

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

Years Ended December 31, 2015 and 2014



## 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, 2015 and 2014, 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, 2015 and 2014, 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 29 through 31 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 28, 2016

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

As of December 31, 2015 and 2014

	2015	2014
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 7,759,775	\$ 8,797,246
Grants receivable	1,371,668	1,055,725
Pledges receivable, net	14,524,631	12,174,887
Other receivables, net	3,008,284	2,805,332
Inventories, prepayments and other assets	1,506,414	2,428,787
Investments	119,073,805	121,605,149
Property and equipment, net of accumulated depreciation	77,207,304	78,239,488
<b>TOTAL ASSETS</b>	<b>\$ 224,451,881</b>	<b>\$ 227,106,614</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 7,563,883	\$ 7,545,231
Deferred revenue	1,651,313	2,346,850
Liability for gift annuity payments	2,733,630	3,305,002
<b>TOTAL LIABILITIES</b>	<b>11,948,826</b>	<b>13,197,083</b>
<b>NET ASSETS:</b>		
Unrestricted-		
General operating - undesignated	2,613,181	3,281,529
Board Designated-		
Operating	690,443	603,423
Capital expenditures	75,491,448	77,365,318
Long-term investment	1,085,029	745,132
Total Board designated	77,266,920	78,713,873
Total unrestricted	79,880,101	81,995,402
Temporarily restricted	54,390,248	55,064,967
Permanently restricted	78,232,706	76,849,162
<b>TOTAL NET ASSETS</b>	<b>212,503,055</b>	<b>213,909,531</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 224,451,881</b>	<b>\$ 227,106,614</b>

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

**MISSOURI BOTANICAL GARDEN**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2015

	Unrestricted			
	General Operating	Board Designated	Total	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>				
Public support-				
Services provided for Botanical Garden Subdistrict	\$ 10,600,000	\$ -	\$ 10,600,000	\$ 10,600,000
Contributions and memberships	7,137,981	34,460	7,172,441	20,984,829
Bequests	594,931	-	594,931	669,931
Revenues-				
Admissions	6,049,968	-	6,049,968	6,049,968
Grants and contracts	-	7,602,268	7,602,268	7,652,865
Retail shops	2,399,429	-	2,399,429	2,399,429
Education	528,627	-	528,627	528,627
Property rentals	495,152	-	495,152	495,152
Overhead recovered from grants and contracts	183,890	(183,890)	-	-
Interest and dividend income, net-				
Endowment	-	-	-	2,546,322
Other investments	5,987	36,446	42,433	42,433
Net realized investment gains (losses)-				
Endowment	-	-	-	399,721
Other investments	(5,522)	33,037	27,515	27,359
Net unrealized investment gains (losses)-				
Endowment	-	-	-	(5,033,711)
Appropriated investment income	3,646,572	(3,721,572)	(75,000)	(75,000)
Other investments	-	(41,521)	(41,521)	(41,521)
Net loss on property retirements	-	(778,860)	(778,860)	(778,860)
Other	941,375	(340,485)	600,890	600,890
Net assets released from restrictions	-	12,022,231	12,022,231	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>\$ 32,578,390</b>	<b>\$ 14,662,114</b>	<b>\$ 47,240,504</b>	<b>\$ 47,068,434</b>
			Temporarily Restricted	Permanently Restricted
			\$ 12,453,844	\$ 1,358,544
			50,000	25,000
			-	-
			50,597	-
			-	-
			-	-
			-	-
			-	-
			2,546,322	-
			-	-
			399,721	-
			(156)	-
			(5,033,711)	-
			-	-
			-	-
			-	-
			-	-
			-	-
			(12,022,231)	-
			\$ (1,555,614)	\$ 1,383,544
			\$ 47,240,504	\$ 47,068,434

(Continued on following page)

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

**MISSOURI BOTANICAL GARDEN**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2015

(Continued from previous page)

