

MISSOURI BOTANICAL GARDEN
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Missouri Botanical Garden:

We have audited the accompanying consolidated financial statements of the Missouri Botanical Garden, a perpetual not-for-profit trust established in 1889 by Henry Shaw and authorized by the General Assembly of the State of Missouri, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Botanical Garden as of December 31, 2014 and 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 27 through 29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffman McClann P.C.

St. Louis, Missouri

March 25, 2015

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 8,797,246	\$ 12,933,977
Grants receivable	1,055,725	1,574,850
Pledges receivable, net	12,174,887	18,159,284
Other receivables, net	2,805,332	1,932,914
Inventories, prepayments and other assets	2,428,787	1,748,383
Investments	121,605,149	112,011,475
Property and equipment, net of accumulated depreciation	78,239,488	80,926,817
TOTAL ASSETS	<u>\$ 227,106,614</u>	<u>\$ 229,287,700</u>
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 7,545,231	\$ 7,894,385
Deferred revenue	2,346,850	3,145,143
Liability for gift annuity payments	3,305,002	3,450,591
TOTAL LIABILITIES	<u>13,197,083</u>	<u>14,490,119</u>
NET ASSETS:		
Unrestricted-		
General operating - undesignated	<u>3,281,529</u>	<u>3,821,805</u>
Board Designated-		
Operating	603,423	488,907
Capital expenditures	77,365,318	79,393,013
Long-term investment	745,132	544,881
Total Board designated	<u>78,713,873</u>	<u>80,426,801</u>
Total unrestricted	81,995,402	84,248,606
Temporarily restricted	55,064,967	55,315,638
Permanently restricted	76,849,162	75,233,337
TOTAL NET ASSETS	<u>213,909,531</u>	<u>214,797,581</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 227,106,614</u>	<u>\$ 229,287,700</u>

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2014

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Board Designated	Total			
PUBLIC SUPPORT AND REVENUES:						
Public support-						
Services provided for Botanical Garden Subdistrict	\$ 10,300,000	\$ -	\$ 10,300,000	\$ -	\$ -	\$ 10,300,000
Contributions and memberships	6,864,289	-	6,864,289	3,104,138	1,606,056	11,574,483
Bequests	800,251	-	800,251	227,788	-	1,028,039
Revenues-						
Admissions	3,592,725	-	3,592,725	-	-	3,592,725
Grants and contracts	-	8,590,317	8,590,317	90,207	-	8,680,524
Retail shops	2,316,157	-	2,316,157	-	-	2,316,157
Education	431,445	-	431,445	-	-	431,445
Property rentals	431,109	-	431,109	-	-	431,109
Overhead recovered from grants and contracts	243,817	(243,817)	-	-	-	-
Interest and dividend income, net-						
Endowment	-	162	162	1,823,895	-	1,824,057
Other investments	6,822	41,212	48,034	-	-	48,034
Net realized investment gains (losses)-						
Endowment	-	-	-	488,639	-	488,639
Other investments	(8,025)	(16,203)	(24,228)	20,912	-	(3,316)
Net unrealized investment gains (losses)-						
Endowment	-	1,891	1,891	2,821,179	-	2,823,070
Appropriated investment income	3,143,004	(3,218,004)	(75,000)	-	-	(75,000)
Other investments	-	67,135	67,135	-	-	67,135
Net gain on property retirements	-	264,821	264,821	-	-	264,821
Other	912,026	13,155	925,181	-	-	925,181
Net assets released from restrictions	-	8,804,481	8,804,481	(8,804,481)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 29,033,620	\$ 14,305,150	\$ 43,338,770	\$ (227,723)	\$ 1,606,056	\$ 44,717,103

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2014

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Board Designated	Total			
EXPENSES:						
Operating services-						
Horticulture	\$ 3,172,889	\$ 144,290	\$ 3,317,179	\$ -	\$ -	\$ 3,317,179
Science and conservation	3,971,513	4,933,435	8,904,948	-	-	8,904,948
Retail shops	2,206,437	-	2,206,437	-	-	2,206,437
Education	1,280,822	1,506,553	2,787,375	-	-	2,787,375
Earthways/Sustainability	301,808	1,107,984	1,409,792	-	-	1,409,792
Butterfly House-general	992,444	-	992,444	-	-	992,444
Shaw Nature Reserve-general	774,863	221,882	996,745	-	-	996,745
Visitor services	426,153	20	426,173	-	-	426,173
Public events	641,275	110,793	752,068	-	-	752,068
Major exhibits	1,502,243	-	1,502,243	-	-	1,502,243
Professional services	-	1,476,255	1,476,255	-	-	1,476,255
Bioinformatics	8,012	921,306	929,318	-	-	929,318
Neighborhood improvements	-	47,245	47,245	-	-	47,245
TOTAL OPERATING SERVICES	15,278,459	10,469,763	25,748,222	-	-	25,748,222
Supporting Services-						
Administrative	6,684,313	237,713	6,922,026	-	-	6,922,026
Maintenance and improvements	3,294,367	160,198	3,454,565	-	-	3,454,565
Depreciation	-	4,654,779	4,654,779	-	-	4,654,779
Utilities	972,066	-	972,066	-	-	972,066
Security	729,568	-	729,568	-	-	729,568
Membership department	975,380	38	975,418	-	-	975,418
Institutional advancement/fund raising	934,320	737,493	1,671,813	-	-	1,671,813
TOTAL SUPPORTING SERVICES	13,590,014	5,790,221	19,380,235	-	-	19,380,235
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	310,949	-	310,949
TOTAL EXPENSES	28,868,473	16,259,984	45,128,457	310,949	-	45,439,406
CHANGE IN NET ASSETS BEFORE TRANSFERS	165,147	(1,954,834)	(1,789,687)	(538,672)	1,606,056	(722,303)
PROPERTY TRANSFERS	(248,858)	248,858	-	-	-	-
TRANSFERS OF FUNDS	(291,411)	(6,359)	(297,770)	288,001	9,769	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	(375,122)	(1,712,335)	(2,087,457)	(250,671)	1,615,825	(722,303)
MINIMUM PENSION LIABILITY ADJUSTMENT	(165,154)	(593)	(165,747)	-	-	(165,747)
CHANGE IN NET ASSETS	(540,276)	(1,712,928)	(2,253,204)	(250,671)	1,615,825	(888,050)
NET ASSETS - BEGINNING OF YEAR	3,821,805	80,426,801	84,248,606	55,315,638	75,233,337	214,797,581
NET ASSETS - END OF YEAR	\$ 3,281,529	\$ 78,713,873	\$ 81,995,402	\$ 55,064,967	\$ 76,849,162	\$ 213,909,531

