

**WEST MICHIGAN HORTICULTURAL
SOCIETY, INC. D.B.A. FREDERIK MEIJER
GARDENS & SCULPTURE PARK**

FINANCIAL STATEMENTS

Years Ended September 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

West Michigan Horticultural Society, Inc.
d.b.a. Frederik Meijer Gardens & Sculpture Park
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of West Michigan Horticultural Society, Inc. d.b.a. Frederik Meijer Gardens & Sculpture Park (Meijer Gardens), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, 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 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Michigan Horticultural Society, Inc. d.b.a. Frederik Meijer Gardens & Sculpture Park as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Beene Garter LLP

February 15, 2021
Grand Rapids, Michigan

FINANCIAL STATEMENTS

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

STATEMENTS OF FINANCIAL POSITION

	September 30, 2020 and 2019	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,085,657	\$ 13,192,787
Short term investments	11,896,342	11,578,728
Accounts receivable	53,056	176,320
Pledges receivable, current	895,370	492,562
Inventory	309,817	281,020
Prepaid taxes	189,106	190,000
Prepaid expenses	110,629	49,475
TOTAL CURRENT ASSETS	26,539,977	25,960,892
Replacement reserve / Investments for property and equipment	4,173,526	4,024,978
Cash restricted for investment in collections, property and equipment and endowment	10,642,085	10,401,139
Other investments	809,270	682,376
Pledges receivable	35,158,256	52,876,810
Beneficial interest in net assets of the Frederik Meijer Gardens & Sculpture Foundation (Foundation)	136,877,855	127,311,890
Collections	50,918,991	50,273,389
Property and equipment	119,857,238	106,873,394
TOTAL ASSETS	\$ 384,977,198	\$ 378,404,868
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,771,250	\$ 5,239,167
Accrued payroll and withholding	226,286	553,478
Deferred revenue	2,661,367	2,522,878
TOTAL CURRENT LIABILITIES	6,658,903	8,315,523
Due to Frederik Meijer Gardens & Sculpture Foundation	8,749,491	10,108,991
Other liabilities	872,760	744,167
TOTAL LIABILITIES	16,281,154	19,168,681
Net Assets		
Without donor restriction	148,825,982	147,595,081
With donor restriction	219,870,062	211,641,106
TOTAL NET ASSETS	368,696,044	359,236,187
TOTAL LIABILITIES AND NET ASSETS	\$ 384,977,198	\$ 378,404,868

See accompanying notes

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Other Support			
Contributions	\$ 8,797,292	\$ 1,031,483	\$ 9,828,775
Admission and memberships	3,680,196	-	3,680,196
Gift Shop	667,975	-	667,975
Events	66,691	-	66,691
Educational programs	56,525	-	56,525
Hospitality services	1,969,156	-	1,969,156
Change in beneficial interest in net assets of the Foundation including transfers	-	9,565,965	9,565,965
Loss on disposal of property and equipment	(65,407)	-	(65,407)
Miscellaneous	431,089	39,332	470,421
Net assets released from restrictions	2,407,824	(2,407,824)	-
Total Revenues and Other Support	18,011,341	8,228,956	26,240,297
Expenses			
Program services			
Education	1,387,897	-	1,387,897
Gift Shop	756,782	-	756,782
Hospitality	3,641,556	-	3,641,556
Collections and exhibitions	7,539,689	-	7,539,689
Membership development	579,269	-	579,269
Supporting services:			
Management and general	2,014,866	-	2,014,866
Fund development	860,381	-	860,381
Total Expenses	16,780,440	-	16,780,440
Change in Net Assets	1,230,901	8,228,956	9,459,857
Net Assets - Beginning of Year	147,595,081	211,641,106	359,236,187
NET ASSETS - END OF YEAR	\$ 148,825,982	\$ 219,870,062	\$ 368,696,044

