

**MISSOURI BOTANICAL GARDEN**  
**CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended December 31, 2013 and 2012



**Mayer Hoffman McCann P.C.**

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**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, 2013 and 2012, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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, 2013 and 2012, 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.

*Mayer Hoffman McCann P.C.*

St. Louis, Missouri

March 26, 2014

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**MISSOURI BOTANICAL GARDEN**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 12,933,977	\$ 11,774,131
Grants receivable	1,574,850	1,602,003
Pledges receivable, net	18,159,284	20,089,271
Other receivables, net	1,932,914	1,869,763
Inventories, prepayments and other assets	1,748,383	1,996,129
Investments	112,011,475	94,262,119
Property and equipment, net of accumulated depreciation	80,926,817	83,012,216
<b>TOTAL ASSETS</b>	<u><u>\$ 229,287,700</u></u>	<u><u>\$ 214,605,632</u></u>
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 7,894,385	\$ 7,208,467
Deferred revenue	3,145,143	4,403,979
Liability for gift annuity payments	3,450,591	3,545,632
<b>TOTAL LIABILITIES</b>	<u>14,490,119</u>	<u>15,158,078</u>
<b>NET ASSETS:</b>		
Unrestricted-		
General operating - undesignated	<u>3,821,805</u>	<u>3,662,110</u>
Board Designated-		
Operating	488,907	520,646
Capital expenditures	79,393,013	81,332,825
Long-term investment	544,881	-
Total Board designated	<u>80,426,801</u>	<u>81,853,471</u>
Total unrestricted	84,248,606	85,515,581
Temporarily restricted	55,315,638	43,269,436
Permanently restricted	75,233,337	70,662,537
<b>TOTAL NET ASSETS</b>	<u>214,797,581</u>	<u>199,447,554</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 229,287,700</u></u>	<u><u>\$ 214,605,632</u></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, 2013

	Unrestricted					
	General Operating	Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total Activities
<b>PUBLIC SUPPORT AND REVENUES:</b>						
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)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>\$ 29,591,716</b>	<b>\$ 14,233,347</b>	<b>\$ 43,825,063</b>	<b>\$ 12,079,666</b>	<b>\$ 4,569,800</b>	<b>\$ 60,474,529</b>

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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			Total	Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Board Designated					
<b>EXPENSES:</b>							
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
<b>TOTAL OPERATING SERVICES</b>	<b>14,947,039</b>	<b>11,300,437</b>	<b>26,247,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,247,476</b>
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	1,246,043	170,453	1,416,496	-	-	-	1,416,496
<b>TOTAL SUPPORTING SERVICES</b>	<b>13,213,865</b>	<b>6,123,574</b>	<b>19,337,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,337,439</b>
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	13,680	-	-	13,680
<b>TOTAL EXPENSES</b>	<b>28,160,904</b>	<b>17,424,011</b>	<b>45,584,915</b>	<b>13,680</b>	<b>-</b>	<b>-</b>	<b>45,598,595</b>
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	(19,764)	-	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
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,821,805</b>	<b>\$ 80,426,801</b>	<b>\$ 84,248,606</b>	<b>\$ 55,315,638</b>	<b>\$ 75,233,337</b>	<b>\$ -</b>	<b>\$ 214,797,581</b>

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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, 2012

