

THE ATLANTA BOTANICAL GARDEN, INC.

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
and
SUPPLEMENTAL INFORMATION

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees of The Atlanta Botanical Garden, Inc.

We have audited the accompanying financial statements of The Atlanta Botanical Garden, Inc. (a not-for-profit organization) (the "Garden"), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Garden'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 Garden'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 Atlanta Botanical Garden, Inc. as of December 31, 2016 and 2015, and their changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Howard

August 18, 2017

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 5,277,287	\$ 9,948,115
Investments	53,963,571	52,944,615
Pledges receivable, less allowance for doubtful pledges	15,125,656	21,098,500
Inventory	207,938	229,086
Property and equipment, net	87,837,570	75,945,386
Other assets	<u>659,945</u>	<u>968,758</u>
	<u>\$ 163,071,967</u>	<u>\$ 161,134,460</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 2,912,444	\$ 4,266,098
Deferred membership dues	1,965,699	1,448,735
Interest rate swap liability	1,867,280	2,573,610
Financing arrangements, net debt issuance costs	<u>33,565,750</u>	<u>34,505,744</u>
 Total Liabilities	 <u>40,311,173</u>	 <u>42,794,187</u>
 Net assets		
Unrestricted	88,027,408	71,912,817
Temporarily restricted	10,932,690	23,182,164
Permanently restricted	<u>23,800,696</u>	<u>23,245,292</u>
 Total Net Assets	 <u>122,760,794</u>	 <u>118,340,273</u>
	<u>\$ 163,071,967</u>	<u>\$ 161,134,460</u>

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

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenue, Gains (Losses), and Other Support:				
Contributions and grants	\$ 1,005,075	\$ 2,993,785	\$ 555,404	\$ 4,554,264
Membership dues	4,002,632	-	-	4,002,632
Auxiliary services and exhibits	17,097,745	-	-	17,097,745
Tuition	384,061	-	-	384,061
Other	145,890	-	-	145,890
Realized and unrealized gains (losses) on investments and other investment income	3,184,513	-	-	3,184,513
Net assets released from restrictions	<u>15,243,259</u>	<u>(15,243,259)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains (Losses) and Other Support	<u>41,063,175</u>	<u>(12,249,474)</u>	<u>555,404</u>	<u>29,369,105</u>
Expenses:				
Program services:				
Improvement and maintenance of gardens	8,298,971	-	-	8,298,971
Education	1,372,151	-	-	1,372,151
Auxiliary services and exhibits	<u>9,450,087</u>	<u>-</u>	<u>-</u>	<u>9,450,087</u>
Total Program Services	<u>19,121,209</u>	<u>-</u>	<u>-</u>	<u>19,121,209</u>
Support services:				
General and administrative	2,291,919	-	-	2,291,919
Public relations	1,841,811	-	-	1,841,811
Fund-raising	1,486,027	-	-	1,486,027
Membership development	<u>913,948</u>	<u>-</u>	<u>-</u>	<u>913,948</u>
Total Support Services	<u>6,533,705</u>	<u>-</u>	<u>-</u>	<u>6,533,705</u>
Total Expenses	<u>25,654,914</u>	<u>-</u>	<u>-</u>	<u>25,654,914</u>
Other Gains:				
Change in market value of interest rate swap	<u>706,330</u>	<u>-</u>	<u>-</u>	<u>706,330</u>
Increase (Decrease) in Net Assets	16,114,591	(12,249,474)	555,404	4,420,521
Net Assets at Beginning of Year	<u>71,912,817</u>	<u>23,182,164</u>	<u>23,245,292</u>	<u>118,340,273</u>
Net Assets at End of Year	<u>\$ 88,027,408</u>	<u>\$ 10,932,690</u>	<u>\$ 23,800,696</u>	<u>\$ 122,760,794</u>

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

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,036,937	\$ 24,482,243	\$ 70,000	\$ 25,589,180
3,423,980	-	-	3,423,980
11,896,417	-	-	11,896,417
337,353	-	-	337,353
124,560	-	-	124,560
(1,913,234)	-	-	(1,913,234)
<u>8,738,342</u>	<u>(8,738,342)</u>	<u>-</u>	<u>-</u>
<u>23,644,355</u>	<u>15,743,901</u>	<u>70,000</u>	<u>39,458,256</u>
7,372,081	-	-	7,372,081
1,244,543	-	-	1,244,543
<u>7,523,203</u>	<u>-</u>	<u>-</u>	<u>7,523,203</u>
<u>16,139,827</u>	<u>-</u>	<u>-</u>	<u>16,139,827</u>
2,083,690	-	-	2,083,690
1,477,884	-	-	1,477,884
1,455,603	-	-	1,455,603
<u>834,426</u>	<u>-</u>	<u>-</u>	<u>834,426</u>
<u>5,851,603</u>	<u>-</u>	<u>-</u>	<u>5,851,603</u>
<u>21,991,430</u>	<u>-</u>	<u>-</u>	<u>21,991,430</u>
436,179	-	-	436,179
2,089,104	15,743,901	70,000	17,903,005
<u>69,823,713</u>	<u>7,438,263</u>	<u>23,175,292</u>	<u>100,437,268</u>
<u>\$ 71,912,817</u>	<u>\$ 23,182,164</u>	<u>\$ 23,245,292</u>	<u>\$ 118,340,273</u>