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Board Designated	Total			
PUBLIC SUPPORT AND REVENUES:						
Public support-						
Services provided for Botanical Garden Subdistrict	\$ 10,300,000	\$ -	10,300,000	\$ -	\$ -	\$ 10,300,000
Contributions and memberships	7,339,017	-	7,339,017	3,667,924	4,569,800	15,576,741
Bequests	1,184,881	-	1,184,881	-	-	1,184,881
Revenues-						
Admissions	3,017,994	-	3,017,994	-	-	3,017,994
Grants and contracts	-	9,653,858	9,653,858	1,152,413	-	10,806,271
Retail shops	2,647,625	-	2,647,625	-	-	2,647,625
Education	411,087	-	411,087	-	-	411,087
Property rentals	384,419	-	384,419	-	-	384,419
Overhead recovered from grants and contracts	260,150	(260,150)	-	-	-	-
Interest and dividend income, net-						
Endowment	-	112	112	1,480,267	-	1,480,379
Other investments	3,684	26,611	30,295	-	-	30,295
Net realized investment gains (losses)-						
Endowment	-	-	-	216,153	-	216,153
Other investments	(4,242)	120,731	116,489	10,915	-	127,404
Net unrealized investment gains (losses)-						
Endowment	-	2,083	2,083	13,037,132	-	13,039,215
Appropriated investment income	2,745,000	(2,820,000)	(75,000)	-	-	(75,000)
Other investments	-	(23,719)	(23,719)	-	-	(23,719)
Other	1,302,101	48,683	1,350,784	-	-	1,350,784
Net assets released from restrictions	-	7,485,138	7,485,138	(7,485,138)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 29,591,716	\$ 14,233,347	\$ 43,825,063	\$ 12,079,666	\$ 4,569,800	\$ 60,474,529

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2013

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Board Designated	Total			
EXPENSES:						
Operating services-						
Horticulture	\$ 3,045,143	\$ 224,760	\$ 3,269,903	\$ -	\$ -	\$ 3,269,903
Science and conservation	4,108,715	5,475,519	9,584,234	-	-	9,584,234
Retail shops	2,608,555	-	2,608,555	-	-	2,608,555
Education	1,196,615	1,603,876	2,800,491	-	-	2,800,491
Earthways/Sustainability	312,126	1,133,959	1,446,085	-	-	1,446,085
Butterfly House-general	970,850	-	970,850	-	-	970,850
Shaw Nature Reserve-general	714,487	316,272	1,030,759	-	-	1,030,759
Visitor services	403,515	-	403,515	-	-	403,515
Public events	598,551	101,562	700,113	-	-	700,113
Major exhibits	969,095	-	969,095	-	-	969,095
Professional services	-	1,569,203	1,569,203	-	-	1,569,203
Bioinformatics	19,387	800,933	820,320	-	-	820,320
Neighborhood improvements	-	74,353	74,353	-	-	74,353
TOTAL OPERATING SERVICES	14,947,039	11,300,437	26,247,476	-	-	26,247,476
Supporting Services-						
Administrative	6,297,897	162,910	6,460,807	-	-	6,460,807
Maintenance and improvements	3,017,391	1,180,066	4,197,457	-	-	4,197,457
Depreciation	-	4,610,145	4,610,145	-	-	4,610,145
Utilities	1,047,835	-	1,047,835	-	-	1,047,835
Security	625,890	-	625,890	-	-	625,890
Membership department	978,809	-	978,809	-	-	978,809
Institutional advancement/fund raising	1,246,043	170,453	1,416,496	-	-	1,416,496
TOTAL SUPPORTING SERVICES	13,213,865	6,123,574	19,337,439	-	-	19,337,439
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	13,680	-	13,680
TOTAL EXPENSES	28,160,904	17,424,011	45,584,915	13,680	-	45,598,595
CHANGE IN NET ASSETS BEFORE TRANSFERS	1,430,812	(3,190,664)	(1,759,852)	12,065,986	4,569,800	14,875,934
PROPERTY TRANSFERS	(420,075)	420,075	-	-	-	-
TRANSFERS OF FUNDS	(1,321,470)	1,340,254	18,784	(19,784)	1,000	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	(310,733)	(1,430,335)	(1,741,068)	12,046,202	4,570,800	14,875,934
MINIMUM PENSION LIABILITY ADJUSTMENT	470,428	3,665	474,093	-	-	474,093
CHANGE IN NET ASSETS	159,695	(1,426,670)	(1,266,975)	12,046,202	4,570,800	15,350,027
NET ASSETS - BEGINNING OF YEAR	3,662,110	81,853,471	85,515,581	43,269,436	70,662,537	199,447,554
NET ASSETS - END OF YEAR	\$ 3,821,805	\$ 80,426,801	\$ 84,248,606	\$ 55,315,638	\$ 75,233,337	\$ 214,797,581