See accompanying notes

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended September 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Other Support			
Contributions	\$ 8,432,113	\$ 992,561	\$ 9,424,674
Admission and memberships	5,396,777	-	5,396,777
Gift Shop	1,129,519	-	1,129,519
Events	3,648,152	-	3,648,152
Educational programs	194,669	-	194,669
Hospitality services	5,255,577	-	5,255,577
Change in beneficial interest in net assets of the Foundation net of transfers	-	(1,863,670)	(1,863,670)
Loss on disposal of property and equipment	(198,072)	-	(198,072)
Miscellaneous	493,793	97,499	591,292
Net assets released from restrictions	14,846,737	(14,846,737)	-
Total Revenues and Other Support	39,199,265	(15,620,347)	23,578,918
Expenses			
Program services			
Education	1,859,698	-	1,859,698
Gift Shop	971,735	-	971,735
Hospitality	4,888,414	-	4,888,414
Collections and exhibitions	11,464,441	-	11,464,441
Membership development	641,668	-	641,668
Supporting services:			
Management and general	2,387,194	-	2,387,194
Fund development	816,258	-	816,258
Total Expenses	23,029,408	-	23,029,408
Change in Net Assets	16,169,857	(15,620,347)	549,510
Net Assets - Beginning of Year	131,425,224	227,261,453	358,686,677
NET ASSETS - END OF YEAR	\$ 147,595,081	\$ 211,641,106	\$ 359,236,187

See accompanying notes

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 9,459,857	\$ 549,510
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in discount on pledges receivable	(720,632)	(641,540)
Depreciation	4,167,597	3,691,377
Loss on disposal of property and equipment and collections	65,407	198,072
Change in value of other investments	(126,894)	(26,049)
Reinvested dividends and interest	(341,784)	(60,975)
Change in beneficial interest in net assets of the Foundation including transfers	(9,565,965)	1,863,670
Donated property, equipment and collections included in support	(53,150)	(117,030)
Contributions restricted for investment in collections, property and equipment and endowment	(1,069,338)	(1,089,253)
Change in assets and liabilities		
Accounts receivable	123,264	129,346
Pledges receivable	(715,606)	(165,757)
Inventory	(28,797)	(16,161)
Refundable taxes	894	-
Prepaid expenses	(61,154)	43,110
Accounts payable	(474,165)	549,666
Accrued payroll and withholding	(327,192)	25,345
Deferred revenue	138,489	116,261
Deferred compensation liability	128,593	37,692
NET CASH PROVIDED BY OPERATING ACTIVITIES	599,424	5,087,284

See accompanying notes

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (18,195,436)	\$ (32,467,700)
Proceeds from sale of property and equipment	6,836	8,606
Purchase of investments	(4,246,276)	(3,315,616)
Proceeds from sale of investments	4,121,898	5,709,483
Purchase of collections	(614,452)	(320,382)
NET CASH USED IN INVESTING ACTIVITIES	(18,927,430)	(30,385,609)
Cash Flows from Financing Activities		
Payments on amount due to the Foundation	(1,359,500)	(4,098,402)
Proceeds from contributions restricted for investment in collections, property and equipment and endowment	19,821,322	31,694,003
NET CASH PROVIDED BY FINANCING ACTIVITIES	18,461,822	27,595,601
NET INCREASE IN CASH AND CASH EQUIVALENTS	133,816	2,297,276
Cash and Cash Equivalents - Beginning of Year	23,593,926	21,296,650
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 23,727,742	\$ 23,593,926
Cash and cash equivalents	\$ 13,085,657	\$ 13,192,787
Cash restricted for investment in collections, and property and equipment	10,642,085	10,401,139
	\$ 23,727,742	\$ 23,593,926
Noncash Transactions		
Property and equipment included in accounts payable	\$ 3,345,222	\$ 4,338,974

See accompanying notes

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The West Michigan Horticultural Society, Inc. d.b.a. Frederik Meijer Gardens & Sculpture Park (Meijer Gardens) promotes the enjoyment, understanding, and appreciation of gardens, sculpture, the natural environment, and the arts. Revenues of Meijer Gardens are from admission fees, membership fees, Gift Shop sales, events, hospitality services, educational programs, contributions, grants and sponsorships by individuals, corporations, and foundations.