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 4,420,521	\$ 17,903,005
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(2,729,731)	2,252,730
Change in discount on pledges receivable	(39,147)	25,610
Amortization of debt issuance costs	19,645	19,645
Depreciation	3,826,617	3,334,382
Change in fair market value of interest rate swap	(706,330)	(436,179)
Loss on sale of property and equipment	29,700	27,925
Changes in net assets and liabilities:		
Pledges receivable	6,011,991	(10,017,489)
Inventory	21,148	(24,498)
Other assets	308,813	(344,008)
Accounts payable and accrued liabilities	(2,011,253)	(1,793,908)
Deferred membership dues	516,964	18,182
Contributions restricted for long-term investment	(6,604,852)	(4,859,652)
Net Cash Provided by Operating Activities	<u>3,064,086</u>	<u>6,105,745</u>
Cash Flows from Investing Activities:		
Purchases of investments	(9,304,891)	(9,304,891)
Proceeds from sales of investments	11,015,665	7,056,731
Purchases of property and equipment	(15,016,651)	(5,313,314)
Net Cash Required By Investing Activities	<u>(13,305,877)</u>	<u>(7,561,474)</u>
Cash Flows from Financing Activities:		
Payments under financing arrangements	(1,033,889)	(1,332,442)
Proceeds from financing arrangements	-	90,000
Net proceeds from contributions restricted for long-term investment	6,604,852	4,859,652
Net Cash Provided by Financing Activities	<u>5,570,963</u>	<u>3,617,210</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,670,828)	2,161,481
Cash and Cash Equivalents at Beginning of Year	<u>9,948,115</u>	<u>7,786,634</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,277,287</u>	<u>\$ 9,948,115</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid for interest	<u>\$ 1,442,916</u>	<u>\$ 1,436,128</u>

Schedule of Non-Cash Investing and Financing Activities:

During 2016, the Garden financed the purchase of a building with the issuance of a note payable in the amount of \$74,250.

At December 31, 2016 and 2015, the Garden was financing construction in progress with accounts payable in the amounts of \$657,598 and \$2,750,084, respectively.

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

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Atlanta Botanical Garden, Inc. (the “Garden”) was formed to develop and maintain plant collections in the metropolitan Atlanta area and a satellite location for display, education, research, conservation and enjoyment. The Garden was incorporated under the laws of the state of Georgia on January 28, 1976. In 2002, 168 acres of land located in Gainesville, Georgia was donated to the Garden. In 2015, the Garden opened the Gainesville, Georgia satellite location and Smithgall Woodland Garden located on the main campus to the general public.

The Garden conducts various lecture series and seminars on botanical topics and displays and conducts tours of its botanical gardens to carry out its mission; admission and program service fees are received for certain of these activities. Auxiliary services and exhibits maintained by the Garden include admissions, facility rentals and a gift shop. Additional sources of revenue include contributions and grants from agencies, foundations, corporations and individuals, membership dues from Garden members, functions, fund-raisers and building rental for parties and weddings.

Basis of Accounting

The Garden follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

New Accounting Standards

During 2016, the Garden adopted Accounting Standards Updates (“ASU”) 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 modifies the presentation on the statement of financial position of debt issuance costs and the related amortization expense in the statement of activities and changes in net assets. ASU 2015-03 requires presenting such unamortized costs as a direct deduction from the face amount of the related financing arrangements (See Note 5, Financing Arrangements). Amortization is required to be included with interest expense in the statement of activities and changes in net assets.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation

The Garden prepares its financial statements in accordance with GAAP. Under GAAP, the Garden is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted or permanently restricted net assets, based on stipulations made by the donor.

To ensure observance of limitations and restrictions placed on the use of resources available to the Garden, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose. The assets, liabilities and net assets of the Garden are reported in three self-balancing categories as follows:

Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Garden and its purposes.

Temporarily restricted net assets are resources whose use by the Garden is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by the actions of the Garden.

Permanently restricted net assets are those whose use by the Garden is limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Garden. Permanently restricted net assets consist of certain endowment funds and land restricted for development.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Garden believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are carried at fair value.

Investment income and gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

The investments primarily consist of mutual funds which are comprised of equity securities, bonds, and alternative funds. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

At December 31, 2016 and 2015, the Garden had subscription agreements totaling \$4,700,000 with various alternative investment capital funds. These funds make loans to or invest in private companies. As of December 31, 2016, the Garden had invested \$3,782,334 in these funds and may be required to contribute an additional \$917,666 should the funds make future capital calls.

Approximately 48% of the long-term investments held at fair value by the Garden at December 31, 2016 and 2015 are alternative investments including private equity funds, real estate investment funds and hedge funds. Some of these alternative investments are not liquid and the determination of the fair value of these investments is determined by the portfolio managers and management of the Garden. These estimates of fair value may differ significantly from the values that would have been used had a ready market existed for the investment.