	Unrestricted				Total
	General Operating	Board Designated	Temporarily Restricted	Permanently Restricted	
<b>EXPENSES:</b>					
Operating services-					
Horticulture	\$ 3,233,784	\$ 290,665	\$ -	\$ -	\$ 3,524,449
Science and conservation	5,085,565	4,449,665	-	-	9,535,230
Retail shops	2,248,695	-	-	-	2,248,695
Education	1,308,427	1,521,565	-	-	2,829,992
Earthways/Sustainability	353,851	1,102,971	-	-	1,456,822
Butterfly House-general	1,133,091	-	-	-	1,133,091
Shaw Nature Reserve-general	779,640	223,494	-	-	1,003,134
Visitor services	463,355	2,935	-	-	466,290
Public events	579,689	122,232	-	-	701,921
Major exhibits	3,085,985	1,526,233	-	-	3,085,985
Professional services	-	768,696	-	-	806,944
Bioinformatics	-	50,597	-	-	50,597
Neighborhood improvements	-	-	-	-	-
<b>TOTAL OPERATING SERVICES</b>	<b>18,310,330</b>	<b>10,059,053</b>	<b>-</b>	<b>-</b>	<b>28,369,383</b>
Supporting Services-					
Administrative	6,778,233	121,249	-	-	6,899,482
Maintenance and improvements	3,315,760	4,820	-	-	3,320,580
Depreciation	-	4,680,011	-	-	4,680,011
Utilities	837,680	-	-	-	837,680
Security	738,044	-	-	-	738,044
Institutional advancement/fund raising	1,490,621	1,702,150	-	-	3,192,771
<b>TOTAL SUPPORTING SERVICES</b>	<b>13,160,338</b>	<b>6,508,230</b>	<b>-</b>	<b>-</b>	<b>19,668,568</b>
<b>CHANGE IN VALUE OF ANNUITY AGREEMENTS</b>	<b>-</b>	<b>-</b>	<b>(369,848)</b>	<b>-</b>	<b>(369,848)</b>
<b>TOTAL EXPENSES</b>	<b>31,470,668</b>	<b>16,567,283</b>	<b>48,037,951</b>	<b>(369,848)</b>	<b>47,668,103</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>1,107,722</b>	<b>(1,905,169)</b>	<b>(797,447)</b>	<b>1,185,766</b>	<b>(599,669)</b>
<b>PROPERTY TRANSFERS</b>	<b>(517,817)</b>	<b>(368,242)</b>	<b>886,059</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS OF FUNDS</b>	<b>(454,907)</b>	<b>829,919</b>	<b>(375,012)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT</b>	<b>134,998</b>	<b>(1,443,492)</b>	<b>(674,719)</b>	<b>1,383,544</b>	<b>(599,669)</b>
<b>MINIMUM PENSION LIABILITY ADJUSTMENT</b>	<b>(803,346)</b>	<b>(3,461)</b>	<b>(806,807)</b>	<b>-</b>	<b>(806,807)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(668,348)</b>	<b>(1,446,953)</b>	<b>(2,115,301)</b>	<b>(674,719)</b>	<b>(1,406,476)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>3,281,529</b>	<b>78,713,873</b>	<b>81,995,402</b>	<b>55,064,967</b>	<b>213,909,531</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,613,181</b>	<b>\$ 77,266,920</b>	<b>\$ 79,880,101</b>	<b>\$ 54,390,248</b>	<b>\$ 212,503,055</b>

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			
	General Operating	Board Designated	Total	Total
<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	6,864,289	-	6,864,289	11,574,483
Bequests	800,251	-	800,251	1,028,039
Revenues-				
Admissions	3,592,725	-	3,592,725	3,592,725
Grants and contracts	-	8,590,317	8,590,317	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	1,824,057
Other investments	6,822	41,212	48,034	48,034
Net realized investment gains (losses)-				
Endowment	-	-	-	488,639
Other investments	(8,025)	(16,203)	(24,228)	(3,316)
Net unrealized investment gains (losses)-				
Endowment	-	1,891	1,891	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	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>\$ 29,033,620</b>	<b>\$ 14,305,150</b>	<b>\$ 43,338,770</b>	<b>\$ 44,717,103</b>
			<b>\$ (227,723)</b>	<b>\$ 1,606,056</b>
				<b>\$ 1,606,056</b>

