



Cheekwood Botanical Garden & Museum of Art

Financial Statements & Independent Auditor's Report

December 31, 2022 & 2021

CHEEKWOOD BOTANICAL GARDEN
AND MUSEUM OF ART



FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cheekwood Botanical Garden
and Museum of Art
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Cheekwood Botanical Garden and Museum of Art ("Cheekwood") which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheekwood Botanical Garden and Museum of Art as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cheekwood and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EMPHASIS OF MATTER

As discussed in Note 2 to the financial statements, Cheekwood has elected to change its method of accounting for leases during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT 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, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheekwood's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

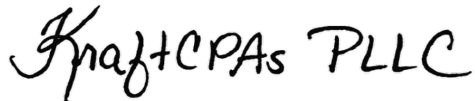
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cheekwood's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cheekwood's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Kraft+CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
June 27, 2023

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 8,232,222	\$ 8,505,566
Promises to give and accounts receivable - operating	982,604	426,772
Inventories	131,672	103,993
Prepaid expenses and other assets	1,124,202	208,418
Restricted cash:		
Endowment	40,518	33,883
Other long-term purposes	848,851	1,016,770
Promises to give, net:		
Endowment	82,950	66,721
Other long-term purposes	549,793	462,902
Investments - endowment	17,969,588	21,730,508
Property and equipment, net	25,938,230	25,760,573
Collections - Notes 1 and 8	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 55,900,630</u>	<u>\$ 58,316,106</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,630,125	\$ 1,254,114
Deferred revenues	2,733,609	2,574,836
Other	<u>247,392</u>	<u>16,753</u>
TOTAL LIABILITIES	<u>4,611,126</u>	<u>3,845,703</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	29,731,948	29,092,710
Board-designated endowment	2,012,835	2,940,139
Board-designated for future operations	<u>1,094,333</u>	<u>1,395,602</u>
Total without donor restrictions	32,839,116	33,428,451
With donor restrictions	<u>18,450,388</u>	<u>21,041,952</u>
TOTAL NET ASSETS	<u>51,289,504</u>	<u>54,470,403</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 55,900,630</u>	<u>\$ 58,316,106</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
SUPPORT AND REVENUES			
Contributions	\$ 2,406,918	\$ 1,827,834	\$ 4,234,752
Volunteer fundraising contributions	674,507	66,500	741,007
Government grants and programs	225,868	-	225,868
Contributions and net revenues from special events	2,462,857	-	2,462,857
In-kind contributions	318,470	-	318,470
Admission fees	4,860,460	-	4,860,460
Membership dues	2,031,572	-	2,031,572
Classes and programs	277,249	-	277,249
Restaurant, catering and gift shop	1,768,171	-	1,768,171
Rental event income	1,678,566	-	1,678,566
Net investment loss	(764,895)	(2,720,938)	(3,485,833)
Loss on disposal of property and equipment	(25,447)	-	(25,447)
Miscellaneous income	124,183	-	124,183
Net assets released resulting from satisfaction of donor restrictions	1,764,960	(1,764,960)	-
TOTAL SUPPORT AND REVENUES	<u>17,803,439</u>	<u>(2,591,564)</u>	<u>15,211,875</u>
FUNCTIONAL EXPENSES			
Program services	13,996,292	-	13,996,292
Administrative	1,579,466	-	1,579,466
Fundraising	2,817,016	-	2,817,016
TOTAL FUNCTIONAL EXPENSES	<u>18,392,774</u>	<u>-</u>	<u>18,392,774</u>
CHANGE IN NET ASSETS	(589,335)	(2,591,564)	(3,180,899)
NET ASSETS - BEGINNING OF YEAR	<u>33,428,451</u>	<u>21,041,952</u>	<u>54,470,403</u>
NET ASSETS - END OF YEAR	<u>\$ 32,839,116</u>	<u>\$ 18,450,388</u>	<u>\$ 51,289,504</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
SUPPORT AND REVENUES			
Contributions	\$ 2,197,168	\$ 1,732,719	\$ 3,929,887
Volunteer fundraising contributions	126,420	44,435	170,855
Government grants and programs	201,575	-	201,575
Contributions and net revenues from special events	1,469,339	-	1,469,339
In-kind contributions	95,211	-	95,211
Admission fees	5,867,005	-	5,867,005
Membership dues	2,009,966	-	2,009,966
Classes and programs	211,587	-	211,587
Restaurant, catering and gift shop	1,467,322	-	1,467,322
Rental event income	1,086,748	-	1,086,748
Investment income, net	557,464	1,793,445	2,350,909
Loss on disposal of property and equipment	(30,172)	-	(30,172)
Miscellaneous income	14,950	-	14,950
Net assets released resulting from satisfaction of donor restrictions	1,946,932	(1,946,932)	-
TOTAL SUPPORT AND REVENUES	17,221,515	1,623,667	18,845,182
FUNCTIONAL EXPENSES			
Program services	11,908,733	-	11,908,733
Administrative	1,224,988	-	1,224,988
Fundraising	1,055,705	-	1,055,705
TOTAL FUNCTIONAL EXPENSES	14,189,426	-	14,189,426
CHANGE IN NET ASSETS	3,032,089	1,623,667	4,655,756
NET ASSETS - BEGINNING OF YEAR	30,396,362	19,418,285	49,814,647
NET ASSETS - END OF YEAR	\$ 33,428,451	\$ 21,041,952	\$ 54,470,403