	Unrestricted					
	General Operating	Board Designated	Total	Temporarily Restricted	Permanently Restricted	Total Activities
<b>PUBLIC SUPPORT AND REVENUES:</b>						
Public support-						
Services provided for Botanical Garden Subdistrict	\$ 10,300,000	\$ -	\$ 10,300,000	\$ -	\$ -	\$ 10,300,000
Contributions and memberships	6,902,735	1,795,092	8,697,817	4,443,277	2,961,765	16,102,859
Bequests	796,802	-	796,802	637,449	-	1,434,251
Revenues-						
Admissions	4,978,837	-	4,978,837	-	-	4,978,837
Grants and contracts	-	9,331,036	9,331,036	681,348	-	10,012,384
Retail shops	2,926,520	-	2,926,520	-	-	2,926,520
Education	416,697	-	416,697	-	-	416,697
Property rentals	337,472	-	337,472	-	-	337,472
Overhead recovered from grants and contracts	274,057	(274,057)	-	-	-	-
Interest and dividend income, net-						
Endowment	-	-	-	1,322,765	-	1,322,765
Other investments	1,010	37,805	38,815	-	-	38,815
Net realized investment gains (losses)-						
Endowment	-	-	-	87,779	-	87,779
Other investments	(1,525)	17,344	15,819	(47,007)	-	(31,188)
Net unrealized investment gains (losses)-						
Endowment	-	-	-	8,791,162	-	8,791,162
Appropriated investment income	2,473,000	(2,548,000)	(75,000)	-	-	(75,000)
Other investments	-	70,656	70,656	-	-	70,656
Other	1,059,629	(98,055)	961,574	-	-	961,574
Net assets released from restrictions	-	11,405,783	11,405,783	(11,405,783)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>\$ 30,485,234</b>	<b>\$ 19,737,594</b>	<b>\$ 50,202,828</b>	<b>\$ 4,510,990</b>	<b>\$ 2,961,765</b>	<b>\$ 57,675,583</b>

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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, 2012

	Unrestricted			Total	Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Board Designated					
<b>EXPENSES:</b>							
Operating services-							
Horticulture	\$ 2,927,339	\$ 356,009	\$ 3,283,348	\$ -	\$ -	\$ -	\$ 3,283,348
Science and conservation	4,524,177	5,146,656	9,670,833	-	-	-	9,670,833
Retail shops	2,637,878	-	2,637,878	-	-	-	2,637,878
Education	1,200,424	1,233,845	2,434,269	-	-	-	2,434,269
Earthways/Sustainability	249,951	1,087,178	1,337,129	-	-	-	1,337,129
Butterfly House-general	842,252	-	842,252	-	-	-	842,252
Shaw Nature Reserve-General	769,617	254,875	1,024,492	-	-	-	1,024,492
Visitor services	467,424	432	467,856	-	-	-	467,856
Public events	616,973	106,659	723,632	-	-	-	723,632
Major exhibits	140,174	1,818,920	1,959,094	-	-	-	1,959,094
Professional services	-	1,790,991	1,790,991	-	-	-	1,790,991
Bioinformatics	(22,814)	769,304	746,490	-	-	-	746,490
Neighborhood improvements	-	93,097	93,097	-	-	-	93,097
<b>TOTAL OPERATING SERVICES</b>	<b>14,353,395</b>	<b>12,657,966</b>	<b>27,011,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,011,361</b>
Supporting Services-							
Administrative	6,529,037	93,452	6,622,489	-	-	-	6,622,489
Maintenance and improvements	2,911,191	235,554	3,146,745	-	-	-	3,146,745
Depreciation	-	4,470,241	4,470,241	-	-	-	4,470,241
Utilities	925,410	-	925,410	-	-	-	925,410
Security	641,833	-	641,833	-	-	-	641,833
Membership department	851,762	-	851,762	-	-	-	851,762
Institutional advancement	1,223,079	334,346	1,557,425	-	-	-	1,557,425
<b>TOTAL SUPPORTING SERVICES</b>	<b>13,082,312</b>	<b>5,133,593</b>	<b>18,215,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,215,905</b>
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	72,670	-	-	72,670
<b>TOTAL EXPENSES</b>	<b>27,435,707</b>	<b>17,791,559</b>	<b>45,227,266</b>	<b>72,670</b>	<b>-</b>	<b>-</b>	<b>45,299,936</b>
CHANGE IN NET ASSETS BEFORE TRANSFERS	3,029,527	1,946,035	4,975,562	4,438,320	2,961,765	-	12,375,647
PROPERTY TRANSFERS	(525,105)	525,105	-	-	-	-	-
TRANSFERS OF FUNDS	(562,771)	583,811	21,040	(21,040)	-	-	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	1,941,651	3,054,951	4,996,602	4,417,280	2,961,765	-	12,375,647
MINIMUM PENSION LIABILITY ADJUSTMENT	(954,977)	(3,491)	(958,468)	-	-	-	(958,468)
CHANGE IN NET ASSETS	986,674	3,051,460	4,038,134	4,417,280	2,961,765	-	11,417,179
NET ASSETS - BEGINNING OF YEAR	2,675,436	78,802,011	81,477,447	38,852,156	67,700,772	-	188,030,375
NET ASSETS - END OF YEAR	\$ 3,662,110	\$ 81,853,471	\$ 85,515,581	\$ 43,269,436	\$ 70,662,537	\$ -	\$ 199,447,554