Donated investments are recognized as contributions at their estimated fair values at the date of donation.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at the date of gift, if donated. The Garden capitalizes items with a purchase price or fair value greater than \$3,000 and a useful life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. General grounds improvements, gardens and permanent plantings are depreciated over ten to fifteen years; buildings are depreciated over thirty years; and furniture and equipment are depreciated over three to twenty-five years.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections

The Garden's collections include living plants, books, prints and herbarium specimens. The Garden has not capitalized the collections; instead the cost of collection items is reported as a decrease in the appropriate class of net assets and insurance recoveries of lost or destroyed collection items are reported as an increase in the appropriate class of net assets in the accompanying statement of activities and changes in net assets. The Garden's collections are maintained for display, education, conservation and enjoyment rather than for financial gain. Collections are important assets of the Garden and are protected, kept unencumbered, cared for and preserved.

Revenue Recognition

Contributions and grants (including unconditional promises to give, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided by pledges estimated to be uncollectible. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Amortization of the discounts on unconditional pledges is included in contributions in the accompanying statement of activities and changes in net assets. Conditional pledges are not included as support until the conditions are substantially met.

The Garden is the beneficiary of certain beneficial interest trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized as an asset and contribution revenue in the appropriate class of net assets at the date such trusts are established. The carrying value of the assets is adjusted annually for changes in the estimates of future receipts. Investment income (loss) associated with such perpetual trusts is recognized when earned.

The Garden recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Garden recognizes contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Garden reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

Annual payments for membership dues are deferred and recognized ratably over the life of the membership to which the dues relate. Revenue related to sales, special events and tuition is recognized when the transaction is complete, in the period in which the event is held or when services are provided, respectively.

Contribution revenue related to fund-raising events is recognized in the year in which the event occurs.

Donated Materials, Equipment, Services, and Other Assets

A substantial number of volunteer hours have been donated by individuals in the Garden's program services and, to a lesser extent, its fund-raising campaigns and administration. No amounts have been recorded in the accompanying statement of activities and changes in net assets for these donated services. Under GAAP, donations of services that create or enhance nonfinancial assets, or require specialized skills that would otherwise typically be purchased, are recorded as support and expense.

Donated materials, equipment and services, including contributions of services that can be measured by the creation or enhancement of a nonfinancial asset, are recognized as contributions at their estimated fair values at the date of donation. These amounts totaled \$177,943 and \$149,720 during 2016 and 2015, respectively.

Donated financial assets are recorded at fair value at the date of receipt. Fair value is based on quoted market prices or other objective valuation techniques. During 2016 and 2015, contributions of marketable securities of approximately \$419,000 and \$339,000, respectively, have been recorded in the accompanying statement of activities and changes in net assets.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Garden evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying businesses. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of December 31, 2016 and 2015.

Income Tax Status

The Garden has been granted tax-exempt status under Section 501 (a)(3) of the Internal Revenue Code (the “Code”) as an organization described in Section 501 (c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The Garden had no significant unrelated business taxable income during 2016 and 2015; accordingly, no provision or benefit for income taxes has been included in the accompanying financial statements.

The Garden annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Garden takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. The Garden believes it is no longer subject to tax examinations for tax years ending before December 31, 2013.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Donors and Vendors

At December 31, 2016, approximately 68% of net pledges receivable related to three major donors. During 2016, approximately 53% of contributions were from three major donors.

At December 31, 2015, approximately 78% of net pledges receivable related to three major donors. During 2015, approximately 59% of contributions related to three major donors.

Concentrations of Credit Risk

Financial instruments that potentially subject the Garden to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that changes in risks could materially affect the amounts reported in the accompanying financial statements.

Endowment Fund

GAAP requires the following financial statement disclosures for the Garden:

- Classification of net assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

- Interpretation of Relevant Law

The Garden has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Garden 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, and (c) accumulations 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 ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Garden in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Garden considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Garden and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Garden
- (7) The investment policies of the Garden

- Return Objectives and Risk Parameters

The Garden has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Garden must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Garden, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. 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, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Garden targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

- Spending Policy

The Board of Trustees has approved a spending policy for the Garden whereby a certain percentage (generally not to exceed 4.5% of the fair value of investments) of investments may be expended. During the years ended December 31, 2016 and 2015, earnings from the endowment fund used in operations were \$1,195,118 and \$1,100,343, respectively.

Fair Values Measured on Recurring Basis

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Total assets and liabilities at fair value classified within Level 3 were \$2,729,702 and \$9,719,389 as of December 31, 2016 and 2015, respectively, which consists of investments in hedge funds, alternative investments, investments in private equity and an interest rate swap with a financial institution.