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

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATIONS:		
Change in net assets	\$ (888,050)	\$ 15,350,027
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	4,654,779	4,610,145
Gain on property retirements	(264,821)	-
Net realized gains on investments	(485,323)	(343,557)
Net unrealized gains on investments	(2,890,205)	(13,015,496)
Net unrealized (gains) losses on investments- Annuity fund	121,404	(238,544)
Change in assets and liabilities-		
Receivables	5,631,104	1,893,989
Inventories, prepayments and other assets	(680,404)	247,746
Accounts payable and accrued liabilities	(349,154)	685,918
Deferred revenue	(798,293)	(1,258,836)
Liability for gift annuity payments	(145,589)	(95,041)
Contributions and investment income restricted for long-term purposes	(8,576,758)	(19,564,804)
NET CASH FROM OPERATIONS	(4,671,310)	(11,728,453)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	17,419,488	12,931,732
Purchases of investments	(23,759,038)	(17,083,491)
Purchases of property	(2,154,677)	(2,524,746)
Sale of property	452,048	-
NET CASH FROM INVESTING ACTIVITIES	(8,042,179)	(6,676,505)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and investment income restricted for long-term purposes	8,576,758	19,564,804
NET CASH FROM FINANCING ACTIVITIES	8,576,758	19,564,804
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (4,136,731)	 1,159,846
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,933,977	11,774,131
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,797,246	\$ 12,933,977

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Garden operations – The Missouri Botanical Garden (the Garden) was founded by Henry Shaw in 1859 and is operated as a Missouri charitable trust formed in 1889, pursuant to his will, serving as a center for research, education and horticultural display. Its mission is to discover and share knowledge about plants and their environment in order to preserve and enrich life. The Garden is funded through public contributions, local and federal grants, investment income, membership and admission fees, retail shop revenue and revenue from botanical services provided to the public and funded by the Botanical Garden Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Botanical Garden Subdistrict). The Garden is a tax exempt 501(c)(3) organization under the Internal Revenue Code.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Garden and its wholly-owned subsidiary, MBG Properties, Inc. All significant inter-organization transactions and balances have been eliminated in consolidation.

Basis of presentation – The Garden follows accounting standards set by the Financial Accounting Standards Board (FASB).

The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification ASC 958-205, *Presentation of Financial Statements*. Under ASC 958-205, the Garden is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Garden to utilize funds in furtherance of its mission.

Unrestricted-Board designated net assets include net assets restricted by the Board of Trustees for specified purposes, net assets that have accomplished donor restrictions in the same period that the contribution was made, and net assets used for capital projects.

Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds or limitations imposed by law. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the Garden which fulfill the restriction.

Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Fair value measurements – The fair value of financial instruments including cash and cash equivalents, grants, pledges and other receivables, prepaid expenses, accounts payable and accrued liabilities and deferred revenue approximate carrying value due to the short-term nature of these accounts.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

The Garden determines the fair value of certain financial assets and liabilities on a recurring basis through application of ASC 820, *Fair Value Measurements*, as disclosed in Note 5 to the consolidated financial statements.

ASC 820, provides the 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Garden has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Garden's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and are based on the best information available.

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability.

There were no triggering events that required fair value measurements of the Garden's nonfinancial assets and liabilities at December 31, 2014 and 2013.

Cash and cash equivalents – Cash and cash equivalents consist of demand deposits held in banks, overnight repurchase agreements, and certificates of deposit with original maturities of three months or less. Short-term commercial paper, liquid securities and money market funds are included in investments.

Grants receivable – Grants receivable consists of amounts due to the Garden related to the work performed under grant and contract agreements.

Pledges receivable – Legally enforceable pledges are recorded as receivables in the year made. Pledges for support of current operations are recorded as unrestricted-general operating support. Pledges made and received beyond one year are discounted to the present value of estimated future cash flows using a risk-adjusted discount rate equal to the 30-year

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

Treasury Bond rate at the pledge date (ranging from 2.75% to 4.64% at December 31, 2014 and 2013). The initially recorded fair value is considered a Level 2 fair value approach. For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. Amortization of the discount is included in contribution revenue. If restricted by a donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by a donor for particular purposes or for capital acquisition, the amount is reported as public support of temporarily restricted net assets. Conditional pledges receivable are not included as support until the conditions are substantially met. Management writes off receivables when it determines that an amount will not be collected and considers all pledges receivable at December 31, 2014 and 2013 to be collectible. Accordingly, no allowance for uncollectible pledges receivable has been reflected in the consolidated financial statements.

Other receivables – Other receivables consist primarily of a receivable from a related entity, accrued interest, and the cash surrender value of a life insurance policy.

Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the average cost method. For scientific publications, the cost of inventory includes layout, printing, and applicable freight costs.

Investments – Investments are carried at fair value, and net realized and unrealized gains (losses) are reflected in the consolidated statements of activities. Contributed securities are stated at their fair value on the date of receipt using a Level 1, 2 or 3 fair value approach depending on the type of contributed security. It is the policy of the Garden to sell all contributed securities as soon as they are received.

Property and equipment – Property and equipment are recorded at cost, if purchased, or at estimated fair market value on the date of receipt, if donated. Expenditures greater than \$5,000 for vehicles and \$15,000 for non-vehicles are reviewed for capitalization. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized. Generally, plant materials are expensed as purchased and are not capitalized.

Depreciation and amortization is provided on a straight-line basis over the following useful lives:

	<u>Useful Lives</u>
Building, gardens and other structures	10-45 years
Furniture, office and data processing equipment	3-15 years
Other	3-15 years

Deferred revenue – Deferred revenue represents cash received from grants prior to performance by the Garden.

Gift annuities – The Garden has certain arrangements with donors in which the donor contributes assets in exchange for a promise of fixed payments for a specified period of time to a designated party. At the time of the donation, the assets received are held by the Garden as

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

part of its general assets; a liability is recorded and measured at the present value which is a Level 2 fair value approach, using discount rates ranging from 4.00% to 7.00% as of December 31, 2014.

