

# The New York Botanical Garden

Consolidated Financial Statements as of and  
for the Years Ended June 30, 2014 and 2013,  
and Independent Auditors' Report

# THE NEW YORK BOTANICAL GARDEN

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Managers of  
The New York Botanical Garden:

We have audited the accompanying consolidated financial statements of The New York Botanical Garden (the "Garden"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated 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 auditor's 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 Garden'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 Garden'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 Garden as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

November 11, 2014

# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2014

|   | Supplemental Fund Information |                     |                                |                           |               |
|---|-------------------------------|---------------------|--------------------------------|---------------------------|---------------|
|   | General<br>Operations         | Special<br>Programs | Endowment and<br>Similar Funds | Building and<br>Equipment | Total         |
| ASSETS  |                               |                     |                                |                           |               |
| CASH AND CASH EQUIVALENTS                               | \$ 14,454,309                 | \$ 300              | \$ -                           | \$ 7,724                  | \$ 14,462,333 |
| ACCOUNTS RECEIVABLE AND INVESTMENT<br>INCOME RECEIVABLE | 885,731                       | 124,671             | 193,437                        |                           | 1,203,839     |
| GRANTS AND CONTRACTS RECEIVABLE                         | 1,486,000                     | 1,047,937           |                                | 574,335                   | 3,108,272     |
| PLEDGES RECEIVABLE                                      |                               | 7,239,519           | 29,566,832                     | 4,899,089                 | 41,705,440    |
| INVENTORIES   | 1,004,066                     | 1,349               |                                |                           | 1,005,415     |
| PREPAID EXPENSES AND OTHER ASSETS                       | 842,849                       | 37,660              |                                | 867,150                   | 1,747,659     |
| LONG-TERM INVESTMENTS                                   | 300,755                       | 3,950,014           | 340,345,980                    |                           | 344,596,749   |
| FIXED ASSETS  |                               |                     |                                | 211,539,228               | 211,539,228   |
| DUE (TO) FROM OTHER FUNDS                               | (12,288,509)                  | 6,216,005           | (2,518,241)                    | 8,590,745                 | -             |
| TOTAL ASSETS  | \$ 6,685,201                  | \$18,617,455        | \$367,588,008                  | \$226,478,271             | \$619,368,935 |
| LIABILITIES AND NET ASSETS                              |                               |                     |                                |                           |               |
| LIABILITIES:  |                               |                     |                                |                           |               |
| Accounts payable  | \$ 1,541,708                  | \$ 374,514          | \$ -                           | \$ 122,151                | \$ 2,038,373  |
| Accrued expenses and other liabilities                  | 1,363,605                     | 1,818,542           |                                | 204,606                   | 3,386,753     |
| Loans payable   |                               |                     |                                | 4,374,995                 | 4,374,995     |
| Deferred income and refundable advances                 | 498,124                       | 160,351             |                                |                           | 658,475       |
| Accrued vacation liability                              | 1,927,313                     | 379,551             |                                |                           | 2,306,864     |
| Conditional asset retirement obligation                 |                               |                     |                                | 2,493,722                 | 2,493,722     |
| Interest rate swap valuation liability                  |                               |                     |                                | 12,154,888                | 12,154,888    |
| Long-term debt  |                               |                     |                                | 68,090,000                | 68,090,000    |
| Total liabilities                                       | 5,330,750                     | 2,732,958           | -                              | 87,440,362                | 95,504,070    |
| COMMITMENTS AND CONTINGENCIES                           |                               |                     |                                |                           |               |
| NET ASSETS:   |                               |                     |                                |                           |               |
| Unrestricted:   |                               |                     |                                |                           |               |
| General operations                                      | 1,354,451                     |                     |                                |                           | 1,354,451     |
| Designated for special programs                         |                               | 3,968,690           |                                |                           | 3,968,690     |
| Nonoperating:   |                               |                     |                                |                           |               |
| Funds functioning as endowment                          |                               |                     | 115,241,330                    |                           | 115,241,330   |
| Designated for land, buildings, and equipment           |                               |                     |                                | 582,059                   | 582,059       |
| Net investment in land, buildings, and equipment        |                               |                     |                                | 133,556,761               | 133,556,761   |
| Total unrestricted                                      | 1,354,451                     | 3,968,690           | 115,241,330                    | 134,138,820               | 254,703,291   |
| Temporarily restricted for the use of:                  |                               |                     |                                |                           |               |
| Program activities                                      |                               | 11,915,807          |                                |                           | 11,915,807    |
| Unexpended endowment return                             |                               |                     | 72,512,381                     |                           | 72,512,381    |
| Land, buildings, and equipment                          |                               |                     |                                | 4,899,089                 | 4,899,089     |
| Total temporarily restricted                            | -                             | 11,915,807          | 72,512,381                     | 4,899,089                 | 89,327,277    |
| Permanently restricted                                  |                               |                     | 179,834,297                    |                           | 179,834,297   |
| Total net assets  | 1,354,451                     | 15,884,497          | 367,588,008                    | 139,037,909               | 523,864,865   |
| TOTAL LIABILITIES AND NET ASSETS                        | \$ 6,685,201                  | \$18,617,455        | \$367,588,008                  | \$226,478,271             | \$619,368,935 |