In May 2017, Meijer Gardens' Board of Directors approved to move forward and start construction for the "Welcoming the World: Honoring a Legacy of Love" project that will span many years into the future. This project will build on our success to bring joy to more visitors, to welcome new audiences, to educate more people, to create unique exhibitions and to offer new and distinct visual experiences all four seasons of the year. This project encompasses a new welcome center, education center, transportation center, expanded amphitheater, new sculpture garden entry plaza, renovation to existing buildings, new outdoor picnic pavilion, expanded and accessible parking and a new endowment fund. All of this will occur in conjunction with our mission through additional and or positive changes through gardens and sculpture. The project budget is \$115,000,000, which includes \$15,000,000 for endowment. Meijer Gardens has committed to transfer over future years, the \$15,000,000 to The Frederik Meijer Gardens & Sculpture Foundation. The obligation is reflected as Due to Frederik Meijer Gardens & Sculpture Park Foundation and classified as a long-term liability. See Notes 7, 8 and 9 for additional information.

During 2020, the Picnic Pavilion was completed. During 2019, the Covenant Learning Center, Rooftop Garden and the concessions building of the amphitheater were completed.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Meijer Gardens reports information regarding its financial position and activities as without donor restriction and with donor restriction depending on the existence and nature of any donor-imposed restrictions on contributions received.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Descriptions of the asset classes are as follows:

Net assets without donor restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restriction – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue with donor restrictions and are released from restrictions when the assets are placed in service. Meijer Gardens reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor-restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Meijer Gardens considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are held primarily at two financial institutions. The Meijer Gardens' cash balances exceed federally insured limits.

Accounts Receivable

Accounts receivable represents amounts billed or billable to customers for hospitality services and trade media, which are stated at the amount management expects to collect from balances outstanding at year-end. Management has reviewed the balances that comprise accounts receivable and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the financial statements. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made. All amounts are expected to be collected within one year.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period the pledge is received. Unconditional pledges that are expected to be collected in periods in excess of one year are recognized at the present value of the estimated future cash flows at the time the pledge is received using discount rates that approximate the average one-year LIBOR rate. These LIBOR rates ranged from 0.39% to 2.82% during 2020 and 2019. The change in the present value due to the passage of time is recognized as contribution revenue. Management annually reviews these assets to determine the net realizable value of the pledges. Conditional pledges are recognized when the conditions upon which they depend are substantially met.

Pledges are stated at the amount management expects to collect from outstanding balances, discounted to present value. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give. Meijer Gardens considers promises to give to be fully collectible; accordingly, no allowance for doubtful promises to give has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Inventory

Inventory consists of gift shop items as well as food and beverage items and is stated at the lower of cost or net realizable value, principally determined by the first-in, first-out method.

Replacement Reserve

Meijer Gardens has investments set aside as a replacement reserve for unforeseen and future replacement of investments in property and equipment.

Collections

The collections, which include sculptures, bonsai plants, art objects, and documentaries, have been capitalized since inception. If purchased, items are capitalized at cost, and if donated, they are capitalized at their appraised or fair value on the date received. Installation costs incurred to place collection pieces are included in the capitalized value of the item. If Meijer Gardens should cease operations or lose its tax-exempt status, the majority of the sculpture collections will be conveyed to the Meijer Foundation.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Property and Equipment

Meijer Gardens follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$5,000. Donations of property and equipment are recorded at estimated fair value. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, specifically to acquire property and equipment, are reported as support with donor restriction. Absent donor stipulations regarding how long donated assets must be maintained, Meijer Gardens reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Meijer Gardens reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No such losses were recognized during 2020 or 2019.