The obligations under these agreements are adjusted over the term of the agreement for changes in the fair value of assets, accretion of the discount, and other changes in estimates of future benefits. The assets are included in the Garden's investment portfolio.

Revenue recognition – Revenue derived from contract services provided by the Garden to the Botanical Garden Subdistrict are recorded as earned (Note 13).

The Garden records contributions when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted-board designated net assets in the consolidated statements of activities.

Bequests are recognized at the time the probate court declares the donor's will valid, unless there are conditions or uncertain events surrounding the bequest. In those circumstances, the transaction is recorded at the time the cash is received. Bequests are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Garden reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Garden reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Admissions revenue consists of ticket sales. Daily admissions and annual festival/market admissions are recognized when the tickets are sold. Admissions for large one-time festivals are recognized when the tickets are redeemed.

Grant and contract revenues are recorded as earned, that is, as expenditures are incurred related to individual grant programs and contracts. Amounts received in advance are recorded to the extent cash is received as deferred revenue until the grant or contract is fulfilled.

The Garden has sponsorship agreements. These agreements allow for the sponsor to have their name displayed on signage at the facilities, on specified promotional materials and/or at certain events. Sponsorships received for future events are recorded to the extent cash is received as deferred revenue until the event occurs.

A number of volunteers contribute services to the Garden in a variety of ways such as gardening and various clerical services that did not meet the requirements of ASC 958-605-25, and are not reflected in the accompanying consolidated financial statements.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies (continued)**

Advertising expenses – Advertising costs are expensed as incurred and totaled approximately \$308,574 and \$336,700 for the years ended December 31, 2014 and 2013, respectively.

Income taxes – The Garden is a not-for-profit trust, exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Garden follows the provisions of ASC 740-10-25, *Income Taxes*, requiring disclosure of uncertain tax positions. There have been no interest or penalties neither recognized in the consolidated statements of activities nor in the statements of financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Garden evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Use of estimates – The presentation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) **Pledges receivable**

Pledges receivable are due as follows:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Less than one year	\$ 4,087,350	\$ 6,016,494
One to five years	8,740,635	11,597,343
More than five years	-	1,620,605
Pledge discounts	(653,098)	(1,075,158)
	<u>\$ 12,174,887</u>	<u>\$ 18,159,284</u>

(3) **Investments**

Investment income on the consolidated statements of activities is shown net of investment, custodian, advisory and management fees of \$297,573 and \$310,148 for the years ended December 31, 2014 and 2013, respectively. Included in these fees are amounts paid to a financial institution for which a Trustee is a director. The amounts paid to the financial institution during the years ended December 31, 2014 and 2013 are \$176,451 and \$180,398, respectively.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investments (continued)

This conflict of interest was approved at the Garden Board of Trustees regular meetings held on March 13, 2014 and March 6, 2013.

Investments are recorded at fair value in the accompanying consolidated statements of financial position in accordance with ASC 958-320-35, *Investments – Debt and Equity Securities*. For further discussion of fair value refer to Note 5.

Investments consist of the following at:

	December 31,	
	2014	2013
Equities	\$ 26,696,081	\$ 23,957,400
Bonds	17,338,037	17,085,557
Mutual funds	58,154,158	57,263,887
Commercial paper	8,563,654	3,353,558
Real estate funds	10,853,219	10,351,073
	<u>\$ 121,605,149</u>	<u>\$ 112,011,475</u>

(4) Endowment

The Garden's endowment consists of 26 individual classifications established for a variety of purposes. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the state of Missouri enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Garden classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Endowment (continued)

- 6) Other resources of the Garden
- 7) The investment policies of the Garden

The Garden has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Garden must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the applicable indices while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Garden targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Garden has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 3 years at June 30 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Garden considered the long-term expected return on its endowment.

The changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	\$ 544,881	\$ 46,787,610	\$ 74,670,124	\$ 122,002,615
Contributions	-	-	1,606,056	1,606,056
Investment return:				
Investment income, including				
realized gains	162	2,333,446	-	2,333,608
Net appreciation	1,891	2,821,179	-	2,823,070
Net assets released from restriction	4,482,548	(4,482,548)	-	-
Amounts transferred to (from) endowment	(56,692)	(9,543)	9,769	(56,466)
Amounts appropriated	(4,227,658)	-	-	(4,227,658)
Endowment net assets, December 31, 2014	<u>\$ 745,132</u>	<u>\$ 47,450,144</u>	<u>\$ 76,285,949</u>	<u>\$ 124,481,225</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Endowment (continued)

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	\$ -	\$ 35,794,059	\$ 70,099,324	\$ 105,893,383
Contributions	-	-	4,569,800	4,569,800
Investment return:				
Investment income, including realized gains	112	1,707,335	-	1,707,447
Net appreciation	2,083	13,037,132	-	13,039,215
Net assets released from restriction	3,629,386	(3,629,386)	-	-
Amounts transferred to (from) endowment	567,198	(121,530)	1,000	446,668
Amounts appropriated	(3,653,898)	-	-	(3,653,898)
Endowment net assets, December 31, 2013	<u>\$ 544,881</u>	<u>\$ 46,787,610</u>	<u>\$ 74,670,124</u>	<u>\$ 122,002,615</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Garden to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2014 and 2013.