(continued on following page)

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  
(Continued from previous page)

	General Operating	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	Total
		Board Designated	Total				
<b>EXPENSES:</b>							
Operating services-	\$ 3,172,889	\$ 144,290	\$ 3,317,179	\$ -	\$ -	\$ -	\$ 3,317,179
Horticulture	3,971,513	4,933,435	8,904,948	-	-	-	8,904,948
Science and conservation	2,206,437	-	2,206,437	-	-	-	2,206,437
Retail shops	1,280,822	1,506,553	2,787,375	-	-	-	2,787,375
Education	301,808	1,107,984	1,409,792	-	-	-	1,409,792
Earthways/Sustainability	992,444	-	992,444	-	-	-	992,444
Butterfly House-general	774,863	221,882	996,745	-	-	-	996,745
Shaw Nature Reserve-general	426,153	20	426,173	-	-	-	426,173
Visitor services	641,275	110,793	752,068	-	-	-	752,068
Public events	1,502,243	-	1,502,243	-	-	-	1,502,243
Major exhibits	8,012	1,476,255	1,476,255	-	-	-	1,476,255
Professional services	-	921,306	929,318	-	-	-	929,318
Bioinformatics	-	47,245	47,245	-	-	-	47,245
Neighborhood improvements	-	10,469,763	25,748,222	-	-	-	25,748,222
<b>TOTAL OPERATING SERVICES</b>	<b>15,278,459</b>	<b>10,469,763</b>	<b>25,748,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,748,222</b>
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
Institutional advancement/fund raising	1,909,700	737,531	2,647,231	-	-	-	2,647,231
<b>TOTAL SUPPORTING SERVICES</b>	<b>13,590,014</b>	<b>5,790,221</b>	<b>19,380,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,380,235</b>
<b>CHANGE IN VALUE OF ANNUITY AGREEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>310,949</b>	<b>-</b>	<b>-</b>	<b>310,949</b>
<b>TOTAL EXPENSES</b>	<b>28,868,473</b>	<b>16,259,984</b>	<b>45,128,457</b>	<b>310,949</b>	<b>-</b>	<b>-</b>	<b>45,439,406</b>
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
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,281,529</b>	<b>\$ 78,713,873</b>	<b>\$ 81,995,402</b>	<b>\$ 55,064,967</b>	<b>\$ 76,849,162</b>	<b>\$ -</b>	<b>\$ 213,909,531</b>

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, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATIONS:</b>		
Change in net assets	\$ (1,406,476)	\$ (888,050)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	4,680,011	4,654,779
(Gain) loss on property retirements	778,860	(264,821)
Net realized gains on investments	(427,080)	(485,323)
Net unrealized (gains) losses on investments	5,075,232	(2,890,205)
Net unrealized losses on investments- Annuity fund	278,111	121,404
Change in assets and liabilities-		
Receivables	(2,868,639)	5,631,104
Inventories, prepayments and other assets	922,373	(680,404)
Accounts payable and accrued liabilities	18,652	(349,154)
Deferred revenue	(695,537)	(798,293)
Liability for gift annuity payments	(571,372)	(145,589)
Contributions and investment income restricted for long-term purposes	(10,466,617)	(8,576,758)
<b>NET CASH FROM OPERATIONS</b>	<b>(4,682,482)</b>	<b>(4,671,310)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	20,560,181	17,419,488
Purchases of investments	(22,955,100)	(23,759,038)
Purchases of property	(4,431,887)	(2,154,677)
Sale of property	5,200	452,048
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(6,821,606)</b>	<b>(8,042,179)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions and investment income restricted for long-term purposes	10,466,617	8,576,758
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>10,466,617</b>	<b>8,576,758</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,037,471)</b>	<b>(4,136,731)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>8,797,246</b>	<b>12,933,977</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 7,759,775</b>	<b>\$ 8,797,246</b>

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, 2015 and 2014.