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

## STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2013

|  | Supplemental Fund Information |                     |                             |                        |                      |
|--|-------------------------------|---------------------|-----------------------------|------------------------|----------------------|
|  | General Operations            | Special Programs    | Endowment and Similar Funds | Building and Equipment | Total                |
| <b>ASSETS</b>  |                               |                     |                             |                        |                      |
| CASH AND CASH EQUIVALENTS                            | \$ 8,402,311                  | \$ 300              | \$ -                        | \$ 7,724               | \$ 8,410,335         |
| ACCOUNTS RECEIVABLE AND INVESTMENT INCOME RECEIVABLE | 980,650                       | 61,456              | 87,797                      | 136,200                | 1,266,103            |
| GRANTS AND CONTRACTS RECEIVABLE                      | 1,486,000                     | 1,107,493           |                             | 2,107,177              | 4,700,670            |
| PLEDGES RECEIVABLE                                   |                               | 10,925,155          | 26,979,219                  | 4,382,298              | 42,286,672           |
| INVENTORIES  | 870,896                       | 1,782               |                             |                        | 872,678              |
| PREPAID EXPENSES AND OTHER ASSETS                    | 587,941                       | 29,294              |                             | 915,325                | 1,532,560            |
| LONG-TERM INVESTMENTS                                | 406,067                       | 3,706,835           | 302,681,016                 |                        | 306,793,918          |
| FIXED ASSETS   |                               |                     |                             | 214,891,095            | 214,891,095          |
| DUE (TO) FROM OTHER FUNDS                            | (6,032,539)                   | 2,253,059           | (3,805,680)                 | 7,585,160              | -                    |
| <b>TOTAL ASSETS</b>                                  | <u>\$ 6,701,326</u>           | <u>\$18,085,374</u> | <u>\$325,942,352</u>        | <u>\$230,024,979</u>   | <u>\$580,754,031</u> |
| <b>LIABILITIES AND NET ASSETS</b>                    |                               |                     |                             |                        |                      |
| <b>LIABILITIES:</b>                                  |                               |                     |                             |                        |                      |
| Accounts payable                                     | \$ 1,316,462                  | \$ 453,377          | \$ -                        | \$ 729,728             | \$ 2,499,567         |
| Accrued expenses and other liabilities               | 1,394,328                     | 1,790,430           |                             | 4,634,064              | 7,818,822            |
| Loans payable  |                               |                     |                             | 4,874,999              | 4,874,999            |
| Deferred income and refundable advances              | 775,916                       | 97,622              |                             |                        | 873,538              |
| Accrued vacation liability                           | 1,890,678                     | 430,725             |                             |                        | 2,321,403            |
| Conditional asset retirement obligation              |                               |                     |                             | 2,901,760              | 2,901,760            |
| Interest rate swap valuation liability               |                               |                     |                             | 12,213,302             | 12,213,302           |
| Long-term debt                                       |                               |                     |                             | 68,090,000             | 68,090,000           |
| <b>Total liabilities</b>                             | <u>5,377,384</u>              | <u>2,772,154</u>    | <u>-</u>                    | <u>93,443,853</u>      | <u>101,593,391</u>   |
| <b>COMMITMENTS AND CONTINGENCIES</b>                 |                               |                     |                             |                        |                      |
| <b>NET ASSETS:</b>                                   |                               |                     |                             |                        |                      |
| Unrestricted:  |                               |                     |                             |                        |                      |
| General operations                                   | 1,323,942                     |                     |                             |                        | 1,323,942            |
| Designated for special programs                      |                               | 3,922,936           |                             |                        | 3,922,936            |
| Nonoperating:  |                               |                     |                             |                        |                      |
| Funds functioning as endowment                       |                               |                     | 111,903,471                 |                        | 111,903,471          |
| Designated for land, buildings, and equipment        |                               |                     |                             | 2,114,900              | 2,114,900            |
| Net investment in land, buildings, and equipment     |                               |                     |                             | 130,083,928            | 130,083,928          |
| <b>Total unrestricted</b>                            | <u>1,323,942</u>              | <u>3,922,936</u>    | <u>111,903,471</u>          | <u>132,198,828</u>     | <u>249,349,177</u>   |
| Temporarily restricted for the use of:               |                               |                     |                             |                        |                      |
| Program activities                                   |                               | 11,390,284          |                             |                        | 11,390,284           |
| Unexpended endowment return                          |                               |                     | 51,593,855                  |                        | 51,593,855           |
| Land, buildings, and equipment                       |                               |                     |                             | 4,382,298              | 4,382,298            |
| <b>Total temporarily restricted</b>                  | <u>-</u>                      | <u>11,390,284</u>   | <u>51,593,855</u>           | <u>4,382,298</u>       | <u>67,366,437</u>    |
| Permanently restricted                               |                               |                     | 162,445,026                 |                        | 162,445,026          |
| <b>Total net assets</b>                              | <u>1,323,942</u>              | <u>15,313,220</u>   | <u>325,942,352</u>          | <u>136,581,126</u>     | <u>479,160,640</u>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>              | <u>\$ 6,701,326</u>           | <u>\$18,085,374</u> | <u>\$325,942,352</u>        | <u>\$230,024,979</u>   | <u>\$580,754,031</u> |