The tables below represent fair value measurement hierarchy of the assets (liabilities) at fair value as of December 31, 2016 and 2015, respectively:

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	<u>Fair Value</u>	<u>2016</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 20,560,186	\$ 20,560,186	\$ -	\$ -
Mutual Funds:				
Intermediate bond	1,214,657	1,214,657	-	-
Corporate bond	2,011,984	2,011,984	-	-
Diversified emerging markets	817,565	817,565	-	-
Euro stock	-	-	-	-
International	-	-	-	-
Large blend	2,254,795	2,254,795	-	-
World stock	2,615,309	2,615,309	-	-
	<u>8,914,310</u>	<u>8,914,310</u>	<u>-</u>	<u>-</u>
Equities:				
Domestic	604,481	604,481	-	-
International	14,403,951	-	14,403,951	-
	<u>15,008,432</u>	<u>604,481</u>	<u>14,403,951</u>	<u>-</u>
Hedge Funds:				
Equity	-	-	-	-
Distressed	469,090	-	-	469,090
	<u>469,090</u>	<u>-</u>	<u>-</u>	<u>469,090</u>
Alternative Investments:				
Fixed income	1,101,610	-	1,101,610	-
Fund of funds	4,770,490	-	3,170,869	1,599,621
	<u>5,872,100</u>	<u>-</u>	<u>4,272,479</u>	<u>1,599,621</u>
Private Equity				
Multi Strategy	700,668	-	141,213	559,455
Distressed	527,980	-	320,920	207,060
Global	388,837	-	149,049	239,788
Real-estate	542,814	-	-	542,814
Natural Resource	499,732	-	-	499,732
Other	479,422	-	-	479,422
	<u>3,139,453</u>	<u>-</u>	<u>611,182</u>	<u>2,528,271</u>
Interest Rate Swap	(1,867,280)	-	-	(1,867,280)
	<u>\$ 52,096,291</u>	<u>\$ 30,078,977</u>	<u>\$ 19,287,612</u>	<u>\$ 2,729,702</u>

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	<u>Fair Value</u>	<u>2015</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 321,872	\$ 321,872	\$ -	\$ -
Mutual Funds:				
Intermediate bond	1,079,114	1,079,114	-	-
Corporate bond	1,168,738	1,168,738	-	-
Diversified emerging markets	729,010	729,010	-	-
Euro stock	860,540	860,540	-	-
International	625,558	625,558	-	-
Large blend	1,649,473	1,649,473	-	-
World stock	2,410,548	2,410,548	-	-
	<u>8,522,981</u>	<u>8,522,981</u>	<u>-</u>	<u>-</u>
Equities:				
Domestic	4,763,498	4,763,498	-	-
International	14,091,554	-	14,091,554	-
	<u>18,855,052</u>	<u>4,763,498</u>	<u>14,091,554</u>	<u>-</u>
Hedge Funds:				
Equity	6,981,978	-	6,981,978	-
Distressed	1,466,418	-	1,004,628	461,790
	<u>8,448,396</u>	<u>-</u>	<u>7,986,606</u>	<u>461,790</u>
Alternative Investments:				
Fixed income	3,573,813	-	1,062,243	2,511,570
Fund of funds	6,695,446	-	3,175,683	3,519,763
	<u>10,269,259</u>	<u>-</u>	<u>4,237,926</u>	<u>6,031,333</u>
Private Equity				
Multi Strategy	804,001	-	136,475	667,526
Distressed	629,825	-	436,994	192,831
Global	3,015,577	-	153,710	2,861,867
Real-estate	762,177	-	-	762,177
Natural Resource	423,590	-	-	423,590
Other	891,885	-	-	891,885
	<u>6,527,055</u>	<u>-</u>	<u>727,179</u>	<u>5,799,876</u>
Interest Rate Swap	(2,573,610)	-	-	(2,573,610)
	<u>\$ 50,371,005</u>	<u>\$ 13,608,351</u>	<u>\$ 27,043,265</u>	<u>\$ 9,719,389</u>

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

The table below sets forth a summary of changes in the fair value of the Garden's Level 3 assets (liabilities) for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 9,719,389	\$ 4,953,204
Purchase of investments	203,658	8,875,181
Sale of investments	(8,095,135)	(4,158,525)
Change in fair value of investments	195,460	(386,649)
Change in fair value of interest rate swap	706,330	436,178
Balance, end of year	<u>\$ 2,729,702</u>	<u>\$ 9,719,389</u>

Quantitative Information and Fair Value Sensitivities Related to Level 3 Unobservable Inputs

Alternative Investments and Hedge Funds – The significant unobservable inputs used in the fair value measurement of the Garden's alternative investments and investments in hedge funds are subject to market risks resulting from changes in the market value of their underlying investments.

Private Equity Investments – Private Equity investments consist of direct private common and preferred stock and private debt investments. These investments are measured using multiple valuation techniques with a range of multiple valuation results.

Interest Rate Swaps – The interest rate swap dealers determine fair values for the interest rate swap liability by constructing mid-market forward curves with available market data from external and internal sources. Once constructed, the mid-market forward curves generate a nominal amount for each of a transaction's expected future payments. The interest rate swap dealers discount those expected future payments at the respective zero rate, and the sum of all discounted payments equals fair value of the interest rate swaps. The interest rate swap dealers do not account for nonperformance risk in their determination of the fair value. Management of the Garden finds this risk to be negligible.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Financial Instruments

The Garden accounts for derivative financial instruments in accordance with GAAP which requires that all derivative instruments be recorded on the statement of financial position at their respective fair values.