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services		
	Exhibitions and Programs	Restaurant, Rentals and Gift Shops	Total	Administrative	Fundraising	Total
Personnel	\$ 4,556,877	\$ 597,341	\$ 5,154,218	\$ 681,121	\$ 668,324	\$ 6,503,663
Professional fees and contract services	446,431	120,270	566,701	274,570	1,700	842,971
Exhibitions and public programs	1,957,303	31,791	1,989,094	-	-	1,989,094
Special events	177,317	48,980	226,297	-	1,713,524	1,939,821
Communication, advertising and donor cultivation	594,758	23,653	618,411	51,010	328,970	998,391
Utilities	326,646	6,331	332,977	104,344	2,069	439,390
Maintenance and repairs	562,003	465	562,468	87,766	-	650,234
Software and equipment	184,821	13,979	198,800	169,144	29,567	397,511
Supplies	111,423	36,436	147,859	13,183	18,788	179,830
Travel and transportation	48,780	3,566	52,346	8,812	1,583	62,741
Insurance	248,301	49,995	298,296	51,192	-	349,488
Bank and credit card fees	190,641	54,262	244,903	5,581	35,335	285,819
Miscellaneous	147,099	22,167	169,266	64,146	17,156	250,568
Cost of goods sold	4,502	1,542,700	1,547,202	-	-	1,547,202
Depreciation	1,713,055	174,399	1,887,454	68,597	-	1,956,051
Total	<u>\$ 11,269,957</u>	<u>\$ 2,726,335</u>	<u>\$ 13,996,292</u>	<u>\$ 1,579,466</u>	<u>\$ 2,817,016</u>	<u>\$ 18,392,774</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services		
	Exhibitions and Programs	Restaurant, Rentals and Gift Shops	Total	Administrative	Fundraising	Total
Personnel	\$ 3,912,881	\$ 487,425	\$ 4,400,306	\$ 645,420	\$ 641,836	\$ 5,687,562
Professional fees and contract services	364,675	6,100	370,775	103,013	11,335	485,123
Exhibitions and public programs	2,145,091	-	2,145,091	30,633	110	2,175,834
Special events	-	55,394	55,394	-	265,815	321,209
Communication, advertising and donor cultivation	448,681	19,551	468,232	38,184	83,128	589,544
Utilities	247,417	4,647	252,064	84,941	1,819	338,824
Maintenance and repairs	452,562	1,641	454,203	12,201	-	466,404
Software and equipment	201,055	9,303	210,358	139,390	21,866	371,614
Supplies	72,963	17,488	90,451	11,139	2,221	103,811
Travel and transportation	32,438	5,347	37,785	3,804	2,813	44,402
Insurance	211,770	42,639	254,409	42,643	-	297,052
Bank and credit card fees	220,814	66,126	286,940	11,955	21,527	320,422
Miscellaneous	53,735	(4,070)	49,665	46,089	3,235	98,989
Cost of goods sold	4,504	1,066,813	1,071,317	-	-	1,071,317
Depreciation	1,604,119	157,624	1,761,743	55,576	-	1,817,319
Total	<u>\$ 9,972,705</u>	<u>\$ 1,936,028</u>	<u>\$ 11,908,733</u>	<u>\$ 1,224,988</u>	<u>\$ 1,055,705</u>	<u>\$ 14,189,426</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (3,180,899)	\$ 4,655,756
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,956,051	1,817,319
Contributions restricted or designated for endowment and other long-term purposes	(814,340)	(983,517)
Loss on disposal of property and equipment	25,447	30,172
Realized and unrealized losses (gains) on investments	3,928,087	(2,119,272)
Decrease (increase) in:		
Promises to give and accounts receivable - operating	(555,832)	(62,294)
Inventories	(27,679)	15,017
Prepaid expenses and other assets	(915,784)	106,469
Increase (decrease) in:		
Accounts payable and accrued expenses	376,011	(136,524)
Deferred revenues	158,773	549,600
Other	<u>230,639</u>	<u>(12,567)</u>
TOTAL ADJUSTMENTS	<u>4,361,373</u>	<u>(795,597)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,180,474</u>	<u>3,860,159</u>
INVESTING ACTIVITIES		
Purchases of investment securities	(37,173,799)	(20,703,320)
Proceeds from sale of investment securities	37,006,632	17,666,124
Purchases of property and equipment	<u>(2,159,155)</u>	<u>(1,036,570)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,326,322)</u>	<u>(4,073,766)</u>
FINANCING ACTIVITIES		
Proceeds from contributions restricted or designated for:		
Investment in endowment	164,324	1,673,592
Investment in capital improvements	<u>546,896</u>	<u>966,896</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>711,220</u>	<u>2,640,488</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(434,628)	2,426,881
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>9,556,219</u>	<u>7,129,338</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 9,121,591</u>	<u>\$ 9,556,219</u>

(continued on next page)

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

CASH, CASH EQUIVALENTS AND RESTRICTED CASH ARE REPORTED IN THE STATEMENTS
OF FINANCIAL POSITION AS FOLLOWS:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,232,222	\$ 8,505,566
Restricted cash - endowment	40,518	33,883
Restricted cash - other long-term purposes	<u>848,851</u>	<u>1,016,770</u>
	<u>\$ 9,121,591</u>	<u>\$ 9,556,219</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	<u>\$ 1,055</u>	<u>\$ 1,511</u>

See accompanying notes to financial statements.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Cheekwood Botanical Garden and Museum of Art, doing business as Cheekwood Estate & Gardens, (“Cheekwood”) is a Tennessee not-for-profit corporation whose mission is to celebrate and preserve the institution as an historical landmark where beauty and excellence in art and horticulture nurture the spirit and serve as inspiration for a diverse and broad audience. Located on the Cheek estate, including the historic residence and 55 acres of botanical gardens, Cheekwood provides historical interpretation, unique art and garden educational experiences for residents of Middle Tennessee and visitors from across the world.