(5) Fair value measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014 and 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2014</u>				
Investments:				
Equities	\$ 26,696,081	\$ 26,696,081	\$ -	\$ -
Bonds:				
Government	2,061,448	-	2,061,448	-
Corporate	7,738,082	-	7,738,082	-
Other	2,480,632	747,000	1,733,632	-
Foreign	5,057,875	4,737,456	320,419	-
Fixed mutual funds	10,161,703	10,161,703	-	-
Equity mutual funds	47,992,455	47,992,455	-	-
Commercial paper	8,563,654	8,563,654	-	-
Real estate funds	10,853,219	-	-	10,853,219
Total Investments	<u>\$ 121,605,149</u>	<u>\$ 98,898,349</u>	<u>\$ 11,853,581</u>	<u>\$ 10,853,219</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value measurements (continued)

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2013</u>				
Investments:				
Equities	\$ 23,957,400	\$ 23,957,400	\$ -	\$ -
Bonds:				
Government	2,093,670	-	2,093,670	-
Corporate	6,855,146	-	6,855,146	-
Other	2,975,176	996,000	1,979,176	-
Foreign	5,161,565	4,890,096	271,469	-
Fixed mutual funds	9,400,263	9,400,263	-	-
Equity mutual funds	47,863,624	47,863,624	-	-
Commercial paper	3,353,558	3,353,558	-	-
Real estate funds	10,351,073	-	-	10,351,073
Total Investments	<u>\$ 112,011,475</u>	<u>\$ 90,460,941</u>	<u>\$ 11,199,461</u>	<u>\$ 10,351,073</u>

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

Equity securities: Domestic and foreign securities, mutual funds, and commercial paper instruments traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Investments in mutual funds represent open ended funds which transact at a net asset value on a daily basis. Since the market for these securities is active and observable, such investments are reported at the unadjusted net asset value at the end of each trading day and represent Level 1 fair value measurements.

Corporate, foreign, and government bonds: Corporate and foreign bonds are valued based on yields currently available on comparable securities of issuers of similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Government bonds include both U.S. treasury bonds and agency bonds. U.S. treasury bonds are valued using proprietary valuation models incorporating live data from active market makers and brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers and other data. Evaluated pricing models that vary by type of security and

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value measurements (continued)

incorporate available market data are utilized to determine fair market value of agency bonds. Standard inputs include issuer and type of security, benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

Real estate funds: The Garden holds real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments have been estimated using the net asset value per share of the investments, which represents the amounts at which the Garden may acquire or redeem its fund interests. However, the funds have certain redemption and restriction provisions which may prevent the Garden from redeeming its interest within 90 days. Therefore, such measurements have been classified as level 3 fair value measurements. Redemption of the funds requires a notice period of at least 45 days, and redemptions will generally occur the fiscal quarter following the redemption notice. Additionally, the funds may be subject to certain gate restrictions; however, the Garden does not feel such restrictions are likely to prevent redemption within the next 90 days. There are no unfunded commitments with respect to these funds.

(6) Property and equipment

Property and equipment, consists of the following at:

	December 31,	
	2014	2013
<u>Nondepreciable:</u>		
Land	\$ 4,180,556	\$ 4,342,868
Construction in progress	1,298,610	1,412,515
Fountains, sculptures, gardens and other	3,078,082	3,078,082
<u>Depreciable:</u>		
Buildings, gardens and other structures	138,017,997	135,851,330
Furniture, office and data processing equipment	5,945,023	6,066,105
Other	4,488,621	4,403,545
Less - accumulated depreciation	(78,769,401)	(74,227,628)
	\$ 78,239,488	\$ 80,926,817

Depreciation expense for the years ended December 31, 2014 and 2013 was \$4,654,779 and \$4,610,145 respectively.

(7) Line of credit

The Garden maintains an unsecured line of credit at December 31, 2014 and 2013 for \$5,000,000 which expires on April 24, 2015. The line of credit bears interest of 1.50% above the LIBOR index. The line of credit was not used in 2014 or 2013.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Functional classification of expenses

The Garden provides research, education, and horticultural displays to the public. The classification of expenses related to fulfilling these functions is as follows:

	Years Ending December 31,	
	2014	2013
Program services:		
Horticulture	\$ 4,756,990	\$ 4,599,955
Research	12,770,111	13,482,675
Education	8,871,523	8,789,670
Other programs	10,525,529	10,051,486
Support services:		
Management and general support	6,439,237	6,773,118
Fundraising	1,765,067	1,888,011
	45,128,457	45,584,915
Change in value of annuity agreements	310,949	13,680
	\$ 45,439,406	\$ 45,598,595

(9) Restricted net assets

Temporarily restricted net assets consist of:

	December 31,	
	2014	2013
Property and equipment	\$ 6,682,109	\$ 7,937,704
Research and education	48,382,858	47,377,934
	\$ 55,064,967	\$ 55,315,638

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were released for the following purposes:

	Years Ended December 31,	
	2014	2013
Research and education	\$ 4,482,548	\$ 970,746
Property and equipment	3,198,491	2,885,006
General operating	1,123,442	3,648,169
Annuity fund	-	(18,783)
	\$ 8,804,481	\$ 7,485,138

Permanently restricted net assets are primarily to provide a permanent endowment with investment income available for the operating expenses of the Garden.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans

The Garden sponsors a defined contribution 403(b) plan covering substantially all eligible employees who choose to participate. The Garden matches employee contributions up to a maximum of 6%. The Garden's contributions for the years ended December 31, 2014 and 2013 were \$839,228 and \$799,565, respectively.