The Garden uses an interest rate swap agreement in the management of interest rate risk and carries this derivative instrument on the statement of financial position at fair value. The interest rate swap agreement effectively fixes the interest rate at 3.29% on \$30,000,000 of variable rate borrowings under the Garden’s financing arrangements. The initial fair value and subsequent changes in the fair value of the agreement are reported as a gain or loss in the accompanying statement of activities and changes in net assets.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments consisted primarily of mutual funds which are comprised of equity, securities, corporate bonds and alternative funds at December 31, 2016 and 2015 and were stated at fair market value.

The components of the investment return for 2016 and 2015 (included in realized and unrealized gains (losses) on investments and other investment income (loss) in the accompanying statement of activities and changes in net assets) were as follows:

	<u>2016</u>	<u>2015</u>
Net realized and unrealized gains (losses) on investments, net of related fees	\$ 2,729,731	\$ (2,252,730)
Investment income	454,782	339,496
	<u>\$ 3,184,513</u>	<u>\$ (1,913,234)</u>

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 – PLEDGES RECEIVABLE

At December 31, 2016 and 2015, pledges receivable were as follows:

	<u>2016</u>	<u>2015</u>
Capital campaigns	\$ 13,991,879	\$ 19,911,772
Land and buildings pledge	1,400,000	1,400,000
Other	2,400	85,756
Less: allowance for discounts	<u>(107,972)</u>	<u>(68,825)</u>
	15,286,307	21,328,703
Less: allowance for doubtful pledges	<u>(160,651)</u>	<u>(230,203)</u>
	<u>\$ 15,125,656</u>	<u>\$ 21,098,500</u>

The estimated present value of future cash flows at December 31, 2016 was as follows:

2017	\$ 10,252,683
2018	535,284
2019	3,078,784
2020	19,556
2021	-
Thereafter	<u>1,400,000</u>
	<u>\$ 15,286,307</u>

At December 31, 2016 and 2015, pledges receivable were discounted to their present values using a 0.5% and 0.16% interest rate, respectively.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 were as follows:

The Garden had construction in progress totaling \$24,004,395 and \$25,764,604 at December 31, 2016 and 2015, respectively, related to renovations, new buildings, and the development of the Smithgall Woodland Garden, as described in Note 1, and various other projects.

	<u>2016</u>	<u>2015</u>
General grounds improvements	\$ 184,832	\$ 666,260
Gardens and permanent plantings	4,047,357	8,758,027
Buildings	75,526,865	67,911,629
Furniture and equipment	11,834,544	2,693,131
Land	4,040,675	3,845,210
Construction in progress	<u>24,004,395</u>	<u>25,764,604</u>
	119,638,668	109,638,861
Less: accumulated depreciation	<u>(31,801,098)</u>	<u>(33,693,475)</u>
	<u>\$ 87,837,570</u>	<u>\$ 75,945,386</u>

The Garden had non-depreciable artwork valued at \$991,192 and 838,018 at December 31, 2016 and 2015, respectively. Such assets are not considered to be collections in accordance with GAAP.

Depreciation expense totaled \$3,826,617 and \$3,334,382 in 2016 and 2015, respectively.

NOTE 5 – FINANCING ARRANGEMENTS

Under a Trust Indenture, dated November 1, 2007, between The Atlanta Development Authority (Issuer) and a commercial bank (Trustee), Atlanta Development Authority Revenue Bonds (Atlanta Botanical Garden Improvements Project), Series 2007 Bonds totaling \$48,500,000 were issued on November 29, 2007. The issuer loaned the net proceeds of the sale of the Bonds to the Garden, pursuant to a Loan Agreement, dated November 1, 2007 between the Issuer and the Garden to enable the Garden to finance acquisition, construction and equipping of certain improvements to the facilities of the Garden. During the years ended December 31, 2010 and 2009, the Garden paid \$13,000,000 toward the principal of the Series 2007 Bonds. During 2010, the Garden converted the final \$35,500,000 of the Series 2007 bonds into a \$30,000,000 and \$5,500,000 term notes payable with a financial institution.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 – FINANCING ARRANGEMENTS (Continued)

The \$30,000,000 term note is payable in twelve annual installments, each November, commencing in November 2018, and bears interest at 67% of LIBOR plus 2.1% (an effective rate of 1.82% at December 31, 2016) and matures on November 1, 2019.

The \$5,500,000 term note is payable in ten annual installments of \$550,000, each December, commencing in December 2011 (the first payment being made in January 2012), and bears interest at 67% of LIBOR plus 2.1% (an effective rate of 1.82% at December 31, 2016). The term note had an outstanding balance of \$2,200,000 and \$2,750,000 at December 31, 2016 and 2015, respectively.

The Garden entered into a \$240,000 promissory note agreement with a financial institution on November 7, 2006 to finance the purchase of property adjacent to the Smithgall Woodland Garden in Gainesville, Georgia. On November 7, 2016, the note was amended to mature on November 7, 2019. The note is unsecured, payable in monthly installments of principal and interest totaling \$1,128, and requires a lump sum payment of \$163,528 on the maturity date. The note bears interest at LIBOR plus 2% (an effective interest rate of 2.62% at December 31, 2016). Outstanding borrowings totaled \$201,872 and \$205,892 at December 31, 2016 and 2015, respectively.