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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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATIONS:		
Change in net assets	\$ 15,350,027	\$ 11,417,179
Adjustments to reconcile change in net assets to cash-		
Depreciation	4,610,145	4,470,241
Net realized gains on investments	(343,557)	(56,591)
Net unrealized gains on investments	(13,015,496)	(8,861,818)
Net unrealized gains on investments-		
Annuity fund	(238,544)	(259,309)
Change in assets and liabilities-		
Receivables	1,893,989	3,639,987
Inventories, prepayments and other assets	247,746	434,821
Accounts payable and accrued liabilities	685,918	(617,812)
Deferred revenue	(1,258,836)	(273,776)
Liability for gift annuity payments	(95,041)	(29,303)
Contributions and investment income restricted for		
long-term purposes	<u>(19,564,804)</u>	<u>(15,916,773)</u>
NET CASH FROM OPERATIONS	<u>(11,728,453)</u>	<u>(6,053,154)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	12,931,732	12,753,905
Purchases of investments	(17,083,491)	(15,484,524)
Purchases of property	<u>(2,524,746)</u>	<u>(1,499,391)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(6,676,505)</u>	<u>(4,230,010)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and investment income restricted for		
long-term purposes	<u>19,564,804</u>	<u>15,916,773</u>
NET CASH FROM FINANCING ACTIVITIES	<u>19,564,804</u>	<u>15,916,773</u>
NET CHANGE IN CASH AND CASH		
EQUIVALENTS	1,159,846	5,633,609
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,774,131</u>	<u>6,140,522</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,933,977</u>	<u>\$ 11,774,131</u>

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, 2013 and 2012.

**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 2.89% to 4.64% at December 31, 2013 and 2012). 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, 2013 and 2012 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, bequest receivables, 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, 2013.

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 \$336,700 and \$447,800 for the years ended December 31, 2013 and 2012, 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:

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Less than one year	\$ 6,016,494	\$ 4,997,957
One to five years	11,597,343	13,346,019
More than five years	1,620,605	3,217,010
Pledge discounts	(1,075,158)	(1,471,715)
	\$ 18,159,284	\$ 20,089,271

**(3) Investments**

Investment income on the consolidated statements of activities is shown net of investment, custodian, advisory and management fees of \$310,148 and \$547,353 for the years ended December 31, 2013 and 2012, respectively. Included in these fees are amounts paid to a financial institution for which a Trustee is a director.



**MISSOURI BOTANICAL GARDEN**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(3) Investments (continued)**

The amounts paid to the financial institution during the years ended December 31, 2013 and 2012 are \$180,398 and \$192,475, respectively. This conflict of interest was approved at the Garden Board of Trustees regular meetings held on March 6, 2013 and February 22, 2012.

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,	
	2013	2012
Equities	\$ 23,957,400	\$ 22,635,641
Bonds	17,085,557	16,060,517
Mutual funds	57,263,887	32,831,332
Commercial paper	3,353,558	13,483,208
Real estate funds	10,351,073	9,251,421
	\$ 112,011,475	\$ 94,262,119

**(4) Endowment**

The Garden's endowment consists of 25 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, 2013 are as follows:

	<b>Board Designated Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Endowment (continued)

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	\$ -	\$ 28,416,693	\$ 67,137,559	\$ 95,554,252
Contributions	-	-	2,961,765	2,961,765
Investment return:				
Investment income, including				
realized gains	13,132	1,363,537	-	1,376,669
Net appreciation	-	8,791,162	-	8,791,162
Net assets released from restriction	3,251,855	(3,251,855)	-	-
Amounts transferred to endowment	23,231	474,522	-	497,753
Amounts appropriated	(3,288,218)	-	-	(3,288,218)
Endowment net assets, December 31, 2012	<u>\$ -</u>	<u>\$ 35,794,059</u>	<u>\$ 70,099,324</u>	<u>\$ 105,893,383</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, 2013 and 2012.