**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 3.96% at December 31, 2015 and 2014). 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, 2015 and 2014 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 receivables from related entities, 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. Inventory is stated net of an allowance of \$465,000 and \$- at December 31, 2015 and 2014, respectively.

**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, 2015.

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 \$448,000 and \$309,000 for the years ended December 31, 2015 and 2014, 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.

**New accounting pronouncement** – In May 2015, the FASB issued ASC 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 affects only the Garden's disclosures and requires retrospective application. The Garden elected to early adopt this guidance during the period. Refer to the asset disclosures in Note 5 of the Notes to Consolidated Financial Statements for more information.

**Reclassifications** – Certain items in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation.

**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.

**MISSOURI BOTANICAL GARDEN**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2) Pledges receivable**

Pledges receivable are due as follows:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Less than one year	\$ 5,144,740	\$ 4,087,350
One to five years	10,244,415	8,740,635
Pledge discounts	(864,524)	(653,098)
	\$ 14,524,631	\$ 12,174,887

**(3) Investments**

Investment income on the consolidated statements of activities is shown net of investment, custodian, advisory and management fees of \$316,480 and \$297,573 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 are \$183,663 and \$176,451, respectively.

This conflict of interest was approved at the Garden Board of Trustees regular meetings held on March 25, 2015 and March 13, 2014.

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:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Equities	\$ 23,380,433	\$ 26,696,081
Bonds	17,776,263	17,338,037
Mutual funds	56,260,795	58,154,158
Commercial paper	9,318,302	8,563,654
Real estate funds and other	12,338,012	10,853,219
	\$ 119,073,805	\$ 121,605,149

**(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

## MISSOURI BOTANICAL GARDEN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (4) Endowment (continued)

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
- 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.



MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Endowment (continued)

The changes in endowment net assets for the years ended December 31, 2015 and 2014 are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	\$ 745,132	\$ 47,450,144	\$ 76,285,949	\$ 124,481,225
Contributions	-	-	1,383,544	1,383,544
Investment return:				
Investment income, including realized gains	-	2,945,887	-	2,945,887
Net appreciation	-	(5,033,711)	-	(5,033,711)
Net assets released from restriction	4,872,340	(4,872,340)	-	-
Amounts transferred to (from) endowment	378,396	-	-	378,396
Amounts appropriated	(4,910,839)	-	-	(4,910,839)
Endowment net assets, December 31, 2015	<u>\$ 1,085,029</u>	<u>\$ 40,489,980</u>	<u>\$ 77,669,493</u>	<u>\$ 119,244,502</u>

	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>

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, 2015 and 2014.

# MISSOURI BOTANICAL GARDEN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (5) Fair value measurements

The 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 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 (NAV), 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.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value measurements (continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2015 and 2014 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, 2015</u>				
Investments:				
Equities	\$ 23,380,433	\$ 23,380,433	\$ -	\$ -
Bonds:				
Government	1,473,182	-	1,473,182	-
Corporate	8,052,235	-	8,052,235	-
Other	3,895,639	747,000	3,148,639	-
Foreign	4,355,207	4,041,056	314,151	-
Fixed mutual funds	9,599,283	9,599,283	-	-
Equity mutual funds	46,661,512	46,661,512	-	-
Commercial paper	9,318,302	9,318,302	-	-
Total investments at Fair Value	<u>\$ 106,735,793</u>	<u>\$ 93,747,586</u>	<u>\$ 12,988,207</u>	<u>\$ -</u>
Investments reported at NAV	<u>12,338,012</u>			
Total investments	<u>\$ 119,073,805</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, 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	-	-
Total investments at Fair Value	\$ 110,751,930	\$ 98,898,349	\$ 11,853,581	\$ -
Investments reported at NAV	10,853,219			
Total investments	\$ 121,605,149			

(6) Property and equipment

Property and equipment, consists of the following at:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
<u>Nondepreciable:</u>		
Land	\$ 6,619,835	\$ 4,180,556
Construction in progress	1,307,522	1,298,610
Fountains, sculptures, gardens and other	3,078,082	3,078,082
<u>Depreciable:</u>		
Buildings, gardens and other structures	138,866,153	138,017,997
Furniture, office and data processing equipment	5,493,901	5,945,023
Other	4,299,966	4,488,621
Less - accumulated depreciation	(82,458,155)	(78,769,401)
	\$ 77,207,304	\$ 78,239,488

Depreciation expense for the years ended December 31, 2015 and 2014 was \$4,680,011 and \$4,654,779 respectively.