The Garden entered into a \$300,000 non-revolving master borrowing loan with a financial institution on September 18, 2007. On January 20, 2016, the note was amended to mature on January 31, 2019. The note is unsecured, payable in monthly installments of principal and interest totaling \$798, and requires a lump sum payment of \$87,729 on the maturity date. The note bears interest at LIBOR plus 2% (an effective interest rate of 2.62% at December 31, 2016). Outstanding borrowings totaled \$106,072 and \$115,642 at December 31, 2016 and 2015, respectively.

The Garden entered into a \$291,000 promissory note agreement with a financial institution on October 20, 2010 to finance the purchase of property adjacent to the Smithgall Woodland Garden in Gainesville, Georgia. On March 17, 2014, the note was amended to mature on March 1, 2017. The note is unsecured, payable in monthly installments of principal and interest totaling \$1,769, bears interest at LIBOR plus 2% (an effective rate of 2.62% at December 31, 2016). Outstanding borrowings totaled \$196,348 and \$217,575 at December 31, 2016 and 2015, respectively.

The Garden entered into a \$120,000 promissory note agreement with a financial institution on May 18, 2012. On April 18, 2015, the note was amended to mature on March 18, 2018. The note is unsecured, payable in monthly installments of principal and interest totaling \$667, and bears interest at LIBOR plus 2% (an effective rate of 2.62% at December 31, 2016). Outstanding borrowings totaled \$84,000 and \$92,000 at December 31, 2016 and 2015, respectively.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 – FINANCING ARRANGEMENTS (Continued)

The Garden entered into a \$75,000 promissory note agreement with a financial institution on November 13, 2013 to finance the purchase of a house near the Smithgall Woodland Garden in Gainesville, Georgia. The note was collateralized by the house acquired, payable in monthly installments of principal and interest totaling \$416, bore interest at LIBOR plus 2.25% and matured on October 22, 2016. Outstanding borrowings totaled \$64,583 at December 31, 2015. The note was paid in full during 2016 on the maturity date.

The Garden entered into a \$550,000 promissory note agreement with a financial institution on November 25, 2013 to finance the purchase of a warehouse. The note is collateralized by the warehouse, payable in monthly installments of principal and interest totaling \$1,833, bears interest at LIBOR plus 2.20% (an effective interest rate of 2.82% at December 31, 2016) and matures on November 25, 2018. Outstanding borrowings totaled \$484,000 and \$506,000 at December 31, 2016 and 2015, respectively.

On October 22, 2013, the Garden entered into a revolving line of credit with a financial institution to facilitate the construction of the Smithgall Woodland Garden. The line of credit allowed for maximum borrowings of \$2,000,000 through October 1, 2014, at which time the revolving line of credit was converted to a promissory note payable. On November 24, 2015, the note was amended to mature on June 30, 2017. The note is collateralized by certain assets of the Garden and payable in monthly installments of principal and interest. The amended note requires a principal reduction payment of \$250,000 to be made on or before June 1, 2016. The note payable bears interest at LIBOR plus 1.96% (an effective rate of 2.58% at December 31, 2016). Outstanding borrowings on the note payable totaled \$296,909 and \$620,500 at December 31, 2016 and 2015, respectively.

The Garden entered into a \$90,000 promissory note agreement with a financial institution on July 23, 2015 to finance the purchase of a house near the Smithgall Woodland Garden in Gainesville, Georgia. The note is collateralized by the house, payable in monthly installments of principal and interest totaling \$500, bears interest at LIBOR plus 2% (an effective interest rate of 2.62% at December 31, 2016) and matures on July 23, 2018. Outstanding borrowings totaled \$82,000 and 87,500 at December 31, 2016 and 2015, respectively.

During 2015, the Garden entered into a \$5,000,000 revolving line of credit agreement with a financial institution to fund capital expenditures. The line bears interest at the federal funds rate plus 2% (an effective rate of 2.55% at December 31, 2016). The loan is collateralized by certain endowment investments held by the Garden. At December 31, 2016 and 2015, there were no outstanding borrowings on the line of credit.

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 – FINANCING ARRANGEMENTS (Continued)

During 2016, the Garden entered into a \$74,250 promissory note agreement with a financial institution to finance the purchase of a house near the Smithgall Woodland Garden in Gainesville, Georgia. The note is collateralized by the house, payable in monthly installments of principal and interest totaling \$413, bears interest at LIBOR plus 2% (an effective interest rate of 2.62% at December 31, 2016) and matures on January 31, 2019. Outstanding borrowings totaled \$70,125 at December 31, 2016.