In addition, the Garden sponsors a defined benefit pension plan covering certain eligible employees (the Plan). Effective January 1, 2005, benefit accounts were frozen for all participants and no new participants were allowed to enter the Plan. The benefits are based on years of service and an employee's cumulative compensation from entering the Plan through December 31, 2004. The Garden uses a December 31 measurement date for the Plan. The following tables provide further information about the Plan in accordance with required disclosures under ASC 958-715, *Compensation – Retirement Benefits*:

Change in benefit obligation during year:

	December 31,	
	2014	2013
Projected Benefit Obligation (PBO) at beginning of year	\$ 11,227,423	\$ 10,900,152
Interest cost	390,161	381,635
Benefits paid	(392,015)	(330,641)
Actuarial loss	227,370	276,277
PBO at end of year	\$ 11,452,939	\$ 11,227,423

Accumulated benefit obligation at end of year

	\$ 11,452,939	\$ 11,227,423
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Change in plan assets during year:

	December 31,	
	2014	2013
Fair value of plan assets at beginning of year	\$ 8,178,676	\$ 7,138,695
Actual return on plan assets	451,784	1,132,005
Employer contributions	426,503	238,617
Benefits paid	(392,015)	(330,641)
Fair value of plan assets at end of year	\$ 8,664,948	\$ 8,178,676

Funded status at end of year- (Assets less PBO)

	\$ (2,787,991)	\$ (3,048,747)
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MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

ASC 715 amounts recognized in Statement of Financial Position consist of:

	December 31,	
	2014	2013
Liabilities	\$ 2,787,991	\$ 3,048,747

ASC 715 amounts recognized in Unrestricted Net Assets consist of:

	December 31,	
	2014	2013
Increase (decrease) during year	\$ 6,610	\$ (798,054)
Beginning of year actuarial net loss	3,954,603	4,752,657
Total	\$ 3,961,213	\$ 3,954,603

	Pension Benefits	
	2014	2013
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.50%	3.50%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.50%	3.50%
Expected return on plan assets	6.75%	6.75%
Rate of compensation increase	N/A	N/A

The Garden's assumed long-term rate of return on assets is 6.75%. The expected one-year nominal returns and annual standard deviation columns below are from the actuary's capital market assumption model.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

<u>Asset Class</u>	<u>Approximate % of Total Portfolio</u>	<u>Actuary's Capital Market Assumptions</u>	
		<u>One-Year Nominal Return</u>	<u>Annual Standard Deviation</u>
Core Fixed Income	26%	4.50%	4.68%
Broad US Equity	53%	7.93%	17.26%
Developed International Equity	10%	8.47%	19.40%
Cash	2%	2.86%	1.72%
Hedge Funds	5%	4.87%	8.09%
Infrastructure	2%	8.12%	16.50%
Real Estate	2%	7.74%	20.48%

The 6.75% expected return on Plan assets assumption falls within the expected range.

Plan Assets

The following are the major categories of assets maintained by the Garden's pension plan measured at fair value on a recurring basis at December 31, 2014 and 2013 using quoted market prices in active markets for identical assets Level 1, Level 2 and Level 3, as defined in Note 5:

	<u>Investments at Fair Value as of December 31, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 190,789	\$ -	\$ -	\$ 190,789
Mutual funds:				
Equity	5,464,051	-	-	5,464,051
Fixed	2,224,075	-	-	2,224,075
Real estate	181,010	-	-	181,010
Hedge funds	448,793	-	-	448,793
Infrastructure	156,230	-	-	156,230
Total investments at fair value	<u>\$ 8,664,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,664,948</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

Investments at Fair Value as of December 31, 2013				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 108,341	\$ -	\$ -	\$ 108,341
Mutual funds:				
Equity	5,333,030	-	-	5,333,030
Fixed	1,943,405	-	-	1,943,405
Real estate	145,133	-	-	145,133
Hedge funds	486,542	-	-	486,542
Infrastructure	162,225	-	-	162,225
	<u>\$ 8,178,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,178,676</u>
Total investments at fair value	<u>\$ 8,178,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,178,676</u>

The Garden's overall objective for Plan assets is to provide benefits to its beneficiaries through a carefully planned and executed investment program. The assets of the Plan shall be diversified to minimize the risk of large losses within any one asset class, investment type, geographic location, industry or sector distributions, or maturity date, which could seriously impair the Plan's ability to achieve its funding and long-term investment objectives. The assets of the Plan shall be invested to maximize returns for the level of risk taken and maintain adequate liquidity to meet required benefit payments to the Plan's beneficiaries. Based on the determination of the appropriate risk posture for the Plan and its long-term expectations, the following target allocation ranges were established for each major asset category:

- Domestic equity securities – 40%-55%
- International equity securities – 5%-15%
- Debt securities – 20%-35%
- Alternative investments – 5%-15%

The Garden attempts to mitigate investment risk by rebalancing the portfolio back to target allocations as the Garden's contributions and monthly benefit payments are made. If an event causes the portfolio weightings to change significantly, the portfolios are rebalanced immediately following the change.

Cash Flows

Contributions

The Garden expects to contribute \$423,947 to the Plan in 2015 because the estimated 2014 remaining minimum required contribution and the estimated 2015 total required quarterly contributions are \$124,757 and \$299,190, respectively.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) **Retirement plans (continued)**

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Benefit Payments</u>
2015	\$ 621,803
2016	632,282
2017	642,607
2018	711,338
2019	715,487
Years 2020-2024	<u>3,655,545</u>
Total	<u>\$ 6,979,062</u>

(11) **Concentrations of credit risk**

Financial instruments that potentially subject the Garden to concentrations of credit risk consist principally of cash deposits in banks and other financial institutions, investment securities, and pledge receivables. The Garden maintains cash and cash equivalents and short and long-term investments with major banks and financial institutions. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and accounts at brokerage firms are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 at each institution, as applicable. At times, the Garden may have balances with banks in excess of the FDIC coverage.

At December 31, 2014, approximately five donors comprise over 90% of the pledge receivable balance. All of these donors have a strong history with the Garden and no issues with collectability are anticipated.