Basis of Presentation

The financial statements of Cheekwood have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which require Cheekwood to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Cheekwood’s management and the Board of Trustees. Cheekwood’s Board of Trustees has designated from net assets without donor restrictions certain net assets to function as board-designated endowment. The Board of Trustees has also designated certain funds for future year’s operations, relating primarily to funds raised from the Swan Ball annual special fundraising event (the “Swan Ball”).

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Cheekwood or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates in the Preparation of 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 reporting period. Actual results could differ from those estimates.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition

Contributions: Cheekwood recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Conditional promises to give, including those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Based on giving levels, arrangements with individual and corporate donors often contain both an exchange element, relating to the value of benefits provided, and a contribution element for the difference between the total amount and the value of benefits. Cheekwood recognizes the contribution portion when received and recognizes revenue for the exchange element as the benefits are provided. Benefits provided may include invitations to receptions and dinners, tickets to special events, admission passes, membership benefits and discounts on rental event fees. Corporate benefits may also include advertising and marketing. Benefits generally expire within one year.

The transaction amount is allocated to each benefit based on actual amounts charged for similar benefits, where applicable, or estimates based on similar goods or services provided within the surrounding area. The amount not allocated to benefits is allocated to contribution. Revenues for invitations and special event tickets are recognized when those activities occur. Revenues for admission passes and membership benefits are recognized when the admission passes are provided and over a one-year period for membership benefits. Revenue associated with discounts on rental events is recognized, net of estimated forfeitures, when the event occurs. Advertising and marketing benefits are generally related to corporate sponsorship of specific events and are recognized over a three-month period during which the event occurs.

Government grants and programs: A portion of Cheekwood's revenue is derived from cost-reimbursable government grant agreements, which are conditioned upon the attainment of certain performance requirements, the incurrence of allowable qualifying expenses or both. Amounts received are recognized as revenue when Cheekwood has incurred expenditures in compliance with the specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported in deferred revenues in the statements of financial position.

Contributions and net revenues from special events: Contributions and net revenues from the Swan Ball and its related events are recognized as those events occur. As of December 31, amounts received for next year's Swan Ball and events are recorded as deferred revenues.

Admission fees: Ticket sales are generally non-refundable and are recognized at the time the transaction is executed by the ticketholder. Ticket sales for special events are deferred until the event occurs.

Membership dues: Cheekwood memberships are for either a one-year or two-year period and offer admission to the estate during regular operating hours as well as discounts for the gift shops, Café 29, and for special programs and events. Membership revenue is recognized ratably over the period of the membership.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition (continued)

Educational programs: Cheekwood provides educational classes, camps and public programs. Fees for these activities are recognized as revenue at the time the activities are held.

Restaurant, catering and gift shop: Merchandise sales at the gift shops and food and beverage purchases at Café 29 or on the grounds are recognized at the point of sale. Catering revenue occurs primarily with rental events and is recognized consistent with those events.

Rental event income: Cheekwood offers various garden and building spaces for weddings, corporate and other events. Revenue from these events is recognized when the event occurs, and services are rendered to the customer. Most rental events require a deposit, which is recorded in deferred revenues until the event occurs.

Due to the nature and timing of the performance of services or access to benefits, substantially all deferred revenues at December 31 relating to the above-described activities are recognized in the following year.

Deferred Revenues

Deferred revenues represent amounts received from exchange transactions prior to providing the related goods and services. Deferred revenues relate to rental event deposits, memberships, certain government grants, and the exchange component of individual and corporate giving and sponsorships. Amounts received for Swan Ball in advance of the annual event are also recorded as deferred revenues.

Collections

In accordance with professional standards, Cheekwood has elected that certain objects acquired through purchases and contributions since Cheekwood's inception not be valued in the accompanying statements of financial position. The cost of such objects purchased are reflected as program expenses and treated as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. The value of collection items contributed by donors is not recorded in the financial statements but is disclosed at estimated fair value as a non-cash activity in the statements of cash flows. Proceeds from the sale of any deaccessioned items are classified as net assets with donor restrictions, to be applied toward future acquisitions of new collection items or the direct care of the collection. Direct care of the collection expenditures includes those that enhances the life, usefulness or quality of the collection. To qualify as direct care, an expenditure must: be a strategic investment consistent with responsible fiscal planning and adequate planning for collections; be an expense not normally considered part of the regular operating budget; make a physical or immediate impact on the object(s) that increases or restores its cultural or scientific value, thus prolonging its life and usefulness.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Contributions

Donated services and supplies that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the estimated fair value of the services received. A substantial number of volunteers have donated significant amounts of their time to Cheekwood's program services and fundraising activities; however, no amounts have been reflected in the accompanying financial statements for donated services by volunteers since they do not meet the recognition criteria prescribed by GAAP.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to cash, with maturities of three months or less from the date of purchase. Cash and cash equivalents held in brokerage accounts are included in investments.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (3.05% in 2022 and 0.46% in 2021). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Cheekwood determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections.

Investments

Investments are carried at the quoted market value on the last business day of the reporting period. Net realized and unrealized gains and losses are reflected in the statements of activities.

Inventories

Inventories consist principally of catering supplies and gift shop items and are reported at the lower of cost (first-in, first-out method) or net realizable value.

Property and Equipment

Land, land improvements, buildings and equipment and furnishings are stated at cost or, if donated, at estimated fair value at the date of donation. Cheekwood capitalizes assets with a cost over \$5,000 and an estimated useful life greater than one year. Depreciation of land improvements, buildings and equipment and furnishings is provided on a straight-line basis over estimated useful lives ranging from three to forty years. Costs of maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except trade-ins) or loss is included in operations for the period. Gains on trade-ins are applied to reduce the cost of the new acquisition.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Cheekwood determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) Cheekwood obtains substantially all the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Cheekwood also considers whether its service arrangements include the right to control the use of an asset.