Principal maturities on the financing arrangements at December 31 are as follows:

2017	\$ 1,107,325
2018	3,691,568
2019	3,370,805
2020	3,050,000
2021	2,500,000
Thereafter	<u>20,000,000</u>
	33,719,698
Less: debt issuance costs, net of accumulated amortization	<u>(153,948)</u>
	<u>\$ 33,565,750</u>

The Garden is subject to certain financial and nonfinancial covenants under the various loan agreements. The Garden was not in compliance with certain of its financial covenants as of December 31, 2016. The financial institution has waived the covenant violations for the year ended December 31, 2016.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

The components of temporarily restricted net assets at December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Term endowments	\$ 473,327	\$ 473,327
Capital projects	10,144,355	22,531,768
General operations	<u>315,008</u>	<u>177,069</u>
	<u>\$ 10,932,690</u>	<u>\$ 23,182,164</u>

**THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2016</u>	<u>2015</u>
Program expenses:		
Capital projects	\$ 14,736,370	\$ 8,096,638
General operations	506,889	641,704
	<u>\$ 15,243,259</u>	<u>\$ 8,738,342</u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

The components of permanently restricted net assets at December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
General endowment	\$ 8,650,404	\$ 8,595,000
Smithgall endowment	5,450,292	5,450,292
Smithgall Arboretum Land	4,000,000	4,000,000
Dorothy Chapman Fuqua Conservatory and Orchid Center endowment	5,500,000	5,000,000
John Glenn memorial endowment	200,000	200,000
	<u>\$ 23,800,696</u>	<u>\$ 23,245,292</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases

In March 1980, the City of Atlanta leased thirty-four acres of land in Piedmont Park to the Garden at no cost for a period of fifty years expiring in March 2030, excluding renewal options. The Garden and its operating facilities are located on the land. The Garden is required to pay utilities, maintenance and insurance and to adhere to various covenants under the lease agreement, including the requirement to develop and maintain its facilities for the benefit of the citizens of the City of Atlanta. In the event the lease is terminated, improvements made to the property by the Garden become the property of the City of Atlanta.

THE ATLANTA BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Leases (Continued)

Under GAAP, an explicit and unconditional promise for the use of property for a specified period of time should be recognized upon receipt as a receivable and as restricted support at its fair value. However, in the opinion of management, the lease is not unconditional since the terms of the lease limit the Garden's use of the property and because the lease is subject to termination by the City of Atlanta and other governmental entities; accordingly, no receivable has been recorded for the use of the property subject to the lease. Additionally, in management's opinion, the fair rental value of the property during 2016 and 2015 was not significant; accordingly, no values have been assigned for contributed use of the property or rental expense.

Construction Contracts

The Garden has entered into construction contracts for the development of the Smithgall Woodland Garden, as described in Note 1, and various other projects. The remaining commitments for these contracts totaled approximately \$1,873,000 at December 31, 2016.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The Garden offers its employees a deferred compensation plan qualified under Section 403(b) of the Internal Revenue Code ("IRC"). It permits substantially all eligible employees of the Garden to voluntarily contribute 100% of compensation, up to the maximum allowed under the IRC. The Garden's contributions are discretionary. During the years ended December 31, 2016 and 2015, the Garden made contributions of approximately \$154,000 and \$143,000, respectively.

The Garden also has a defined contribution plan in which the employees participate. This is a tax deferred annuity plan. The Garden does not make contributions to this plan.

NOTE 10 – EMPLOYMENT AGREEMENT

The Garden had an employment agreement with the Garden's President and Chief Executive Officer ("CEO"). This agreement provided for an annual base salary and certain allowances and benefits. If the Garden terminated the President and CEO without cause, the Garden had certain obligations to the President and CEO, all as defined in the agreement. In accordance with the agreement, all amounts were paid to the President and CEO during 2015. The agreement is currently in negotiations for renewal in 2017.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees of The Atlanta Botanical Garden, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of The Atlanta Botanical Garden, Inc. (a not-for-profit organization) for the year ended December 31, 2016, which is presented in the preceding section of this report. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Smith + Howard

August 18, 2017

**THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total All Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,277,287	\$ -	\$ -	\$ 5,277,287
Investments	-	31,228,600	22,734,971	53,963,571
Pledges receivable, less allowance for doubtful pledges of \$160,651	2,400	-	15,123,256	15,125,656
Inventory	207,938	-	-	207,938
Property and equipment, net	-	-	87,837,570	87,837,570
Other assets	659,945	-	-	659,945
	<u>\$ 6,147,570</u>	<u>\$ 31,228,600</u>	<u>\$ 125,695,797</u>	<u>\$ 163,071,967</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued liabilities	\$ 2,218,383	\$ -	\$ 694,061	\$ 2,912,444
Interfund payable (receivable)	(7,921,936)	6,773,267	1,148,669	-
Deferred membership dues	1,965,699	-	-	1,965,699
Interest rate swap liability	-	-	1,867,280	1,867,280
Financing arrangements, net	-	-	33,565,750	33,565,750
Total Liabilities	<u>(3,737,854)</u>	<u>6,773,267</u>	<u>37,275,760</u>	<u>40,311,173</u>
Net Assets:				
Unrestricted	9,570,416	12,731,714	65,725,278	88,027,408
Temporarily restricted	315,008	473,327	10,144,355	10,932,690
Permanently restricted	-	11,250,292	12,550,404	23,800,696
Total Net Assets	<u>9,885,424</u>	<u>24,455,333</u>	<u>88,420,037</u>	<u>122,760,794</u>
	<u>\$ 6,147,570</u>	<u>\$ 31,228,600</u>	<u>\$ 125,695,797</u>	<u>\$ 163,071,967</u>