Fair Value Measurements

U.S. generally accepted accounting principles establishes a framework for measuring fair value. That framework provides 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 measurements) and the lowest priority to measurements where there is no ability to liquidate or redeem the investments (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Quoted prices in markets that are not considered active or financial instruments for which significant inputs include quoted prices of similar assets or liabilities, interest rates, credit risks, etc.
- Level 3 Investments held by others where Meijer Gardens has no ability to liquidate or redeem the investments.

The fair value measurement level of an investment within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Deferred Revenue

Security deposits from hospitality services of Meijer Gardens' facilities and unearned memberships are included in deferred revenue. Meijer Gardens makes its facilities available to the general public for special gatherings and events. The revenue resulting from these events is recognized as earned when the event takes place. Annual memberships are purchased at various times during the fiscal year. The resulting revenue is recognized as earned during the membership period. In addition, sponsorships relating to exhibitions and events to be held in future fiscal years are included as deferred revenue. As the events are held, the deferred revenue is recorded as revenue.

Contributions

Contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence and/or nature of any such restrictions.

Donor restricted contributions are reported as support with donor restriction and are then reclassified to net assets without donor restriction upon expiration of the donor restriction. Contributions are reported as revenue at the time the contribution is promised. Meijer Gardens recognizes as support without donor restrictions certain donor-restricted contributions when such restrictions are met in the same reporting period.

Donated Services and Materials

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would be typically purchased if not provided by donation are recorded at fair value in the period received. Meijer Gardens received donated services that met this criteria valued at \$10,154 and \$30,506 for the years ended September 30, 2020 and 2019, respectively.

In addition, many people have contributed significant amounts of time to Meijer Gardens without compensation. These services are not recognized as contributions in the financial statements since the recognition criteria outlined above was not met.

Contributions of donated materials and supplies are also recorded at fair value when received. These donations valued at \$113,721 and \$589,836 for the years ended September 30, 2020 and 2019, respectively, have been recorded as contribution revenue and various expenses in the statements of activities. Additional amounts of approximately \$53,150 and \$117,030 have been recognized as contributions on the statements of activities and capitalized in property and equipment, collections and investments on the statements of financial position for 2020 and 2019, respectively.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Functional Allocation of Expenses

The costs of providing the various programs and other activities of Meijer Gardens have been summarized on a functional basis. Note 4 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Wages and benefits are allocated based on direct effort. Utilities, some contracted services, and general insurance are allocated based on square footage of the building and space utilized. All other expenses are allocated by direct benefit to the department.

Advertising

Meijer Gardens expenses advertising costs as incurred. Advertising expense totaled \$335,616 and \$545,635 for the years ended September 30, 2020 and 2019, respectively.

Income Taxes

Meijer Gardens is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Meijer Gardens' tax-exempt purpose is subject to taxation as unrelated business income.

Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to September 30, 2020 for potential recognition or disclosure in these financial statements. The evaluation was performed through February 15, 2021 the date the financial statements were available for issuance.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates that were used.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the new Topic 606 and Subtopic 340-40 are referred to as the “new guidance.” The guidance will be effective for annual periods beginning after December 15, 2019. Meijer Gardens does not expect this pronouncement to materially impact its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2021. Meijer Gardens does not expect this pronouncement to materially impact its financial statements.

NOTE 2 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

Meijer Gardens adopted FASB ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made as of October 1, 2019. ASU 2018-08 provides guidance on distinguishing between contributions and exchange transactions and guidance to determine whether a contribution is restricted. The effect of applying this new guidance was not significant to the financial statements.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE 3 - LIQUIDITY

The following reflects the financial assets of Meijer Gardens included in the accompanying statements of financial position as of September 30, 2020 and 2019. This amount has been reduced by those assets not available for general use or amounts with donor restrictions.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,085,657	\$ 13,192,787
Short term investments	11,896,342	11,578,728
Accounts receivable	53,056	176,320
Pledges receivable	895,370	492,562
Replacement reserve	4,173,526	4,024,978
	<u>\$ 30,103,951</u>	<u>\$ 29,465,375</u>

In addition to the available funds stated above, Meijer Gardens operations are also funded by admissions, memberships, hospitality events, concerts and on-site gift shop and café. Meijer Gardens also receives annual contributions, investment earnings and annual distributions from the Frederik Meijer Garden & Sculpture Foundation (FMGSF). These annual distributions range from 4% to 5% of the invested fund. The value of the FMGSF is stated on the face of the statement of financial position.