**MISSOURI BOTANICAL GARDEN**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(7) Line of credit**

The Garden maintains an unsecured line of credit at December 31, 2015 and 2014 for \$5,000,000 which expires on April 24, 2016. The line of credit bears interest of 1.50% above the LIBOR index. The line of credit was not used in 2015 or 2014.

**(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:

	<b>Years Ending December 31,</b>	
	<b>2015</b>	<b>2014</b>
Program services:		
Horticulture	\$ 4,864,799	\$ 4,756,990
Research	13,161,482	12,770,111
Education	8,865,724	8,871,523
Other programs	12,266,268	10,525,529
Support services:		
Management and general support	6,876,191	6,439,237
Fundraising	2,003,487	1,765,067
	48,037,951	45,128,457
Change in value of annuity agreements	(369,848)	310,949
	\$ 47,668,103	\$ 45,439,406

**(9) Restricted net assets**

Temporarily restricted net assets consist of:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Property and equipment	\$ 12,429,703	\$ 6,682,109
Research and education	41,960,545	48,382,858
	\$ 54,390,248	\$ 55,064,967

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Restricted net assets (continued)

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,	
	2015	2014
Research and education	\$ 4,872,340	\$ 4,482,548
Property and equipment	5,945,963	3,198,491
General operating	1,203,928	1,123,442
	<u>\$ 12,022,231</u>	<u>\$ 8,804,481</u>

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

(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, 2015 and 2014 were \$938,887 and \$839,228, 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*:

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

Change in benefit obligation during year:

	December 31,	
	2015	2014
Projected Benefit Obligation (PBO) at beginning of year	\$ 11,452,939	\$ 11,227,423
Interest cost	398,134	390,161
Benefits paid	(343,615)	(392,015)
Actuarial loss	248,774	227,370
PBO at end of year	<u>\$ 11,756,232</u>	<u>\$ 11,452,939</u>
<b>Accumulated benefit obligation at end of year</b>	<u>\$ 11,756,232</u>	<u>\$ 11,452,939</u>

Change in plan assets during year:

	December 31,	
	2015	2014
Fair value of plan assets at beginning of year	\$ 8,664,948	\$ 8,178,676
Actual return on plan assets	(159,899)	451,784
Employer contributions	423,947	426,503
Benefits paid	(343,615)	(392,015)
Fair value of plan assets at end of year	<u>\$ 8,585,381</u>	<u>\$ 8,664,948</u>
<b>Funded status at end of year- (Assets less PBO)</b>	<u>\$ (3,170,851)</u>	<u>\$ (2,787,991)</u>

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

	December 31,	
	2015	2014
Liabilities	<u>\$ 3,170,851</u>	<u>\$ 2,787,991</u>

ASC 715 amounts recognized in Unrestricted Net Assets consist of:

	December 31,	
	2015	2014
Increase (decrease) during year	\$ 649,493	\$ 6,610
Beginning of year actuarial net loss	3,961,213	3,954,603
Total	<u>\$ 4,610,706</u>	<u>\$ 3,961,213</u>

**MISSOURI BOTANICAL GARDEN**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

	<b>Pension Benefits</b>	
	<b>2015</b>	<b>2014</b>
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.

