among other factors, years of service and age. The Society funds its postretirement benefits costs on a pay-as-you-go basis. The obligations exclude the retiree portion of the medical premium for the year ended June 30, 2018.

The following table presents the plan's status for the years ended June 30:

	2018	2017
Changes in Benefit Obligation		
Benefit obligation at beginning of fiscal year	\$ 1,558,692	\$ 1,438,816
Service cost	72,804	70,485
Interest cost	100,802	103,398
Prior service cost	(52,721)	(52,721)
Actuarial (gain) loss	(216,351)	74,249
Benefits paid	(67,459)	(75,535)
Benefit Obligation at end of Fiscal Year	1,395,767	1,558,692
Fair value of plan assets at end of fiscal year	-	-
Accrued Postretirement Benefit Cost	\$ 1,395,767	\$ 1,558,692

The Queens Botanical Garden Society, Inc.

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11. Postretirement Health Benefit Obligations (continued)

	2018	2017
Components of Net Periodic Expense for Fiscal Year		
Service cost	\$ 72,804	\$ 70,485
Interest cost	100,802	103,398
Prior service cost	52,721	52,721
Total Net Periodic Expense	\$ 226,327	\$ 226,604
Effect of a one-percentage point increase in HCCTR* on		
Year end benefit obligation	\$ 202,591	\$ 197,987
Total of service and interest cost components of expense	34,978	28,515
Effect of a one-percentage point (decrease) in HCCTR* on		
Year end benefit obligation	(175,795)	(164,149)
Total of service and interest cost components of expense	(27,572)	(23,048)

* Health Care Cost Trend Rate

For fiscal 2018, the inflation rate used to calculate the net periodic post-retirement benefit expense and disclosures for the medical premiums was assumed to be 10.25% per year initially and then to reduce uniformly for eight years until it reaches a final rate of 5.25% per year in the ninth year. The discount rate per annum is 7.25%. These cost trend rates assumptions are unchanged from those used in fiscal 2017.

Net benefits expected to be paid in each of the next five fiscal years and the following five years in the aggregate are as follows:

2019	\$ 68,211
2020	92,339
2021	120,688
2022	103,765
2023	92,067
2024-2028	576,400

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12. Commitment and Contingency

Line of Credit

On January 19, 2018 the Society obtained an uncommitted discretionary \$500,000 line of credit with a bank to be used solely for working capital. Outstanding balances on the line of credit bear interest of prime plus 1%. The line of credit will expire, unless earlier terminated or extended, on January 19, 2019. The Society did not utilize the line of credit during 2018.

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