(5) Fair value measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<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>



**MISSOURI BOTANICAL GARDEN**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(5) Fair value measurements (continued)**

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2012</u>				
Investments:				
Equities	\$ 22,635,641	\$ 22,635,641	\$ -	\$ -
Bonds:				
Government	4,880,098	-	4,880,098	-
Corporate	6,697,394	-	6,697,394	-
Other	3,981,630	-	3,981,630	-
Foreign	501,395	-	501,395	-
Equity mutual funds	32,831,332	32,831,332	-	-
Commercial paper	13,483,208	13,483,208	-	-
Real estate funds	9,251,421	-	-	9,251,421
<b>Total Investments</b>	<b>\$ 94,262,119</b>	<b>\$ 68,950,181</b>	<b>\$ 16,060,517</b>	<b>\$ 9,251,421</b>

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,	
	2013	2012
<u>Nondepreciable:</u>		
Land	\$ 4,342,868	\$ 4,342,868
Construction in progress	1,412,515	955,421
Fountains, sculptures, gardens and other	3,078,082	3,078,082
<u>Depreciable:</u>		
Buildings, gardens and other structures	135,851,330	134,304,623
Furniture, office and data processing equipment	6,066,105	5,649,389
Other	4,403,545	4,299,316
Less - accumulated depreciation	(74,227,628)	(69,617,483)
	\$ 80,926,817	\$ 83,012,216

Depreciation expense for the years ended December 31, 2013 and 2012 was \$4,610,145 and \$4,470,241 respectively.

(7) Line of credit

The Garden maintains an unsecured line of credit at December 31, 2013 and 2012 for \$5,000,000 which expires on April 25, 2014. The line of credit bears interest of 1.50% above the LIBOR index. The line of credit was not used in 2013 or 2012.

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:

	<u>Years Ending December 31,</u>	
	<u>2013</u>	<u>2012</u>
Program services:		
Horticulture	\$ 4,599,955	\$ 4,402,752
Research	13,482,675	12,967,948
Education	8,789,670	7,560,375
Other programs	10,051,486	11,289,373
Support services:		
Management and general support	6,773,118	7,051,845
Fundraising	1,888,011	1,954,973
	<u>45,584,915</u>	<u>45,227,266</u>
Change in value of annuity agreements	<u>13,680</u>	<u>72,670</u>
	<u>\$ 45,598,595</u>	<u>\$ 45,299,936</u>

(9) Restricted net assets

Temporarily restricted net assets consist of:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Property and equipment	\$ 7,937,704	\$ 7,475,377
Research and education	47,377,934	35,794,059
	<u>\$ 55,315,638</u>	<u>\$ 43,269,436</u>

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:

	<u>Years Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Research and education	\$ 970,746	\$ 99,337
Property and equipment	2,885,006	8,054,591
General operating	3,648,169	3,272,894
Annuity fund	(18,783)	(21,039)
	<u>\$ 7,485,138</u>	<u>\$ 11,405,783</u>

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, 2013 and 2012 were \$799,565 and \$798,465, 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:**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Projected Benefit Obligation (PBO) at beginning of year	\$ 10,900,152	\$ 9,706,559
Interest cost	381,635	420,054
Benefits paid	(330,641)	(366,132)
Actuarial loss	276,277	1,139,671
PBO at end of year	<u>\$ 11,227,423</u>	<u>\$ 10,900,152</u>
<b>Accumulated benefit obligation at end of year</b>	<u>\$ 11,227,423</u>	<u>\$ 10,900,152</u>

**Change in plan assets during year:**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Fair value of plan assets at beginning of year	\$ 7,138,695	\$ 6,321,345
Actual return on plan assets	1,132,005	616,060
Employer contributions	238,617	567,422
Benefits paid	(330,641)	(366,132)
Fair value of plan assets at end of year	<u>\$ 8,178,676</u>	<u>\$ 7,138,695</u>
<b>Funded status at end of year- (Assets less PBO)</b>	<u>\$ (3,048,747)</u>	<u>\$ (3,761,457)</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

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

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Liabilities	\$ 3,048,747	\$ 3,761,457

ASC 715 amounts recognized in Unrestricted Net Assets consist of:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Increase (decrease) during year	\$ (798,054)	\$ 621,011
Beginning of year actuarial net loss	4,752,657	4,131,646
Total	<u>\$ 3,954,603</u>	<u>\$ 4,752,657</u>

Pension Benefits

	<u>2013</u>	<u>2012</u>
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%	4.40%
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.