From the statement of activities, approximately 39% and 61% of operational revenue for 2020 and 2019, respectively, is derived from these activities, and is anticipated to add to liquidity on an annual basis.

NOTE 4 - FUNCTIONAL EXPENSES

The tables below present the expenses by both their nature and their function for the years ended September 30, 2020 and 2019.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

BeeneGarter^{LLP}

	Program Services					Supporting Services		2020 Total Expenses	
	Education	Retail	Hospitality	Collections & Exhibitions	Membership Development	Total Program Services	Management & General		Fund Development
Wages and benefits	\$ 879,070	\$ 301,392	\$ 1,785,336	\$ 2,953,631	\$ 279,677	\$ 6,199,106	\$ 1,069,197	\$ 286,663	\$ 7,554,966
Cost of merchandise sold	-	344,876	391,528	-	-	736,404	-	-	736,404
Exhibitions and displays	634	-	-	447,373	-	448,007	-	1,982	449,989
Communications	-	-	6,081	415,183	59,802	481,066	1,862	1,205	484,133
Contracted services	44,768	13,013	202,489	555,382	3,288	818,940	125,037	3,429	947,406
Facility maintenance	21,760	14,896	122,829	206,272	99,624	465,381	359,827	15,281	840,489
Leases & Rents	1,108	1,951	15,590	15,659	3,986	38,294	13,364	1,214	52,872
Utilities	49,066	7,209	82,663	366,728	1,417	507,083	26,379	2,390	535,852
Insurance	29,387	6,602	66,145	247,627	793	350,554	32,151	2,486	385,191
Acquisitions/cataloging	3,850	25	753	55,566	155	60,349	10,085	3,446	73,880
Events	4,610	-	-	20,221	26,790	51,621	-	62,796	114,417
Postage	75	5,024	23	22,113	48,892	76,127	1,492	8,958	86,577
Supplies	53,466	733	25,003	18,296	888	98,386	6,906	1,023	106,315
Conferences and development	3,190	3,382	5,370	26,967	2,718	41,627	13,964	29,140	84,731
Depreciation	292,446	37,323	902,381	2,151,936	3,808	3,387,894	345,571	434,132	4,167,597
Miscellaneous	4,467	20,356	35,365	36,735	47,431	144,354	9,031	6,236	159,621
Total Functional Expenses	\$ 1,387,897	\$ 756,782	\$ 3,641,556	\$ 7,539,689	\$ 579,269	\$ 13,905,193	\$ 2,014,866	\$ 860,381	\$ 16,780,440