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

|  | Supplemental Fund Information |                     |                   | Total<br>Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total          |
|--|-------------------------------|---------------------|-------------------|-----------------------|---------------------------|---------------------------|----------------|
|  | General<br>Operations         | Special<br>Programs | Non-<br>Operating |                       |                           |                           |                |
| REVENUES, SUPPORT, AND GAINS:  |                               |                     |                   |                       |                           |                           |                |
| Appropriations—City of New York  | \$ 7,104,461                  | \$ -                | \$ 5,138,590      | \$ 12,243,051         | \$ 473,035                | \$ -                      | \$ 12,716,086  |
| Grants and contracts:  |                               |                     |                   |                       |                           |                           |                |
| Federal  | 801,661                       |                     |                   | 801,661               | 2,226,292                 | 50,000                    | 3,077,953      |
| State  | 1,455,011                     |                     |                   | 1,455,011             | 48,009                    |                           | 1,503,020      |
| Private gifts, grants, and bequests  | 6,163,980                     |                     | 4,489,150         | 10,653,130            | 8,054,754                 | 17,339,271                | 36,047,155     |
| Special events   | 3,167,272                     | 1,762,109           |                   | 4,929,381             |                           |                           | 4,929,381      |
| Less expenses incurred for special events                                  | (2,347,134)                   | (613,354)           |                   | (2,960,488)           |                           |                           | (2,960,488)    |
| Special events—net   | 820,138                       | 1,148,755           | -                 | 1,968,893             | -                         | -                         | 1,968,893      |
| Net investment return (losses) and endowment income not used in operations | (10,546)                      | 48,065              | 6,365,799         | 6,403,318             | 23,691,060                |                           | 30,094,378     |
| Endowment income used in operations  | 1,296,451                     |                     |                   | 1,296,451             | 13,444,538                |                           | 14,740,989     |
| Tuition fees   | 1,925,434                     | 494,607             |                   | 2,420,041             |                           |                           | 2,420,041      |
| Membership income  | 4,260,161                     |                     |                   | 4,260,161             |                           |                           | 4,260,161      |
| Scientific publications  | 201,969                       | 52,227              |                   | 254,196               |                           |                           | 254,196        |
| Admissions and tours   | 7,076,822                     | 84,584              |                   | 7,161,406             |                           |                           | 7,161,406      |
| Auxiliary enterprises  | 3,840,181                     | 28,858              | 600,000           | 4,469,039             |                           |                           | 4,469,039      |
| Other income   | 148,079                       | 13,192              | 413,948           | 575,219               |                           |                           | 575,219        |
| Net assets released from restrictions                                      | 9,736,100                     | 15,652,772          | 587,976           | 25,976,848            | (25,976,848)              |                           | -              |
| Total revenues, support, and gains   | 44,819,902                    | 17,523,060          | 17,595,463        | 79,938,425            | 21,960,840                | 17,389,271                | 119,288,536    |
| EXPENSES AND OTHER DEDUCTIONS:   |                               |                     |                   |                       |                           |                           |                |
| Program services   | 32,291,309                    | 16,725,409          | 11,485,776        | 60,502,494            |                           |                           | 60,502,494     |
| Management and general   | 8,905,838                     | 503,244             | 867,197           | 10,276,279            |                           |                           | 10,276,279     |
| Fundraising  | 3,258,988                     | 26,832              | 578,132           | 3,863,952             |                           |                           | 3,863,952      |
| Total expenses and other deductions  | 44,456,135                    | 17,255,485          | 12,931,105        | 74,642,725            | -                         | -                         | 74,642,725     |
| INCREASE BEFORE TRANSFERS AND NONOPERATING LOSS                            | 363,767                       | 267,575             | 4,664,358         | 5,295,700             | 21,960,840                | 17,389,271                | 44,645,811     |
| TRANSFERS FOR LAND, BUILDINGS, AND EQUIPMENT                               | (333,258)                     | (221,821)           | 555,079           |                       |                           |                           |                |
| NONOPERATING GAINS (LOSSES):   |                               |                     |                   |                       |                           |                           |                |
| Gain on valuation of interest rate swaps                                   |                               |                     | 58,414            | 58,414                |                           |                           | 58,414         |
| CHANGES IN NET ASSETS  | 30,509                        | 45,754              | 5,277,851         | 5,354,114             | 21,960,840                | 17,389,271                | 44,704,225     |
| NET ASSETS—Beginning of year   | 1,323,942                     | 3,922,936           | 244,102,299       | 249,349,177           | 67,366,437                | 162,445,026               | 479,160,640    |
| NET ASSETS—End of year   | \$ 1,354,451                  | \$ 3,968,690        | \$ 249,380,150    | \$ 254,703,291        | \$ 89,327,277             | \$ 179,834,297            | \$ 523,864,865 |