Cheekwood made an accounting policy election not to recognize right-of-use (“ROU”) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease, or beginning of period, for existing leases upon the adoption of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, Cheekwood used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, Cheekwood made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date, or remaining term for leases existing upon the adoption of Topic 842.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$419,988 and \$326,448 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

Cheekwood is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and files U.S. Federal Form 990 for organizations exempt from income tax. Cheekwood files U.S. Federal Form 990T, for organizations exempt from income tax with unrelated business income, as well as a State of Tennessee income tax return.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing Cheekwood’s income tax returns to determine whether the income tax positions meet a “more likely than not” standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes Collected

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Fair Value Measurements

Cheekwood classifies its assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs). Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments - Money market funds, mutual funds and equity securities, including exchange traded funds, are valued at the closing price reported on the active market which they are traded and are classified within Level 1 of the valuation hierarchy.

There have been no changes in the methodologies used at December 31, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Cheekwood's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Endowment Funds

Cheekwood has various endowment funds, which include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Cheekwood's donor-restricted endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").



CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (continued)

Interpretation of applicable law - The Board of Trustees has interpreted SUPMIFA 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, Cheekwood classified as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Spending policy - Cheekwood has a policy of appropriating for distribution each year a payout of 4.5% of the moving average, which is based on the rolling quarterly average of the portfolio value over the previous three years.

Investment return objective, risk parameters and strategies - Cheekwood has adopted investment and spending policies to establish asset allocation targets, investment objectives and guidelines and the degree of investment risk the Board deems acceptable.

The primary investment objective of the endowment is to provide long-term growth of capital sufficient to meet Cheekwood's current and future spending obligations and to protect the endowment from long-term effects of inflation. To achieve its investment objectives, Cheekwood acknowledges that risk tolerance and diversification are overriding guiding principles of its investment policy and that the primary objectives of diversification across uncorrelated asset classes are to enhance long-term total return and reducing portfolio volatility.

Cheekwood recognizes that higher returns require an acceptance of higher risk and the potential for higher volatility. Cheekwood is willing to accept a moderate level of volatility, based on the target allocation of the assets, in order to optimize total return within an acceptable risk tolerance. In order to reduce volatility, the assets will be diversified fully across a range of approved asset classes. These include small, medium and large capitalization domestic equities, international equities from emerging and developed markets, a range of fixed income securities, and other real estate and commodities funds.

As of December 31, 2022, the asset allocation ranges were 35% to 45% large cap equity, 0% to 10% mid cap and small cap equity, 10% to 20% international equity, 0% to 10% emerging market equity, 15% to 25% fixed income and 5% to 15% non-traditional. Cheekwood engages an outside investment management firm to manage the portfolio within the stated guidelines and objectives.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - expenses related to providing a premiere cultural resource for Tennessee residents and visitors to Middle Tennessee. Cheekwood provides arts, gardens and history to learners of all ages through a significant commitment to educational programming. Cheekwood programs are blended through two distinctive areas:

Exhibitions and Programs - Cheekwood provides a wide variety of activities inspired by its extensive indoor and outdoor collections. The Historic Mansion and Museum features selections of the Cheek family residence as it looked in the 1930's as well as gallery rooms to display art exhibitions. The Mansion is named on the National Register of Historic Places, and the Museum is accredited by the American Association of Museums. Cheekwood offers a spectrum of American art, decorative arts, and outdoor sculpture through its permanent collection, traveling exhibitions and a woodland sculpture trail. Cheekwood's estate and gardens encompass 55 acres of woodland, pastoral and landscaped gardens which have been designated as a level IV Arboretum by the Tennessee Urban Forestry Council and accredited by ArbNet. The historic gardens, designed by Bryant Fleming in 1930, mingle harmoniously with specialized gardens featuring outstanding collections of plants, including boxwoods, dogwoods, hydrangeas and other plants native to the Southeastern United States. These offerings are complemented by classes, school programs and fieldtrips, lectures, family days, cultural celebrations and seasonal festivals. Also, at Cheekwood is the Frist Learning Center, which features the Cheek family horse stable as well as art studios and meeting rooms for educational programming.

Restaurant, Rentals and Gift Shops - Cheekwood offers visitor amenities through Café 29 and two gift shops. Visitors are able to enjoy food and beverages, including in-restaurant dining and picnic options, and take away a souvenir of their day's experience. Cheekwood also provides rental and catering facilities to further open Cheekwood to the public through the hosting of meetings and events on the grounds.

Supporting Services

Administrative - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the organization.

Fundraising - includes costs of activities directed toward appeals for financial support, including Swan Ball and other special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include personnel, which is allocated based on time and effort, and utilities, insurance and depreciation, which are allocated primarily based on a location or square footage basis.

Events Occurring After Reporting Date

Cheekwood has evaluated events and transactions that occurred between December 31, 2022 and June 27, 2023, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. Cheekwood adopted Topic 842 on January 1, 2022, using the optional transition method which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, Cheekwood has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the historical accounting treatment under ASC Topic 840, *Leases*.

Cheekwood elected the "package of practical expedients" under the transition guidance within Topic 842, in which Cheekwood does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

Adoption of Topic 842 resulted in the recording of \$326,545 as both ROU assets and lease liabilities related to Cheekwood's operating leases at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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 DECEMBER 31, 2022 AND 2021



NOTE 3 - AVAILABILITY AND LIQUIDITY

Financial assets available for expenditure within one year of the statement of financial position date, consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Assets available for general expenditure:		
Cash and cash equivalents	\$ 7,517,421	\$ 7,924,667
Promises to give and accounts receivable - operating	380,516	121,809
Assets limited as to use:		
Cash and cash equivalents	428,500	23,097
Promises to give	602,088	201,963
Endowment spending rate distributions	<u>740,000</u>	<u>642,400</u>
	<u>\$ 9,668,525</u>	<u>\$ 8,913,936</u>

Cheekwood has certain assets limited as to use which will be available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included above. Cheekwood's other donor-restricted assets limited as to use, which are principally for endowment, construction or other long-term purposes, are not available for general expenditure and are not included above.