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Plant Fund</u>	<u>Total All Funds</u>
Revenue, Gains, and Other Support				
Contributions and grants	\$ 1,591,757	\$ -	\$ 2,962,507	\$ 4,554,264
Membership dues	4,002,632	-	-	4,002,632
Auxiliary services and exhibits	17,097,745	-	-	17,097,745
Tuition	384,061	-	-	384,061
Other	145,890	-	-	145,890
Realized and unrealized gains (losses) on investments and investment income	<u>9,121</u>	<u>1,805,460</u>	<u>1,369,932</u>	<u>3,184,513</u>
Total Revenue, Gains, and Other Support	<u>23,231,206</u>	<u>1,805,460</u>	<u>4,332,439</u>	<u>29,369,105</u>
Expenses:				
Program Services:				
Improvement and maintenance of gardens	4,846,547	-	3,452,424	8,298,971
Education	1,121,007	-	251,144	1,372,151
Auxiliary services and exhibits	<u>8,138,216</u>	<u>-</u>	<u>1,311,871</u>	<u>9,450,087</u>
Total Program Services	<u>14,105,770</u>	<u>-</u>	<u>5,015,439</u>	<u>19,121,209</u>
Support Services:				
General and administrative	2,014,103	62,164	215,652	2,291,919
Public relations	1,810,748	-	31,063	1,841,811
Fund-raising	1,235,579	-	250,448	1,486,027
Membership development	<u>894,528</u>	<u>-</u>	<u>19,420</u>	<u>913,948</u>
Total support services	<u>5,954,958</u>	<u>62,164</u>	<u>516,583</u>	<u>6,533,705</u>
Total expenses	<u>20,060,728</u>	<u>62,164</u>	<u>5,532,022</u>	<u>25,654,914</u>
Other Gains:				
Change in market value of interest rate swap	<u>-</u>	<u>-</u>	<u>706,330</u>	<u>706,330</u>
Increase (Decrease) In Net Assets	3,170,478	1,743,296	(493,253)	4,420,521
Net Assets at Beginning of Year	5,519,828	23,907,155	88,913,290	118,340,273
Interfund Transfers	<u>1,195,118</u>	<u>(1,195,118)</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 9,885,424</u>	<u>\$ 24,455,333</u>	<u>\$ 88,420,037</u>	<u>\$ 122,760,794</u>

THE ATLANTA BOTANICAL GARDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES BY FUND
YEAR ENDED DECEMBER 31, 2016

	Program Services			
	Improvement and Maintenance of Gardens	Education	Auxiliary Services	Total Program
General Fund:				
Salaries	\$ 2,291,107	\$ 631,589	\$ 2,387,322	\$ 5,310,018
Payroll taxes and benefits	356,737	98,360	206,485	661,582
Building and equipment maintenance	743,532	-	-	743,532
Garden and operating expenses:				
Gardens and woodland	680,915	-	-	680,915
Conservatory	485,412	-	-	485,412
Professional fees	259	-	165	424
Development programs	222,490	375,442	4,717,878	5,315,810
Office and other expenses	66,095	15,616	826,366	908,077
Total Functional Expenses, General Fund	4,846,547	1,121,007	8,138,216	14,105,770
Endowment Fund:				
Other expenses	-	-	-	-
Total Functional Expenses Endowment Fund	-	-	-	-
Plant Fund:				
Depreciation and amortization	3,271,216	79,970	413,599	3,764,785
Interest expense	181,208	171,174	898,272	1,250,654
Professional fees	-	-	-	-
Other expenses	-	-	-	-
Total Functional Expenses, Plant Fund	3,452,424	251,144	1,311,871	5,015,439
 Total All Funds	 \$ 8,298,971	 \$ 1,372,151	 \$ 9,450,087	 \$ 19,121,209

Support Services

<u>General and Administrative</u>	<u>Public Relations</u>	<u>Fundraising</u>	<u>Membership Development</u>	<u>Total Support</u>	<u>Total Expenses</u>
\$ 807,692	\$ 273,566	\$ 759,705	\$ 171,598	\$ 2,012,561	\$ 7,322,579
200,069	46,874	86,772	29,411	363,126	1,024,708
-	-	-	-	-	743,532
-	-	-	-	-	680,915
-	-	-	-	-	485,412
383,770	1,237,873	163	-	1,621,806	1,622,230
39,204	243,376	353,996	691,793	1,328,369	6,644,179
583,368	9,059	34,943	1,726	629,096	1,537,173
<u>2,014,103</u>	<u>1,810,748</u>	<u>1,235,579</u>	<u>894,528</u>	<u>5,954,958</u>	<u>20,060,728</u>
62,164	-	-	-	62,164	62,164
<u>62,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,164</u>	<u>62,164</u>
53,800	9,793	17,883	-	81,476	3,846,261
132,152	21,270	19,420	19,420	192,262	1,442,916
-	-	213,145	-	213,145	213,145
29,700	-	-	-	29,700	29,700
<u>215,652</u>	<u>31,063</u>	<u>250,448</u>	<u>19,420</u>	<u>516,583</u>	<u>5,532,022</u>
<u>\$ 2,291,919</u>	<u>\$ 1,841,811</u>	<u>\$ 1,486,027</u>	<u>\$ 913,948</u>	<u>\$ 6,533,705</u>	<u>\$ 25,654,914</u>