<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	25%	4.59%	6%
Broad US Equity	62%	8.33%	19%
Developed International Equity	13%	8.56%	20%



MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

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 during the years ended December 31, 2013 and 2012 using quoted market prices in active markets for identical assets Level 1, Level 2 and Level 3, as defined in Note 5:

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
Hedgafunds	486,542	-	-	486,542
Infrastructure	162,225	-	-	162,225
Total investments at fair value	<u>\$ 8,178,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,178,676</u>

Investments at Fair Value as of December 31, 2012				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 120,508	\$ -	\$ -	\$ 120,508
Mutual funds:				
Equity	4,103,589	-	-	4,103,589
Fixed	1,908,947	-	-	1,908,947
Real estate	143,024	-	-	143,024
Hedgafunds	766,417	-	-	766,417
Commodities	88,207	-	-	88,207
Other	8,003	-	-	8,003
Total investments at fair value	<u>\$ 7,138,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,138,695</u>

# MISSOURI BOTANICAL GARDEN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (10) Retirement plans (continued)

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%-50%
- 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 \$434,759 to the Plan in 2014 because the estimated 2013 remaining minimum required contribution and the estimated 2014 total required quarterly contributions are \$134,720 and \$300,039, respectively.

#### Estimated Future Benefit Payments

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

	<u>Benefit Payments</u>
2014	\$ 564,975
2015	575,540
2016	593,948
2017	605,194
2018	676,601
Years 2019-2023	<u>3,489,134</u>
Total	<u>\$ 6,505,392</u>



## MISSOURI BOTANICAL GARDEN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (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, 2013, approximately five donors comprise over 80% 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, 2013 and 2012, the Garden received \$2,030,679 and \$3,399,288, 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, 2013 and 2012, \$5,617,972 and \$3,295,240, 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, 2013 and 2012, pledges receivable, gross, of \$18,496,458 and \$19,275,787, 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.

#### (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¢ and 3.82¢ on each \$100 of assessed valuation at December 31, 2013 and 2012, respectively.

#### (14) Related entities

The Garden leases employees to and/or provides accounting services pursuant to written contracts for six other entities. In accordance with ASC 958-810-15, *Consolidation*, the accounts of the Garden District Commission (GDC), Center for Plant Conservation, Inc. (CPC), Gateway Greening, Inc. (GGI), the St. Louis-Jefferson Solid Waste Management District (Solid Waste Management), and the Botanical Society of America (BSA) have not been included in the



## MISSOURI BOTANICAL GARDEN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (14) Related entities (continued)

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, 2013 and 2012, the Garden has a receivable from GDC of \$513,352 and \$686,896 (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, 2013 and 2012, the Garden received \$74,353 and \$93,097, 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, 2013 and 2012, the Garden has a contract receivable from CPC of \$49,958 and \$127,942, respectively, relating to salaries and other operational support funded by the Garden on a reimbursement basis.

**Gateway Greening, Inc.** – GGI is a not-for-profit organization dedicated to community development through community gardening. GGI's mission is to provide resources and training to neighborhood groups who believe in their communities and want to reclaim them from urban decay. In 2012, GGI terminated its agreement with the Garden. As of December 31, 2013 and 2012, the Garden has a contract receivable from GGI of \$8,784 and \$8,784, respectively.

**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, 2013 and 2012, the Garden has a contract receivable from Solid Waste Management of \$29,837 and \$35,750, respectively.

**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, 2013 and 2012, the Garden has a contract receivable from BSA of \$63,624 and \$7,277, respectively.



MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(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 26, 2014, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
Missouri Botanical Garden:

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 McCann P.C.*

St. Louis, Missouri  
March 26, 2014



MISSOURI BOTANICAL GARDEN

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2013

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
<b>ASSETS:</b>							
Cash and cash equivalents	\$ 11,433,977	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 12,933,977
Grants receivable	118,755	1,240,951	-	333,899	-	-	1,574,850
Pledges receivable	1,002,158	102,500	14,359,793	-	3,578,236	-	18,159,284
Other receivables, net	1,748,283	515,901	195,763	-	213,469	-	1,932,914
Inventories, prepayments and other assets	996,018	-	-	100	-	5,623	1,748,383
Investments	-	348,532	104,501,137	-	3,119,103	-	112,011,475
Property and equipment, net of accumulated depreciation	-	-	-	80,926,817	-	-	80,926,817
Interfund receivables (payables)	(3,733,081)	2,016,490	1,445,922	1,125,017	(1,276,629)	422,281	-
<b>TOTAL ASSETS</b>	\$ 11,566,110	\$ 4,224,374	\$ 122,002,615	\$ 82,385,833	\$ 5,634,179	\$ 3,474,589	\$ 229,287,700
<b>LIABILITIES:</b>							
Accounts payable and accrued liabilities	\$ 7,744,305	\$ -	\$ -	\$ 138,547	\$ -	\$ 11,533	\$ 7,894,385
Deferred revenue	-	3,145,143	-	-	-	-	3,145,143
Liability for gift annuity payments	-	-	-	-	-	3,450,591	3,450,591
<b>TOTAL LIABILITIES</b>	\$ 7,744,305	\$ 3,145,143	\$ -	\$ 138,547	\$ -	\$ 3,462,124	\$ 14,490,119
<b>NET ASSETS:</b>							
Unrestricted-							
General operating - undesignated	3,821,805	-	-	-	-	-	3,821,805
Board Designated-							
Operating	-	488,907	-	-	-	-	488,907
Capital expenditures	-	-	-	80,560,711	(1,167,698)	-	79,393,013
Long-term investment	-	-	544,881	-	-	-	544,881
Total Board designated	-	488,907	544,881	80,560,711	(1,167,698)	-	80,426,801
Total unrestricted	3,821,805	488,907	544,881	80,560,711	(1,167,698)	-	84,248,606
Temporarily restricted	-	590,324	46,787,610	1,135,827	6,801,877	-	55,315,638
Permanently restricted	-	-	74,670,124	550,748	-	12,465	75,233,337
<b>TOTAL NET ASSETS</b>	\$ 3,821,805	\$ 1,079,231	\$ 122,002,615	\$ 82,247,286	\$ 5,634,179	\$ 12,465	\$ 214,797,581
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 11,566,110	\$ 4,224,374	\$ 122,002,615	\$ 82,385,833	\$ 5,634,179	\$ 3,474,589	\$ 229,287,700

See Independent Auditors' Report on Supplemental Information

MISSOURI BOTANICAL GARDEN

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>							
Public support-							
Services provided for Botanical Garden Subdistrict	\$ 10,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,300,000
Contributions and memberships	7,339,017	1,128,256	4,569,800	11,991	2,495,214	32,463	15,576,741
Bequests	1,184,881	-	-	-	-	-	1,184,881
Revenues-							
Admissions	3,017,994	-	-	-	-	-	3,017,994
Grants and contracts	-	9,638,858	-	1,167,413	-	-	10,806,271
Retail shops	2,647,625	-	-	-	-	-	2,647,625
Education	411,087	-	-	-	-	-	411,087
Property rentals	384,419	-	-	-	-	-	384,419
Overhead recovered from grants and contracts	260,150	(260,150)	-	-	-	-	-
Interest and dividend income, net-							
Endowment	-	-	1,480,379	-	-	-	1,480,379
Other investments	3,684	816	-	-	23,098	2,697	30,295
Net realized investment gains (losses)-							
Endowment	-	-	216,153	-	-	-	216,153
Other investments	(4,242)	17,582	10,915	-	102,312	837	127,404
Net unrealized investment gains-							
Endowment	-	-	13,039,215	-	-	-	13,039,215
Appropriated investment income	2,745,000	833,898	(3,653,898)	-	-	-	(75,000)
Other investments	-	(11,420)	-	-	(12,299)	-	(23,719)
Other	1,302,101	-	-	48,683	-	-	1,350,784
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>\$ 29,591,716</b>	<b>\$ 11,347,840</b>	<b>\$ 15,662,564</b>	<b>\$ 1,228,087</b>	<b>\$ 2,608,325</b>	<b>\$ 35,997</b>	<b>\$ 60,474,529</b>