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

	Program Services					Supporting Services			2019 Total Expenses
	Education	Retail	Hospitality	Collections & Exhibitions	Membership Development	Total Program Services	Management & General	Fund Development	
Wages and benefits	\$ 940,244	\$ 318,058	\$ 2,350,768	\$ 3,017,666	\$ 306,776	\$ 6,933,512	\$ 1,401,856	\$ 323,576	\$ 8,658,944
Cost of merchandise sold	-	532,978	987,750	-	-	1,520,728	-	-	1,520,728
Exhibitions and displays	28,174	-	-	696,620	-	724,794	-	-	724,794
Communications	-	-	14,757	713,460	90,224	818,441	3,263	6,530	828,234
Contracted services	56,324	7,972	292,880	771,249	7,949	1,136,374	120,214	1,952	1,258,540
Facility maintenance	31,684	12,000	225,971	286,161	111,431	667,247	362,894	16,541	1,046,682
Leases & Rents	1,999	858	21,320	33,310	4,217	61,704	23,042	1,208	85,954
Utilities	56,480	8,597	97,933	422,038	1,755	586,803	24,601	4,693	616,097
Insurance	25,130	5,270	63,294	272,693	735	367,122	36,797	2,273	406,192
Acquisitions/cataloging	3,764	-	720	45,181	155	49,820	10,153	5,547	65,520
Events	84,749	17	9,971	2,609,246	35,374	2,739,357	-	137,088	2,876,445
Postage	548	5,091	59	51,117	52,543	109,358	517	18,536	128,411
Supplies	267,843	4,575	50,704	12,569	1,129	336,820	12,733	574	350,127
Conferences and development	10,115	5,301	12,162	224,415	2,057	254,050	39,112	248,610	541,772
Depreciation	345,987	36,749	656,665	2,291,859	3,808	3,335,068	332,069	24,240	3,691,377
Miscellaneous	6,657	34,269	103,460	16,857	23,515	184,758	19,943	24,890	229,591
Total Functional Expenses	\$ 1,859,698	\$ 971,735	\$ 4,888,414	\$ 11,464,441	\$ 641,668	\$ 19,825,956	\$ 2,387,194	\$ 816,258	\$ 23,029,408

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**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE 5 - INVESTMENTS

The total investments reported on the statement of financial position are as follows at September 30:

	<u>2020</u>	<u>2019</u>
Investments at fair value	\$ 10,077,667	\$ 9,672,477
Certificates of deposit	6,385,728	6,264,252
Other investments not recorded at fair value	415,743	349,353
	<u>\$ 16,879,138</u>	<u>\$ 16,286,082</u>

The investments are reflected on the statement of financial position as follows:

	<u>2020</u>	<u>2019</u>
Short term investments	\$ 11,896,342	\$ 11,578,728
Replacement reserve / Investments for property and equipment	4,173,526	4,024,978
Other investments	809,270	682,376
	<u>\$ 16,879,138</u>	<u>\$ 16,286,082</u>

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

Meijer Gardens invests to maintain liquidity and achieve safety of principal by limiting credit and default risk. Current investments are held with two financial institutions; the majority of this being in municipal and corporate bonds which are backed by the institution's letter of credit and carry a short term credit rating A2/P2. Investments are reported at fair value. The levels within the fair value hierarchy at which Meijer Gardens' investments are valued at September 30, 2020 and 2019 are as follows:

	2020			Total
	Level 1	Level 2	Level 3	
Assets				
Money market funds	\$ 16,551	\$ -	\$ -	\$ 16,551
Brokered certificates of deposit	3,309,462	-	-	3,309,462
Mutual funds	393,527	-	-	393,527
Fixed income				
Municipal bonds		443,913		443,913
Asset Backed Securities	-	770,428	-	770,428
Corporate bonds	-	5,143,787	-	5,143,787
Investments at Fair Value	\$ 3,719,539	\$ 6,358,128	\$ -	\$ 10,077,667
2019				
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 15,757	\$ -	\$ -	\$ 15,757
Brokered certificates of deposit	5,408,332	-	-	5,408,332
Mutual funds	333,023	-	-	333,023
U.S. Equities - Financial	-	-	-	-
Fixed income				
Municipal bonds	-	-	-	-
US Treasury	-	502,660	-	502,660
Corporate bonds	-	3,412,706	-	3,412,706
Investments at Fair Value	\$ 5,757,111	\$ 3,915,366	\$ -	\$ 9,672,477

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

For the valuation of certain money market funds, certificates of deposit, mutual funds, and U.S. equities, Meijer Gardens used quoted prices in active markets for identical assets as of the valuation date (Level 1).

For the valuation of municipal bonds and US Treasury and corporate bonds, Meijer Gardens' investment manager provides a periodic valuation using quoted prices for identical or similar assets in markets that are not active (Level 2).