Cheekwood's liquidity management includes structuring its financial assets to be available as its general expenditures and obligations come due. As part of the liquidity management plan, cash in excess of daily requirements is invested in a money market account. Additionally, Cheekwood maintains a \$4,000,000 line of credit, as described in Note 9. The line of credit is used primarily for cash flow purposes during seasonal periods and to pay for construction and other projects in advance of receipt of related contributions. As of December 31, 2022, there was no amount outstanding on the line of credit; and therefore, the entire credit limit is available to meet liquidity needs in the upcoming period if needed.

As of December 31, 2022 and 2021, management has reserved \$4,200,000 and \$4,125,000, respectively, from cash and cash equivalents available for general expenditures to be held for future capital and operating needs.

Cheekwood also has \$2,012,835 in a Board-designated endowment at December 31, 2022 (\$2,940,139 at December 31, 2021). Although Cheekwood does not intend to spend from the Board-designated endowment, other than amounts appropriated for general expenditure as part of its annual spending-rate distribution, amounts from the Board-designated endowment could be made available for general expenditure, if needed and approved by the Board.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 4 - FAIR VALUE MEASUREMENTS

The following table sets forth Cheekwood's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31:

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market fund	\$ 794,301	\$ -	\$ -	\$ 794,301
Mutual funds:				
Equities:				
Large cap	3,052,868	-	-	3,052,868
Mid cap	240,726	-	-	240,726
International and emerging	631,331	-	-	631,331
Fixed income:				
Intermediate term bond	3,280,477	-	-	3,280,477
Non-traditional:				
Event driven fund	531,211	-	-	531,211
Capital futures strategy	859,844	-	-	859,844
Real estate	524,336	-	-	524,336
Exchange traded funds:				
Equities:				
Large cap	4,176,053	-	-	4,176,053
Mid cap	183,115	-	-	183,115
Small cap	289,539	-	-	289,539
International and emerging	2,069,071	-	-	2,069,071
Fixed income:				
Aggregate bond	1,336,716	-	-	1,336,716
	<u>\$ 17,969,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,969,588</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021



NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market fund	\$ 134,806	\$ -	\$ -	\$ 134,806
Mutual funds:				
Equities:				
Large cap	8,624,640	-	-	8,624,640
Mid cap	1,401,979	-	-	1,401,979
Small cap	229,607	-	-	229,607
International	2,624,716	-	-	2,624,716
Emerging markets	450,145	-	-	450,145
Fixed income:				
Intermediate term bond	3,254,519	-	-	3,254,519
Non-traditional:				
Event driven fund	517,420	-	-	517,420
Long/short fund	548,646	-	-	548,646
Real estate	662,121	-	-	662,121
Commodities	532,504	-	-	532,504
Exchange traded funds:				
Equities:				
Large cap	849,413	-	-	849,413
Mid cap	407,244	-	-	407,244
Small cap	834,879	-	-	834,879
Fixed income:				
High yield bond	271,123	-	-	271,123
Non-traditional:				
Real estate	386,746	-	-	386,746
	<u>\$ 21,730,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,730,508</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021



NOTE 5 - INVESTMENTS

Investments consisted of the following as of December 31:

	2022		
	Cost	Unrealized (Loss), Net	Fair Value
Investments:			
Money market funds	\$ 794,301	\$ -	\$ 794,301
Equity securities	8,235,873	(181,379)	8,054,494
Mutual funds	10,057,851	(937,058)	9,120,793
	<u>\$ 19,088,025</u>	<u>\$ (1,118,437)</u>	<u>\$ 17,969,588</u>
	2021		
	Cost	Unrealized Gain, Net	Fair Value
Investments:			
Money market funds	\$ 134,806	\$ -	\$ 134,806
Equity securities	2,450,136	299,269	2,749,405
Mutual funds	17,208,654	1,637,643	18,846,297
	<u>\$ 19,793,596</u>	<u>\$ 1,936,912</u>	<u>\$ 21,730,508</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 6 - PROMISES TO GIVE AND ACCOUNTS RECEIVABLE

Promises to give and accounts receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Promises to give - operating	\$ 845,413	\$ 366,530
Other receivables:		
Rental and catering clients	6,379	23,912
Other	<u>130,812</u>	<u>36,330</u>
Total promises to give and accounts receivables - operating	<u>\$ 982,604</u>	<u>\$ 426,772</u>
Promises to give:	<u>2022</u>	<u>2021</u>
Operating	\$ 845,413	\$ 366,530
Endowment	82,950	66,721
Other long-term purposes	<u>549,793</u>	<u>462,902</u>
Total promises to give, net	<u>\$ 1,478,156</u>	<u>\$ 896,153</u>

Total promises to give were due as follows at December 31:

	<u>2022</u>	<u>2021</u>
In less than one year	\$ 1,199,656	\$ 625,695
In one to five years	<u>372,500</u>	<u>330,458</u>
	1,572,156	956,153
Less: allowance for doubtful accounts	(68,800)	(54,000)
Less: discount to present value	<u>(25,200)</u>	<u>(6,000)</u>
	<u>\$ 1,478,156</u>	<u>\$ 896,153</u>

A donor has recommended to the Community Foundation of Middle Tennessee, Inc. (the "Foundation"), that gifts totaling \$500,000 be made to Cheekwood over a five-year period from donor advised funds beginning in 2018. Cheekwood has received \$100,000 in each of the years 2018 through 2022. The Foundation has final authority over these donor recommendations, which are advisory only and, accordingly, the balance of these contributions was not recognized until the period approved by the Foundation.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
 NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Land	\$ 1,570,000	\$ 1,570,000
Land improvements	14,654,120	14,127,818
Buildings	23,137,058	22,271,441
Equipment and furnishings	6,797,528	6,433,576
Construction in progress	294,382	153,770
	46,453,088	44,556,605
Less: accumulated depreciation	20,514,858	18,796,032
	<u>\$ 25,938,230</u>	<u>\$ 25,760,573</u>

Construction in progress as of December 31, 2022, was related to a new gift shop within the visitor services center at Botanic Hall, and renovation of certain office and gallery spaces. These projects are expected to be completed by February 2024, with an estimated cost to complete of approximately \$1,850,000.