(Continued on following page)

See Independent Auditors' Report on Supplemental Information



MISSOURI BOTANICAL GARDEN

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
<b>EXPENSES</b>							
Operating services-							
Horticulture	\$ 3,045,143	\$ 177,610	\$ -	\$ -	\$ 47,150	\$ -	\$ 3,269,903
Science and conservation	4,108,715	5,440,318	-	-	35,201	-	9,584,234
Retail shops	2,608,555	-	-	-	-	-	2,608,555
Education	1,196,615	1,603,641	-	-	235	-	2,800,491
Earthways/Sustainability	312,126	1,133,959	-	-	-	-	1,446,085
Butterfly House-general	970,850	-	-	-	-	-	970,850
Shaw Nature Reserve-general	714,487	305,576	-	-	10,696	-	1,030,759
Visitor services	403,515	-	-	-	-	-	403,515
Public events	598,551	101,562	-	-	-	-	700,113
Major exhibits	969,095	-	-	-	-	-	969,095
Professional services	-	1,569,203	-	-	-	-	1,569,203
Bioinformatics	19,387	800,933	-	-	-	-	820,320
Neighborhood improvements	-	-	-	74,353	-	-	74,353
<b>TOTAL OPERATING SERVICES</b>	<b>14,947,039</b>	<b>11,132,802</b>	<b>-</b>	<b>74,353</b>	<b>93,282</b>	<b>-</b>	<b>26,247,476</b>
Supporting services-							
Administrative	6,297,897	16,858	-	102,330	43,722	-	6,460,807
Maintenance and improvements	3,017,391	2,275	-	724,536	453,255	-	4,197,457
Depreciation	-	-	-	4,610,145	-	-	4,610,145
Utilities	1,047,835	-	-	-	-	-	1,047,835
Security	625,890	-	-	-	-	-	625,890
Membership department	978,809	-	-	-	-	-	978,809
Institutional Advancement	1,246,043	-	-	-	170,453	-	1,416,496
<b>TOTAL SUPPORTING SERVICES</b>	<b>13,213,865</b>	<b>19,133</b>	<b>-</b>	<b>5,437,011</b>	<b>667,430</b>	<b>-</b>	<b>19,337,439</b>
<b>CHANGE IN VALUE OF ANNUITY AGREEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,680</b>	<b>13,680</b>
<b>TOTAL EXPENSES</b>	<b>28,160,904</b>	<b>11,151,935</b>	<b>-</b>	<b>5,511,364</b>	<b>760,712</b>	<b>13,680</b>	<b>45,598,595</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>1,430,812</b>	<b>195,905</b>	<b>15,662,564</b>	<b>(4,283,277)</b>	<b>1,847,613</b>	<b>22,317</b>	<b>14,875,934</b>
<b>PROPERTY TRANSFERS</b>	<b>(420,075)</b>	<b>(43,173)</b>	<b>-</b>	<b>1,792,592</b>	<b>(1,329,344)</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS OF FUNDS</b>	<b>(1,321,470)</b>	<b>402,188</b>	<b>446,668</b>	<b>867,951</b>	<b>(373,020)</b>	<b>(22,317)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT</b>	<b>(310,733)</b>	<b>554,920</b>	<b>16,109,232</b>	<b>(1,622,734)</b>	<b>145,249</b>	<b>-</b>	<b>14,875,934</b>
<b>MINIMUM PENSION LIABILITY ADJUSTMENT</b>	<b>470,428</b>	<b>3,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474,093</b>
<b>CHANGE IN NET ASSETS</b>	<b>159,695</b>	<b>558,585</b>	<b>16,109,232</b>	<b>(1,622,734)</b>	<b>145,249</b>	<b>-</b>	<b>15,350,027</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>3,662,110</b>	<b>520,646</b>	<b>105,893,383</b>	<b>83,870,020</b>	<b>5,488,930</b>	<b>12,465</b>	<b>199,447,554</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,821,605</b>	<b>\$ 1,079,231</b>	<b>\$ 122,002,615</b>	<b>\$ 82,247,286</b>	<b>\$ 5,634,179</b>	<b>\$ 12,465</b>	<b>\$ 214,797,581</b>

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