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

|  | Supplemental Fund Information |                     |                   |                       |                           |                           |                |
|--|-------------------------------|---------------------|-------------------|-----------------------|---------------------------|---------------------------|----------------|
|  | General<br>Operations         | Special<br>Programs | Non-<br>Operating | Total<br>Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total          |
| REVENUES, SUPPORT, AND GAINS:  |                               |                     |                   |                       |                           |                           |                |
| Appropriations—City of New York  | \$ 6,776,053                  | \$ -                | \$ 2,918,504      | \$ 9,694,557          | \$ 361,570                | \$ -                      | \$ 10,056,127  |
| Grants and contracts:  |                               |                     |                   |                       |                           |                           |                |
| Federal  | 701,087                       |                     |                   | 701,087               | 3,834,716                 | 150,000                   | 4,685,803      |
| State  | 1,459,319                     |                     |                   | 1,459,319             | 762,545                   |                           | 2,221,864      |
| Private gifts, grants, and bequests  | 6,480,300                     |                     | 6,346,301         | 12,826,601            | 13,690,369                | 4,194,140                 | 30,711,110     |
| Special events   | 3,212,920                     | 1,652,876           |                   | 4,865,796             |                           |                           | 4,865,796      |
| Less expenses incurred for special events                                  | (2,398,331)                   | (692,372)           |                   | (3,090,703)           |                           |                           | (3,090,703)    |
| Special events—net   | 814,589                       | 960,504             | -                 | 1,775,093             | -                         | -                         | 1,775,093      |
| Net investment return (losses) and endowment income not used in operations | (6,069)                       | (42,638)            | (2,725,393)       | (2,774,100)           | 20,794,579                |                           | 18,020,479     |
| Endowment income used in operations  | 1,035,167                     |                     | 3,000,000         | 4,035,167             | 11,418,966                |                           | 15,454,133     |
| Tuition fees   | 1,519,137                     | 424,427             |                   | 1,943,564             |                           |                           | 1,943,564      |
| Membership income  | 4,032,248                     |                     |                   | 4,032,248             |                           |                           | 4,032,248      |
| Scientific publications  | 310,809                       | 58,722              |                   | 369,531               |                           |                           | 369,531        |
| Admissions and tours   | 7,446,059                     | 132,345             |                   | 7,578,404             |                           |                           | 7,578,404      |
| Auxiliary enterprises  | 4,399,143                     | 48,739              |                   | 4,447,882             |                           |                           | 4,447,882      |
| Other income   | 112,504                       | 56,373              | 187,741           | 356,618               |                           |                           | 356,618        |
| Net assets released from restrictions                                      | 7,948,431                     | 16,488,758          | 7,428,222         | 31,865,411            | (31,865,411)              |                           | -              |
| Total revenues, support, and gains   | 43,028,777                    | 18,127,230          | 17,155,375        | 78,311,382            | 18,997,334                | 4,344,140                 | 101,652,856    |
| EXPENSES AND OTHER DEDUCTIONS:   |                               |                     |                   |                       |                           |                           |                |
| Program services   | 30,816,164                    | 17,446,457          | 12,110,408        | 60,373,029            |                           |                           | 60,373,029     |
| Management and general   | 8,582,895                     | 345,719             | 841,452           | 9,770,066             |                           |                           | 9,770,066      |
| Fundraising  | 3,031,916                     | 14,669              | 560,968           | 3,607,553             |                           |                           | 3,607,553      |
| Total expenses and other deductions  | 42,430,975                    | 17,806,845          | 13,512,828        | 73,750,648            | -                         | -                         | 73,750,648     |
| INCREASE BEFORE TRANSFERS AND NONOPERATING LOSS                            | 597,802                       | 320,385             | 3,642,547         | 4,560,734             | 18,997,334                | 4,344,140                 | 27,902,208     |
| TRANSFERS FOR LAND, BUILDINGS, AND EQUIPMENT                               | (570,023)                     | (260,318)           | 830,341           |                       |                           |                           |                |
| NONOPERATING GAINS (LOSSES):   |                               |                     |                   |                       |                           |                           |                |
| Gain on valuation of interest rate swaps                                   |                               |                     | 6,609,842         | 6,609,842             |                           |                           | 6,609,842      |
| CHANGES IN NET ASSETS  | 27,779                        | 60,067              | 11,082,730        | 11,170,576            | 18,997,334                | 4,344,140                 | 34,512,050     |
| NET ASSETS—Beginning of year   | 1,296,163                     | 3,862,869           | 233,019,569       | 238,178,601           | 48,369,103                | 158,100,886               | 444,648,590    |
| NET ASSETS—End of year   | \$ 1,323,942                  | \$ 3,922,936        | \$ 244,102,299    | \$ 249,349,177        | \$ 67,366,437             | \$ 162,445,026            | \$ 479,160,640 |

See notes to consolidated financial statements.



# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2014

|  | Plant<br>Research and<br>Conservation | Horticulture<br>and Living<br>Collections | Education and<br>Outreach | Earned<br>Income<br>Activities | Maintenance<br>Security<br>and Energy | Total<br>Program<br>Services | Management<br>and General | Fundraising        | Total               |
|--|---------------------------------------|---|---------------------------|--------------------------------|---------------------------------------|------------------------------|---------------------------|--------------------|---------------------|
| OPERATING EXPENSES:  |                                       |   |                           |                                |                                       |                              |                           |                    |                     |
| Salaries and wages   | \$ 6,024,365                          | \$ 4,918,260                              | \$ 5,305,342              | \$1,260,741                    | \$ 5,153,781                          | \$22,662,489                 | \$ 5,373,040              | \$2,100,639        | \$30,136,168        |
| Fringe benefits  | 2,345,553                             | 1,978,912                                 | 1,763,063                 | 466,762                        | 1,980,185                             | 8,534,475                    | 1,193,854                 | 860,115            | 10,588,444          |
| Professional fees  | 384,824                               | 765,814                                   | 1,022,436                 | 32,686                         | 458,517                               | 2,664,277                    | 511,833                   | 46,532             | 3,222,642           |
| Supplies and materials   | 453,846                               | 590,333                                   | 402,339                   | 32,912                         | 34,052                                | 1,513,482                    | 57,432                    | 11,890             | 1,582,804           |
| Telecommunications   | 31,481                                | 17,173                                    | 112,002                   | 3,410                          | 19,118                                | 183,184                      | 107,802                   |                    | 290,986             |
| Postage and shipping   | 53,454                                | 14,658                                    | 132,805                   | 164,169                        |                                       | 365,086                      | 12,689                    | 49,779             | 427,554             |
| Utilities and occupancy  | 29,751                                | 27,046                                    | 111,112                   | 86,290                         | 2,794,972                             | 3,049,171                    | 6,205                     | 1,108              | 3,056,484           |
| Equipment operating costs  | 143,438                               | 199,252                                   | 99,118                    | 19,281                         | 183,602                               | 644,691                      | 217,572                   | 9,356              | 871,619             |
| Equipment purchases  | 81,601                                | 65,986                                    | 94,206                    | 1,537                          | 43,366                                | 286,696                      | 87,482                    | 12,064             | 386,242             |
| Printing and publications  | 385,036                               | 102,250                                   | 474,665                   | 212,044                        |                                       | 1,173,995                    | 65,025                    | 85,022             | 1,324,042           |
| Travel and field work  | 981,628                               | 39,483                                    | 190,097                   | 70,335                         | 5,512                                 | 1,287,055                    | 12,921                    | 6,967              | 1,306,943           |