NOTE 8 - COLLECTIONS

The collections at Cheekwood consist of a wide range of media from different periods and cultures, with special emphasis on American art from the 18th through the 20th centuries, American and English silver, Worcester porcelain, and contemporary outdoor sculpture. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sale to be used to acquire other items for collections or uses that directly support preservation of the collection. There were no sales in 2022 or 2021. During 2022 and 2021, Cheekwood spent \$362,043 and \$490,788, respectively, for the acquisition of artwork.

NOTE 9 - LINE OF CREDIT

Cheekwood has a \$4,000,000 line of credit agreement with a financial institution. The line of credit requires monthly interest payments on the outstanding principal balance at the rate of SOFR plus 1.75% (an effective rate of 6.05% at December 31, 2022). All unpaid principal and interest are to be repaid on August 1, 2024. The line of credit is collateralized by Cheekwood's endowment investment assets held with the financial institution. There was no balance outstanding at December 31, 2022 or 2021. No interest expense was incurred for the years ended December 31, 2022 or 2021.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 10 - SUPPORT AND REVENUES

Amounts reported as contributions in the accompanying statements of activities are comprised of a contribution element and an exchange transaction element based on value of benefits provided under arrangements with donors. Contributions and net revenues from special events contain both contribution and exchange transaction elements for the Swan Ball. The following table provides information on the contribution and exchange transaction elements for the years ended December 31, 2022 and 2021:

	Net Assets Without Donor Restrictions		
	2022		
	Exchange Transaction		
	Contributions	Revenue	Total
Contributions	\$ 1,733,553	\$ 673,365	\$ 2,406,918
Contributions and net revenues from special events	<u>1,497,595</u>	<u>965,262</u>	<u>2,462,857</u>
	<u>\$ 3,231,148</u>	<u>\$ 1,638,627</u>	<u>\$ 4,869,775</u>
	2021		
	Exchange Transaction		
	Contributions	Revenue	Total
Contributions	\$ 1,642,191	\$ 554,977	\$ 2,197,168
Contributions and net revenues from special events	<u>966,135</u>	<u>503,204</u>	<u>1,469,339</u>
	<u>\$ 2,608,326</u>	<u>\$ 1,058,181</u>	<u>\$ 3,666,507</u>

Deferred revenues at December 31, 2022 and 2021, are related to the following:

	2022	2021
Memberships	\$ 1,098,683	\$ 1,197,534
Admission fees	177,559	144,624
Rental events	421,708	508,156
Benefits provided to donors	577,485	385,362
Government grants and programs	85,461	71,000
Swan Ball	<u>372,713</u>	<u>268,160</u>
	<u>\$ 2,733,609</u>	<u>\$ 2,574,836</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 11 - NET ASSETS

Net assets without donor restrictions consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions - undesignated:		
Accumulated earnings from operations	\$ 3,793,718	\$ 3,332,137
Amounts invested in property and equipment	<u>25,938,230</u>	<u>25,760,573</u>
	29,731,948	29,092,710
Board-designated:		
Amounts functioning as endowment	2,012,835	2,940,139
Amounts designated for future operations	<u>1,094,333</u>	<u>1,395,602</u>
	<u>\$ 32,839,116</u>	<u>\$ 33,428,451</u>

Donor-restricted net assets are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
<i>Temporary in nature - subject to expenditure for specified purpose:</i>		
Museum of art	\$ 187,201	\$ 488,374
Botanical garden	667,192	473,806
Future exhibits	452,338	44,250
Historic room restoration and ongoing museum maintenance	423,698	396,504
Capital projects	436,009	580,015
Other	290,929	214,030
Less: discount and allowance for uncollectible promises to give	<u>(87,200)</u>	<u>(46,000)</u>
	<u>2,370,167</u>	<u>2,150,979</u>

(Continued on next page)

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - NET ASSETS (CONTINUED)

Donor-restricted net assets are available for the following purposes at December 31 (continued):

	2022	2021
<i>Temporary in nature - endowments - subject to appropriation:</i>		
Artist-in-residency program	\$ 297,747	\$ 582,995
Botanical garden	615,648	2,545,658
Cheekwood Campaign (1)	114,312	2,891,671
Historic room restoration and ongoing museum maintenance	131,791	393,169
Other	62,769	137,606
	<u>1,222,267</u>	<u>6,551,099</u>
<i>Total net assets with donor restrictions - temporary in nature</i>	<u>3,592,434</u>	<u>8,702,078</u>
<i>Perpetual in nature - endowments:</i>		
General use	1,808,441	1,808,441
Artist-in-residency program	1,000,000	1,000,000
Botanical garden	7,871,949	7,814,285
Cheekwood Campaign (1)	2,741,001	403,973
Historic room restoration and ongoing museum maintenance	1,040,920	976,721
Other	312,693	269,733
Unconditional promises to give, net	<u>82,950</u>	<u>66,721</u>
<i>Total net assets with donor restrictions - perpetual in nature</i>	<u>14,857,954</u>	<u>12,339,874</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 18,450,388</u>	<u>\$ 21,041,952</u>