(12) **Related party transactions**

During the years ended December 31, 2014 and 2013, the Garden received \$1,669,419 and \$2,030,079, respectively, in contributions for operating, research, and capital purposes from various members of the Board of Trustees. In addition, during the years ended December 31, 2014 and 2013, \$3,615,183 and \$5,617,972, respectively, were received from immediate family members of the Trustees, or from companies in which Trustees serve as a director or officer. At December 31, 2014 and 2013, pledges receivable, gross, of \$13,448,466 and \$18,496,458, respectively, were due from Trustees, immediate family members of the Trustees and companies in which Trustees serve as a director or officer, and consisted of multiple year pledges to the Garden for operating, research, and capital funds. Note 3 includes amounts paid for investment, custodian, advisory and management fees to a related party.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Botanical Garden Subdistrict

The Subdistrict is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Subdistrict was established to receive tax revenues from the tax collectors' offices and to pay for botanical services provided to benefit the public. Pursuant to legal requirements, the Subdistrict and the Garden enter into an annually renewable contract for botanical services. The contract provides for botanical facilities and services to be provided to the public by the Garden in exchange for compensation from the Subdistrict. In accordance with the contract, the Garden records revenue based on a rate of 3.99¢ on each \$100 of assessed valuation at December 31, 2014 and 2013.

(14) Related entities

The Garden leases employees to and/or provides accounting services pursuant to written contracts for five other entities. In accordance with ASC 958-810-15, *Consolidation*, the accounts of the Garden District Commission (GDC), Center for Plant Conservation, Inc. (CPC), the St. Louis-Jefferson Solid Waste Management District (Solid Waste Management), the Botanical Society of America (BSA) and the U.S. Green Building Council- Missouri Gateway Chapter (GBC) have not been included in the accompanying consolidated financial statements as the criteria of control does not exist. As required, the following information regarding transactions between the Garden and these entities is provided:

Garden District Commission – GDC is a not-for-profit corporation established to help stabilize and strengthen the Shaw, McRee Town, Tiffany, and Southwest Garden neighborhoods. It is also intended to provide services to organizations and institutions within these neighborhoods as part of a planned approach to neighborhood stabilization and improvement. In addition to providing accounting services, the Garden lends money to GDC from time to time primarily for property purchases and other related expenses. As of December 31, 2014 and 2013, the Garden has a receivable from GDC of \$361,479 and \$513,352 (net of an allowance and discount totaling \$182,384), respectively, included in other receivables in the consolidated statements of financial position. During the years ended December 31, 2014 and 2013, the Garden received \$47,245 and \$74,353, respectively, in Federal grants that were passed through to GDC and reported as neighborhood improvements on the consolidated statements of activities.

Center for Plant Conservation, Inc. – CPC is a not-for-profit corporation established for the purpose of promoting the conservation and preservation of endangered species in the United States. As of December 31, 2014 and 2013, the Garden has a contract receivable (payable) from CPC of (\$12,884) and \$49,958, respectively, relating to salaries and other operational support funded by the Garden on a reimbursement basis.

The St. Louis-Jefferson Solid Waste Management District – Solid Waste Management is a local government agency which serves as a resource to assist the public, private and not-for-profit sectors in establishing and expanding waste reduction, recycling and composting efforts in the St. Louis area. At December 31, 2014 and 2013, the Garden has a contract receivable from Solid Waste Management of \$31,888 and \$29,837, respectively.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Related entities (continued)

Botanical Society of America – BSA is a not-for-profit corporation established to promote botany, the field of basic science dealing with the study and inquiry into form, function, diversity, development, reproduction, evolution, and uses of plants and their interactions within the biosphere. In addition to leasing employees to BSA, the Garden also leases approximately 1,000 square feet of space for a nominal fee. At December 31, 2014 and 2013, the Garden has a contract receivable from BSA of \$23,606 and \$63,624, respectively.

U.S. Green Building Council- Missouri Gateway Chapter – GBC is a not-for-profit corporation established to initiate, develop and accelerate implementation of green building concepts, technologies and principles that promote environmentally responsible, profitable and healthy places to live and work. At December 31, 2014 and 2013, the Garden has a contract receivable from GBC of \$46,604 and \$41,432, respectively.

(15) Risks and uncertainties

The Garden's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to current economic conditions, it is at least reasonably possible that changes in the value of the Garden's investments will occur in the near term and those changes could materially affect the amounts reported in the Garden's financial statements.

While there are no material legal proceedings to which the Garden is a party, the Garden may be involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. In the opinion of the Garden's management, the resolution of these matters will not have a material adverse effect on the Garden's financial statements.

(16) Subsequent events

In accordance with ASC 855, *Subsequent Events*, the Garden has evaluated subsequent events through March 25, 2015, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

SUPPLEMENTARY INFORMATION

MISSOURI BOTANICAL GARDEN

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2014

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
ASSETS:							
Cash and cash equivalents	\$ 8,797,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,797,246
Grants receivable		996,052	-	59,673	-	-	1,055,725
Pledges receivable	58,795	53,814	10,320,312	-	1,741,966	-	12,174,887
Other receivables, net	1,850,820	360,119	479,505	-	103,648	11,240	2,805,332
Inventories, prepayments and other assets	2,428,687	-	-	100	-	-	2,428,787
Investments	747,018	171,881	114,857,336	-	3,200,377	2,628,537	121,605,149
Property and equipment, net of accumulated depreciation	-	-	-	78,239,488	-	-	78,239,488
Interfund receivables (payables)	(3,178,298)	2,301,121	(1,175,928)	1,625,900	(252,018)	679,223	-
TOTAL ASSETS	\$ 10,704,268	\$ 3,882,987	\$ 124,481,225	\$ 79,925,161	\$ 4,793,973	\$ 3,319,000	\$ 227,106,614
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 7,412,739	\$ -	\$ -	\$ 120,959	\$ -	\$ 11,533	\$ 7,545,231
Deferred revenue	-	2,346,850	-	-	-	-	2,346,850
Liability for gift annuity payments	-	-	-	-	-	3,305,002	3,305,002
TOTAL LIABILITIES	7,412,739	2,346,850	-	120,959	-	3,316,535	13,197,083
NET ASSETS:							
Unrestricted-							
General operating - undesignated	3,281,529	-	-	-	-	-	3,281,529
Board Designated-							
Operating	-	603,423	-	-	-	-	603,423
Capital expenditures	-	-	-	78,327,130	(961,812)	-	77,365,318
Long-term investment	-	-	745,132	-	-	-	745,132
Total Board designated	-	603,423	745,132	78,327,130	(961,812)	-	78,713,873
Total unrestricted	3,281,529	603,423	745,132	78,327,130	(961,812)	-	81,995,402
Temporarily restricted	-	932,714	47,450,144	926,324	5,755,785	-	55,064,967
Permanently restricted	-	-	76,285,949	550,748	-	12,465	76,849,162
TOTAL NET ASSETS	3,281,529	1,536,137	124,481,225	79,804,202	4,793,973	12,465	213,909,531
TOTAL LIABILITIES AND NET ASSETS	\$ 10,694,268	\$ 3,882,987	\$ 124,481,225	\$ 79,925,161	\$ 4,793,973	\$ 3,329,000	\$ 227,106,614