<b>Asset Class</b>	<b>Approximate % of Total Portfolio</b>	<b>Actuary's Capital Market Assumptions</b>	
		<b>30 Year Nominal Return</b>	<b>Annual Standard Deviation</b>
Core Fixed Income	53%	5%	5%
Mid-Cap US Equity	8%	8%	19%
Large-Cap US Equity	14%	7%	16%
Small-Cap US Equity	1%	9%	21%
Developed International Equity	6%	8%	19%
Cash	11%	3%	2%
Hedge Funds	4%	4%	8%
Infrastructure	1%	7%	15%
Real Estate	2%	6%	12%

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, 2015 and 2014 using quoted market prices in active markets for identical assets Level 1, Level 2 and Level 3, as defined in Note 5:



MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

	Investments at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 962,783	\$ -	\$ -	\$ 962,783
Mutual funds:				
Equity	2,514,754	-	-	2,514,754
Fixed	4,573,782	-	-	4,573,782
Real estate	175,165	-	-	175,165
Hedge funds	295,163	-	-	295,163
Infrastructure	63,734	-	-	63,734
Total investments at fair value	<u>\$ 8,585,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,585,381</u>

	Investments at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
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>

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

# MISSOURI BOTANICAL GARDEN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (10) Retirement plans (continued)

causes the portfolio weightings to change significantly, the portfolios are rebalanced immediately following the change.

#### Cash Flows

##### **Contributions**

The Garden expects to contribute \$294,058 to the Plan in 2016 because the estimated 2015 remaining required contributions and the estimated 2016 total required quarterly contributions are \$99,730 and \$194,328, 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>
2016	\$ 663,024
2017	672,939
2018	741,471
2019	745,220
2020	757,685
Years 2021-2025	<u>3,781,172</u>
Total	<u>\$ 7,361,511</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, 2015, six donors comprise over 85% of the pledge receivables 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, 2015 and 2014, the Garden received \$526,510 and \$1,669,419, 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, 2015 and 2014, \$4,242,365 and \$3,615,183, respectively, were received from immediate family

## MISSOURI BOTANICAL GARDEN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (12) Related party transactions (continued)

members of the Trustees, or from companies in which Trustees serve as a director or officer. At December 31, 2015 and 2014, pledges receivable, gross, of \$10,791,423 and \$13,448,466, 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 3.97¢ and 3.99¢ on each \$100 of assessed valuation at December 31, 2015 and 2014, respectively.

#### (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, 2015 and 2014, the Garden has a receivable from GDC of \$390,170 and \$361,479 (net of an allowance and discount totaling \$114,747 and \$182,384), respectively, included in other receivables in the consolidated statements of financial position. During the years ended December 31, 2015 and 2014, the Garden received \$50,597 and \$47,245, 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, 2015 and 2014, the Garden has a contract receivable (payable)

## MISSOURI BOTANICAL GARDEN

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

from CPC of \$28,833 and (\$12,884), 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, 2015 and 2014, the Garden has a contract receivable from Solid Waste Management of \$42,047 and \$31,888, 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, 2015 and 2014, the Garden has a contract receivable from BSA of \$49,797 and \$23,606, 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, 2015 and 2014, the Garden has a contract receivable from GBC of \$48,175 and \$46,604, 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 28, 2016, 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, 2015