(1) - The *Cheekwood Campaign* included certain donor-restricted flexible funds, which if not used for capital restoration, were restricted for endowment. Upon the completion of the Campaign, \$2,337,028 of donor-restricted flexible funds were reclassified from temporary in nature to permanent in nature to reflect final campaign allocations as permitted by donor restrictions.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
 NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - ENDOWMENT

The endowment net asset composition by type of fund was as follows, as of December 31:

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 15,997,271	\$ 15,997,271
Board-designated endowment funds	2,012,835	-	2,012,835
Total	<u>\$ 2,012,835</u>	<u>\$ 15,997,271</u>	<u>\$ 18,010,106</u>

	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 18,824,252	\$ 18,824,252
Board-designated endowment funds	2,940,139	-	2,940,139
Total	<u>\$ 2,940,139</u>	<u>\$ 18,824,252</u>	<u>\$ 21,764,391</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Cheekwood has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. As of December 31, 2022, there was one underwater endowment fund with an original corpus of \$2,000,000 and an underwater deficiency of \$229,099. There were no underwater endowments as of December 31, 2021.

The majority of endowment funds are held in an investment account. The portion held in cash represents amounts received near year end and transferred to the investment account subsequent to year end.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 12 - ENDOWMENT (CONTINUED)

A summary of changes in endowments follows for the years ended December 31:

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ 2,940,139	\$ 18,824,252	\$ 21,764,391
Interest and dividend income	111,448	400,597	512,045
Realized loss on investments	(189,596)	(683,143)	(872,739)
Unrealized loss on investments	(671,524)	(2,383,824)	(3,055,348)
Contributions and receipts	10,100	339,822	349,922
Bank fees	(15,222)	(54,569)	(69,791)
Appropriation of endowment assets for expenditure	(172,510)	(445,864)	(618,374)
Endowment net assets, December 31, 2022	<u>\$ 2,012,835</u>	<u>\$ 15,997,271</u>	<u>\$ 18,010,106</u>
	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, January 1, 2021	\$ 2,519,225	\$ 15,262,490	\$ 17,781,715
Interest and dividend income	70,812	231,136	301,948
Realized gain on investments	426,400	1,448,893	1,875,293
Unrealized gain on investments	77,112	166,867	243,979
Contributions and receipts	-	2,087,270	2,087,270
Bank fees	(16,860)	(53,451)	(70,311)
Appropriation of endowment assets for expenditure	(136,550)	(318,953)	(455,503)
Endowment net assets, December 31, 2021	<u>\$ 2,940,139</u>	<u>\$ 18,824,252</u>	<u>\$ 21,764,391</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 13 - LEASES

Cheekwood leases certain real estate and equipment under operating lease agreements that have initial terms ranging from 2 to 5 years. Some leases include one or more options to renew, generally at Cheekwood's discretion, with renewal terms that can extend the lease term up to an additional year. These options to extend the leases are included in the lease terms when it is reasonably certain that Cheekwood will exercise the option. Cheekwood's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

Cheekwood also leases certain real estate and equipment under short-term agreements. These agreements have initial terms of 12 months or less or are cancellable at any time at Cheekwood's discretion.

The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	\$ 103,643
Short-term lease cost	<u>66,950</u>
	<u>\$ 170,593</u>

Lease expense is reported within the following categories in the 2022 statement of functional expenses:

Exhibitions and public programs	\$ 48,000
Maintenance and repairs	95,515
Software and equipment	<u>27,078</u>
	<u>\$ 170,593</u>

Additional information related to leases is as follows as of December 31, 2022:

<u>Operating leases</u>	Classification in the <u>Statement of Financial Position</u>	
Right-to-use asset	Prepaid expenses and other assets	\$ <u>244,336</u>
Lease liabilities	Other liabilities	<u>\$ 244,336</u>
Weighted-average remaining lease term		2.3 years
Weighted-average discount rate		3.05%

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NOTE 13 - LEASES (CONTINUED)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized in the statement of financial position are as follows as of December 31, 2022:

<u>For the year ending December 31,</u>	
2023	\$ 104,087
2024	99,603
2025	24,103
2026	<u>12,052</u>
Total lease payments	239,845
Less: imputed interest	<u>(15,509)</u>
Present value of lease liabilities	<u>\$ 224,336</u>

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of December 31, 2021:

<u>For the year ending December 31,</u>	
2022	\$ 130,465
2023	79,465
2024	71,495
2025	<u>11,748</u>
Total future minimum lease payments	<u>\$ 293,173</u>

Total rental expense incurred under non-cancelable operating lease agreements amounted to \$106,242 for the year ended December 31, 2021.

NOTE 14 - RETIREMENT PLAN

Cheekwood sponsors a Section 403(b) retirement plan for the benefit of eligible employees. Under the plan, employees may contribute a specified amount or percentage of their annual compensation, not to exceed statutory limits. Cheekwood offers a discretionary matching contribution for eligible employees starting one year after employment. During 2022 and 2021, the discretionary match was equal to 100% of the employees' contribution, limited to 5% of their annual compensation. Cheekwood's matching contributions for the years ended December 31, 2022 and 2021 totaled \$124,173 and \$129,314, respectively.