See Independent Auditors' Report on Supplemental Information

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
PUBLIC SUPPORT AND REVENUES:							
Public support-							
Services provided for Botanical Garden Subdistrict	\$ 10,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,300,000
Contributions and memberships	6,864,289	1,162,962	1,606,056	-	1,904,729	36,447	11,574,483
Bequests	800,251	15,000	-	-	212,788	-	1,028,039
Revenues-							
Admissions	3,592,725	-	-	-	-	-	3,592,725
Grants and contracts	-	8,575,317	-	105,207	-	-	8,680,524
Retail shops	2,316,157	-	-	-	-	-	2,316,157
Education	431,445	-	-	-	-	-	431,445
Property rentals	431,109	-	-	-	-	-	431,109
Overhead recovered from grants and contracts	243,817	(243,817)	-	-	-	-	-
Interest and dividend income, net-							
Endowment	-	-	1,824,057	-	-	-	1,824,057
Other investments	6,822	1,038	-	-	35,770	4,404	48,034
Net realized investment gains (losses)-							
Endowment	-	-	488,639	-	-	-	488,639
Other investments	(8,025)	(4,458)	20,912	-	(11,745)	-	(3,316)
Net unrealized investment gains-							
Endowment	-	-	2,823,070	-	-	-	2,823,070
Appropriated investment income	3,143,004	1,009,654	(4,227,658)	-	-	-	(75,000)
Other investments	-	7,852	-	-	59,283	-	67,135
Net gain on property retirements				264,821			264,821
Other	912,026	-	-	-	-	13,155	925,181
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 29,033,620	\$ 10,523,548	\$ 2,535,076	\$ 370,028	\$ 2,200,825	\$ 54,006	\$ 44,717,103

(Continued on following page)

See Independent Auditors' Report on Supplemental Information

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

(Continued from previous page)

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
EXPENSES							
Operating services-							
Horticulture	\$ 3,172,889	\$ 127,436	\$ -	\$ -	\$ 16,854	\$ -	\$ 3,317,179
Science and conservation	3,971,513	4,803,306	-	-	130,129	-	8,904,948
Retail shops	2,206,437	-	-	-	-	-	2,206,437
Education	1,280,822	1,505,988	-	-	565	-	2,787,375
Earthways/Sustainability	301,808	1,107,984	-	-	-	-	1,409,792
Butterfly House-general	992,444	-	-	-	-	-	992,444
Shaw Nature Reserve-general	774,863	202,761	-	18,729	392	-	996,745
Visitor services	426,153	20	-	-	-	-	426,173
Public events	641,275	110,793	-	-	-	-	752,068
Major exhibits	1,502,243	-	-	-	-	-	1,502,243
Professional services	-	1,476,255	-	-	-	-	1,476,255
Bioinformatics	8,012	921,306	-	-	-	-	929,318
Neighborhood improvements	-	-	-	47,245	-	-	47,245
TOTAL OPERATING SERVICES	15,278,459	10,255,849	-	65,974	147,940	-	25,748,222
Supporting services-							
Administrative	6,684,313	60,391	-	4,375	172,947	-	6,922,026
Maintenance and improvements	3,294,367	9,581	-	64,633	85,984	-	3,454,565
Depreciation	-	-	-	4,654,779	-	-	4,654,779
Utilities	972,066	-	-	-	-	-	972,066
Security	729,568	-	-	-	-	-	729,568
Membership department	975,380	-	-	-	38	-	975,418
Institutional advancement/fund raising	934,320	-	-	-	737,493	-	1,671,813
TOTAL SUPPORTING SERVICES	13,590,014	69,972	-	4,723,787	996,462	-	19,380,235
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	-	-	310,949	310,949
TOTAL EXPENSES	28,868,473	10,325,821	-	4,789,761	1,144,402	310,949	45,439,406
CHANGE IN NET ASSETS BEFORE TRANSFERS	165,147	197,727	2,535,076	(4,419,733)	1,056,423	(256,943)	(722,303)
PROPERTY TRANSFERS	(248,858)	(54,590)	-	1,960,470	(1,657,022)	-	-
TRANSFERS OF FUNDS	(291,411)	314,362	(56,466)	16,179	(239,607)	256,943	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	(375,122)	457,499	2,478,610	(2,443,084)	(840,206)	-	(722,303)
MINIMUM PENSION LIABILITY ADJUSTMENT	(165,154)	(593)	-	-	-	-	(165,747)
CHANGE IN NET ASSETS	(540,276)	456,906	2,478,610	(2,443,084)	(840,206)	-	(888,050)
NET ASSETS - BEGINNING OF YEAR	3,821,805	1,079,231	122,002,615	82,247,286	5,634,179	12,465	214,797,581
NET ASSETS - END OF YEAR	\$ 3,281,529	\$ 1,536,137	\$ 124,481,225	\$ 79,804,202	\$ 4,793,973	\$ 12,465	\$ 213,909,531

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