ASSETS:	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
Cash and cash equivalents	7,759,775	1,275,861	-	95,807	-	-	7,759,775
Grants receivable	134,263	-	8,798,908	-	5,591,460	-	14,524,631
Pledges receivable, net	2,339,939	388,707	250,769	-	24,031	4,838	3,008,284
Other receivables, net	1,477,777	-	-	100	28,537	-	1,506,414
Inventories, prepayments and other assets	747,018	44,888	110,964,435	-	5,205,399	2,112,065	119,073,805
Property and equipment, net of accumulated depreciation	-	-	-	77,207,304	-	-	77,207,304
Interfund receivables (payables)	(2,389,797)	2,042,865	(769,610)	1,669,736	(1,193,919)	640,725	-
<b>TOTAL ASSETS</b>	<b>\$ 10,068,975</b>	<b>\$ 3,752,321</b>	<b>\$ 119,244,502</b>	<b>\$ 78,972,947</b>	<b>\$ 9,655,508</b>	<b>\$ 2,757,628</b>	<b>\$ 224,451,881</b>
<b>LIABILITIES:</b>							
Accounts payable and accrued liabilities	7,455,794	-	-	96,556	-	11,533	7,563,883
Deferred revenue	-	1,591,313	-	60,000	-	-	1,651,313
Liability for gift annuity payments	-	-	-	-	-	2,733,630	2,733,630
<b>TOTAL LIABILITIES</b>	<b>7,455,794</b>	<b>1,591,313</b>	<b>-</b>	<b>156,556</b>	<b>-</b>	<b>2,745,163</b>	<b>11,948,826</b>
<b>NET ASSETS:</b>							
Unrestricted-							
General operating - undesignated	2,613,181	-	-	-	-	-	2,613,181
Board Designated-							
Operating	-	690,443	-	-	-	-	690,443
Capital expenditures	-	-	-	76,453,260	(961,812)	-	75,491,448
Long-term investment	-	-	1,085,029	-	-	-	1,085,029
Total Board designated	-	690,443	1,085,029	76,453,260	(961,812)	-	77,266,920
Total unrestricted	2,613,181	690,443	1,085,029	76,453,260	(961,812)	-	79,880,101
Temporarily restricted	-	1,470,565	40,489,980	1,812,383	10,617,320	-	54,390,248
Permanently restricted	-	-	77,669,493	550,748	-	12,465	78,232,706
<b>TOTAL NET ASSETS</b>	<b>2,613,181</b>	<b>2,161,008</b>	<b>119,244,502</b>	<b>78,816,391</b>	<b>9,655,508</b>	<b>12,465</b>	<b>212,503,055</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,068,975</b>	<b>\$ 3,752,321</b>	<b>\$ 119,244,502</b>	<b>\$ 78,972,947</b>	<b>\$ 9,655,508</b>	<b>\$ 2,757,628</b>	<b>\$ 224,451,881</b>

See Independent Auditors' Report on Supplemental Information  
-29-

MISSOURI BOTANICAL GARDEN

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	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	\$ 10,600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,600,000
Contributions and memberships	7,137,981	1,377,097	1,358,544	-	11,106,043	5,164	20,984,829
Bequests	594,931	-	25,000	-	50,000	-	669,931
Revenues-							
Admissions	6,049,968	-	-	-	-	-	6,049,968
Grants and contracts	-	7,587,268	-	65,597	-	-	7,652,865
Retail shops	2,399,429	-	-	-	-	-	2,399,429
Education	528,627	-	-	-	-	-	528,627
Property rentals	495,152	-	-	-	-	-	495,152
Overhead recovered from grants and contracts	183,890	(183,890)	-	-	-	-	-
Interest and dividend income, net-							
Endowment	-	-	2,546,322	-	-	-	2,546,322
Other investments	5,987	(650)	-	-	38,035	(939)	42,433
Net realized investment gains (losses)-							
Endowment	-	-	399,721	-	-	-	399,721
Other investments	(5,522)	13	(156)	-	38,006	(4,982)	27,359
Net unrealized investment gains-							
Endowment	-	-	(5,033,711)	-	-	-	(5,033,711)
Appropriated investment income	3,646,572	1,189,267	(4,910,839)	-	-	-	(75,000)
Other investments	-	(5)	-	-	(68,799)	27,283	(41,521)
Net gain on property retirements	-	-	-	(778,860)	-	-	(778,860)
Other	941,375	-	-	-	17,390	(357,875)	600,890
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>\$ 32,578,390</b>	<b>\$ 9,969,100</b>	<b>\$ (5,615,119)</b>	<b>\$ (713,263)</b>	<b>\$ 11,180,675</b>	<b>\$ (331,349)</b>	<b>\$ 47,068,434</b>

(Continued on following page)

MISSOURI BOTANICAL GARDEN

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

(Continued from previous page)