NOTE 6 - PLEDGES RECEIVABLE

Unconditional promises to give are due to be received as follows at September 30:

	2020	2019
Receivable in less than one year	\$ 28,047,271	\$ 22,046,087
Receivable in one to five years	7,901,995	31,847,399
Receivable in greater than five years	370,575	462,733
Less discounting of future promises	(266,215)	(986,847)
Net Receivable Greater Than One Year	8,006,355	31,323,285
NET UNCONDITIONAL PLEDGES RECEIVABLE	\$ 36,053,626	\$ 53,369,372

Pledges receivable with donor-imposed restrictions that limit their use to long-term purposes are classified separately from assets available for current use. Pledges receivable in the statements of financial position include the following at September 30:

	2020	2019
Pledges receivable, current	\$ 895,370	\$ 492,562
Pledges receivable		
Restricted for investment in collections, property and equipment and endowment	34,586,673	53,298,657
Long-term portion	837,798	565,000
	35,424,471	53,863,657
Less discounting of future promises	(266,215)	(986,847)
	35,158,256	52,876,810
	\$ 36,053,626	\$ 53,369,372

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at September 30:

	2020	2019
Land	\$ 18,622,280	\$ 18,622,280
Land improvements	29,206,685	29,122,357
Building	51,497,227	49,827,085
Construction-in-progress	50,437,774	35,524,144
Plants	764,817	733,936
Furniture and fixtures	7,190,438	7,408,148
Technology	2,470,849	2,632,806
Equipment	3,035,079	3,044,842
	163,225,151	146,915,598
Accumulated depreciation	(43,367,913)	(40,042,204)
	\$ 119,857,238	\$ 106,873,394

Construction-in-progress (CIP) mainly consists of expansion associated with our Welcoming the World: Honoring a Legacy of Love project. During the current year, this project has incurred costs for expansion of our amphitheater, a new transportation center, a new educational facility, concessions building, and a rooftop garden. Other CIP costs are associated with a new welcome center and parking lots. Related to these projects, Meijer Gardens has entered into several contracts for design, architecture and construction services. At September 30, 2020, additional commitments of approximately \$7,284,000 exist under these contacts.

NOTE 8 - BENEFICIAL INTEREST IN NET ASSETS OF THE FOUNDATION

The Frederik Meijer Gardens & Sculpture Foundation (Foundation) was formed for charitable purposes to hold and manage the endowment and other funds for the benefit of Meijer Gardens. Accordingly, Meijer Gardens is required to present its beneficial interest in the net assets of the Foundation, adjusted annually for the change in those net assets. The changes in net assets are primarily due to contributions and changes in the market value of the Foundation's investment portfolios. The valuation is considered to be a Level 3 measurement in the fair value hierarchy. The unrealized gains or losses on revaluation are recorded in the statements of activities.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

The fair value of the beneficial interest in net assets of the Foundation is based upon the fair value of the underlying investments in the Foundation. The underlying Foundation assets cannot be liquidated or redeemed by Meijer Gardens. As such, no quoted prices or active markets are available for this asset (Level 3). Management reviews the values provided by the Foundation.

Following is a reconciliation of activity for the years ended September 30, 2020 and 2019 for Level 3 assets measured at fair value:

Balance at September 30, 2018	\$ 129,175,560
Change in beneficial interest	<u>(1,863,670)</u>
Balance at September 30, 2019	127,311,890
Transfer to Foundation from Meijer Gardens	5,769,144
Change in beneficial interest	<u>3,796,821</u>
Balance at September 30, 2020	<u>\$ 136,877,855</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of cash, investments, pledges receivable, and other assets restricted by donors for the following purposes as of September 30:

	2020	2019
With donor restriction		
Collections	\$ 2,176,786	\$ 1,812,203
Welcoming the World: Honoring a Legacy of Love	80,749,140	82,451,174
Unappropriated earnings on beneficial interest	20,416,966	16,620,144
Other	66,280	65,839
Frederik Meijer Gardens & Sculpture Foundation	<u>116,460,890</u>	<u>110,691,746</u>
Total With Donor Restriction	<u>\$ 219,870,062</u>	<u>\$ 211,641,106</u>