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NOTE 15 - IN-KIND CONTRIBUTIONS

For the years ended December 31, 2022 and 2021, in-kind contributions recognized within the statements of activities included the following:

2022:

	Exhibitions and Programs	Restaurant, Rentals and Gift Shops	Administrative	Fundraising	Total
Equipment rentals	\$ 18,789	\$ 48,980	\$ 3,500	\$ 96,744	\$ 168,013
Catering and events	8,195	-	-	65,081	73,276
Exhibitions and programs	<u>77,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,181</u>
	<u>\$ 104,165</u>	<u>\$ 48,980</u>	<u>\$ 3,500</u>	<u>\$ 161,825</u>	<u>\$ 318,470</u>

2021:

	Exhibitions and Programs	Restaurant, Rentals and Gift Shops	Administrative	Fundraising	Total
Equipment rentals	\$ -	\$ 16,306	\$ -	\$ -	\$ 16,306
Catering and events	-	-	-	12,246	12,246
Exhibitions and programs	<u>66,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,659</u>
	<u>\$ 66,659</u>	<u>\$ 16,306</u>	<u>\$ -</u>	<u>\$ 12,246</u>	<u>\$ 95,211</u>

Contributed services and supplies are valued and reported at the estimated fair value in the financial statements based on current market rates for similar equipment rentals, catering and event services, and professional lighting and other services. Cheekwood utilized all contributed services and supplies during 2022 and 2021. There were no donor-imposed restrictions on in-kind contributions received in 2022 and 2021.

NOTE 16 - AFFILIATED ORGANIZATIONS AND SPECIAL EVENTS

The Antiques and Garden Show, Horticulture Society of Middle Tennessee (“HSMT”), and Garden Club of Nashville are affiliated but autonomously operating organizations with an objective of supporting Cheekwood. Accordingly, these organizations contribute significant portions of their net revenues to Cheekwood annually. Contributions and revenues from Antiques and Garden Show, HSMT, and Garden Club of Nashville are reported in volunteer fundraising contributions in the period received. No significant direct benefits to donors are applicable to these activities.

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NOTE 16 - AFFILIATED ORGANIZATIONS AND SPECIAL EVENTS (CONTINUED)

Following is a summary of contributions provided by these parties:

	<u>2022</u>	<u>2021</u>
Antiques and Garden Show	\$ 674,507	\$ 103,920
Horticulture Society of Middle Tennessee	-	22,500
Garden Club of Nashville	<u>66,500</u>	<u>44,435</u>
Contributions from affiliated parties	<u>\$ 741,007</u>	<u>\$ 170,855</u>

Cheekwood is also beneficiary of activities of the Swan Ball, which is administered by an unincorporated volunteer group. Following is a summary of the activity of the Swan Ball for the years ended December 31, which is reported as contributions and net revenues from special events:

	<u>2022</u>	<u>2021</u>
Contributions	\$ 1,497,595	\$ 966,135
Special event revenues	1,650,152	700,099
Direct benefits to donors	<u>(684,890)</u>	<u>(196,895)</u>
Contributions and net revenues from special events	2,462,857	1,469,339
Less fundraising expenses	<u>(1,624,176)</u>	<u>(265,815)</u>
	<u>\$ 838,681</u>	<u>\$ 1,203,524</u>

During 2021, the Swan Ball and certain related events were cancelled due to the COVID-19 pandemic. The Swan Ball volunteers continued fundraising efforts, resulting in net contributions.

NOTE 17 - CONCENTRATIONS OF CREDIT RISK

Cheekwood maintains cash at a financial institution whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2022, Cheekwood's depositor accounts exceeded the FDIC insurance limits by approximately \$8,700,000.

At December 31, 2022, the investments were held under custodial care by one brokerage and investment company. These investments are not insured by the FDIC or any other government agency and are subject to investment risk, including loss of principal. The investments are insured by the Securities Investor Protection Corporation ("SIPC"), which insures investor losses attributable to bankruptcy or fraudulent practices of brokerage firms up to \$500,000 (including \$250,000 in cash).

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART
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NOTE 17 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

At December 31, 2022, promises to give from three sources represented 39% of total promises to give. At December 31, 2021, promises to give from two sources represented 36% of total promises to give.

NOTE 18 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

Two donors have established donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of Cheekwood. The Community Foundation of Middle Tennessee has the ultimate authority and control over these funds and, therefore, these investments are not included in the financial statements of Cheekwood. Income distributions from these funds are recognized by Cheekwood in the year received. Such distributions amounted to \$15,692 during the year ended December 31, 2022 (\$13,900 during 2021). Total assets held in these funds amounted to \$262,024 at December 31, 2022 (\$323,284 at December 31, 2021).

NOTE 19 - COMMITMENTS AND CONTINGENCIES

During 2022, Cheekwood entered into agreements to host certain public exhibitions in 2023 and 2024. Commitments under these contracts total \$1,350,000. Included in prepaid expenses and other assets at December 31, 2022, are deposits made on these agreements totaling \$475,000. Remaining payments are expected to be \$675,000 in 2023 and \$200,000 in 2024.

Cheekwood is subject to various claims or legal matters arising in the ordinary course of its business. In the opinion of management, based on facts and circumstances at the time these financial statements were available for issuance, all such matters are covered by insurance and / or would not have a material adverse effect on financial position or results of operations.

NOTE 20 - OTHER MATTERS

Cheekwood occasionally contracts with businesses controlled by or affiliated with members of its Board of Trustees, or their family members, for outside services in the ordinary course of business. In management's opinion, the effect of these relationships on the nature and terms of the business arrangements entered into with the providers of these services was not significant.

Cheekwood has contracted with companies affiliated with certain members of its Board of Trustees for design, engineering and construction relating to certain capital projects as well as for other goods and professional services. Amounts incurred under these contracts totaled \$344,868 during 2022 (\$207,578 during 2021).

Effective in 2022, the local market president of Truist Bank joined Cheekwood's Board as a Trustee. Truist is Cheekwood's financial institution and holds cash and cash equivalents described in Note 17, investments described in Note 5, and the line-of-credit described in Note 9.