	Unrestricted Operating	Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
<b>EXPENSES</b>							
Operating services-							
Horticulture	\$ 3,233,784	\$ 195,487	\$ -	\$ -	\$ 91,178	\$ -	\$ 3,524,449
Science and conservation	5,085,565	4,379,121	-	-	70,544	-	9,535,230
Retail shops	2,248,695	-	-	-	-	-	2,248,695
Education	1,308,427	1,521,525	-	-	40	-	2,829,992
Earthways/Sustainability	353,851	1,102,971	-	-	-	-	1,456,822
Butterfly House-general	1,133,091	-	-	-	-	-	1,133,091
Shaw Nature Reserve-general	779,640	215,486	-	7,859	149	-	1,003,134
Visitor services	463,355	2,935	-	-	-	-	466,290
Public events	579,689	122,232	-	-	-	-	701,921
Major exhibits	3,085,985	-	-	-	-	-	3,085,985
Professional services	-	1,526,233	-	-	-	-	1,526,233
Bioinformatics	38,248	555,638	-	-	213,058	-	806,944
Neighborhood improvements	-	-	-	50,597	-	-	50,597
<b>TOTAL OPERATING SERVICES</b>	<b>18,310,330</b>	<b>9,625,628</b>	<b>-</b>	<b>58,456</b>	<b>374,969</b>	<b>-</b>	<b>28,369,383</b>
Supporting services-							
Administrative	6,778,233	113,425	-	(1,000)	8,824	-	6,899,482
Maintenance and improvements	3,315,760	-	-	-	4,820	-	3,320,580
Depreciation	-	-	-	4,680,011	-	-	4,680,011
Utilities	837,680	-	-	-	-	-	837,680
Security	738,044	-	-	-	-	-	738,044
Institutional Advancement/fund raising	1,490,621	-	-	-	1,702,149	-	3,192,771
<b>TOTAL SUPPORTING SERVICES</b>	<b>13,160,338</b>	<b>113,425</b>	<b>-</b>	<b>4,679,012</b>	<b>1,715,793</b>	<b>-</b>	<b>19,668,568</b>
<b>CHANGE IN VALUE OF ANNUITY AGREEMENTS</b>							
<b>TOTAL EXPENSES</b>	<b>31,470,668</b>	<b>9,739,053</b>	<b>-</b>	<b>4,737,468</b>	<b>2,090,762</b>	<b>(369,848)</b>	<b>(369,848)</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	<b>1,107,722</b>	<b>230,047</b>	<b>(5,615,119)</b>	<b>(5,450,731)</b>	<b>9,089,913</b>	<b>38,499</b>	<b>(599,669)</b>
<b>PROPERTY TRANSFERS</b>	<b>(517,817)</b>	<b>(26,695)</b>	<b>-</b>	<b>4,323,575</b>	<b>(3,779,063)</b>	<b>-</b>	<b>-</b>
<b>TRANSFERS OF FUNDS</b>	<b>(454,907)</b>	<b>424,980</b>	<b>378,396</b>	<b>139,345</b>	<b>(449,315)</b>	<b>(38,499)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT</b>	<b>134,998</b>	<b>628,332</b>	<b>(5,236,723)</b>	<b>(987,811)</b>	<b>4,861,535</b>	<b>-</b>	<b>(599,669)</b>
<b>MINIMUM PENSION LIABILITY ADJUSTMENT</b>	<b>(803,346)</b>	<b>(3,461)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(806,807)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(668,348)</b>	<b>624,871</b>	<b>(5,236,723)</b>	<b>(987,811)</b>	<b>4,861,535</b>	<b>-</b>	<b>(1,406,476)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>3,281,529</b>	<b>1,596,137</b>	<b>124,481,225</b>	<b>79,804,202</b>	<b>4,793,973</b>	<b>12,465</b>	<b>213,909,531</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,613,181</b>	<b>\$ 2,161,008</b>	<b>\$ 119,244,502</b>	<b>\$ 78,816,391</b>	<b>\$ 9,655,508</b>	<b>\$ 12,465</b>	<b>\$ 212,503,055</b>

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