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

During 2020, Meijer Gardens released donor restricted net assets of \$484,500 for Collections placed in service, and \$1,923,324 related to the Welcoming the World campaign upon the Picnic Pavilion being placed in service. During 2019, Meijer Gardens released donor restricted net assets of \$18,414 for Collections placed in service, and \$14,828,323 related to the Welcoming the World campaign upon the Covenant Learning Center, Rooftop Garden and the concession building of the amphitheater being placed in service

NOTE 10 - RELATED PARTY TRANSACTIONS

Approximately 56% and 58% of Meijer Gardens' aggregate contributions for the years ended September 30, 2020 and 2019, respectively, were provided by related party donors. These same contributors also account for 86% of pledges receivable as of September 30, 2020 and 2019.

NOTE 11 - RETIREMENT AND COMPENSATION PLANS

Substantially all Meijer Gardens employees are eligible to participate in the Frederik Meijer Gardens & Sculpture Park 403(b) Plan. Employee contributions to the Plan are voluntary, while management provides for a discretionary matching contribution to the Plan to be made on behalf of participating employees.

Meijer Gardens established the Frederik Meijer Gardens & Sculpture Park Executive Deferred Compensation Plan for the benefit of select members of executive management. The Plan is qualified under IRC Section 457(b). Members of executive management are selected for participation in the Plan at the discretion of the board of directors. Contributions may be made to the Plan in the form of employee elective deferrals, as well as employer discretionary contributions, subject to deferred compensation limitations. Meijer Gardens also established a supplemental executive deferred compensation agreement. The agreement provides for deferred compensation, vesting through the participants' anticipated retirement date.

Total discretionary matching and discretionary contribution expense relating to these plans for the years ended 2020 and 2019 was approximately \$192,600 and \$184,100, respectively.

NOTE 12 - UNRELATED BUSINESS INCOME TAX

There is no provision required for unrelated business income tax in 2020 or 2019. Cash paid for income taxes was \$0 for the years ended September 30, 2020 and 2019.

**WEST MICHIGAN HORTICULTURAL SOCIETY, INC.
D.B.A. FREDERIK MEIJER GARDENS & SCULPTURE PARK**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE 13 - PAYCHECK PROTECTION PROGRAM LOAN

During 2020, Meijer Gardens secured a note payable with a bank and the U.S. Small Business Administration in the amount of \$1,649,700. The note was obtained pursuant to the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief and Economic Security (CARES) Act, with payment and maturity terms as defined in the Act. Proceeds from the loan were used for qualifying expenses that included primarily payroll costs as defined by the CARES Act. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for these qualifying expenses. Meijer Gardens has used the entire loan proceeds for qualifying expenses and applied for forgiveness under the terms of the PPP and CARES Act. Meijer Gardens has determined that the transaction is an “in-substance” conditional grant.

On November 2, 2020, Meijer Gardens was notified that the entire balance of the note was forgiven. Therefore, contribution revenue in the amount of \$1,649,700 has been recorded in the accompanying statement of activities.

NOTE 14 - RISKS AND UNCERTAINTIES

Meijer Gardens has a beneficial interest in the investment securities held by the Foundation. Such investments are exposed to various risks such as fluctuation in interest rates, the securities market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. and globally. The Governor of the State of Michigan issued an Executive Order to “stay in place and suspend nonessential activities.” As a result of this order, Meijer Gardens was closed to visitors from March 13, 2020 to June 8, 2020. The circumstances surrounding the widespread outbreak of COVID-19 are unknown at this time, but management does anticipate continued disruptions to the Meijer Gardens’ operations as capacity is currently reduced to 30% of normal levels. At this time, given the uncertainty of the lasting effect of this outbreak, the financial impact to the Meijer Gardens cannot be determined.