| Conferences and meetings   | 312,869                               |   | 129,275                   |                                |                                       | 442,144                      | 69,871                    | 54,457             | 566,472             |
| Miscellaneous  | 56,084                                | 685,424                                   | 570,280                   | 398,837                        | 606,372                               | 2,316,997                    | 344,772                   | 46,233             | 2,708,002           |
| Advertising and marketing  |                                       |   | 2,086,786                 | 37,669                         |                                       | 2,124,455                    |                           |                    | 2,124,455           |
| Cost of goods sold   |                                       |   |                           | 1,418,315                      |                                       | 1,418,315                    |                           |                    | 1,418,315           |
| Insurance  |                                       |   |                           |                                |                                       |                              | 992,673                   |                    | 992,673             |
| Bank and investment fees   |                                       |   | 200,347                   | 149,859                        |                                       | 350,206                      | 355,911                   | 1,658              | 707,775             |
| Total operating expenses   | <u>11,283,930</u>                     | <u>9,404,591</u>                          | <u>12,693,873</u>         | <u>4,354,847</u>               | <u>11,279,477</u>                     | <u>49,016,718</u>            | <u>9,409,082</u>          | <u>3,285,820</u>   | <u>61,711,620</u>   |
| NONOPERATING EXPENSES:   |                                       |   |                           |                                |                                       |                              |                           |                    |                     |
| Noncapitalized expenditures for land,<br>building, and equipment |                                       | 13,605                                    |                           | 17,836                         | 180,786                               | 212,227                      |                           |                    | 212,227             |
| Interest, fees, and amortization                                 | 1,298,884                             | 940,084                                   | 179,629                   | 664,755                        |                                       | 3,083,352                    |                           |                    | 3,083,352           |
| Depreciation   | <u>2,197,370</u>                      | <u>1,810,727</u>                          | <u>1,855,682</u>          | <u>453,525</u>                 | <u>1,872,893</u>                      | <u>8,190,197</u>             | <u>867,197</u>            | <u>578,132</u>     | <u>9,635,526</u>    |
| Total nonoperating expenses                                      | <u>3,496,254</u>                      | <u>2,764,416</u>                          | <u>2,035,311</u>          | <u>1,136,116</u>               | <u>2,053,679</u>                      | <u>11,485,776</u>            | <u>867,197</u>            | <u>578,132</u>     | <u>12,931,105</u>   |
| TOTAL EXPENSES   | <u>\$14,780,184</u>                   | <u>\$12,169,007</u>                       | <u>\$14,729,184</u>       | <u>\$5,490,963</u>             | <u>\$13,333,156</u>                   | <u>\$60,502,494</u>          | <u>\$10,276,279</u>       | <u>\$3,863,952</u> | <u>\$74,642,725</u> |

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2013

|  | Plant<br>Research and<br>Conservation | Horticulture<br>and Living<br>Collections | Education and<br>Outreach | Earned<br>Income<br>Activities | Maintenance<br>Security &<br>Energy | Total<br>Program<br>Services | Management<br>and General | Fundraising        | Total               |
|--|---------------------------------------|---|---------------------------|--------------------------------|-------------------------------------|------------------------------|---------------------------|--------------------|---------------------|
| OPERATING EXPENSES:  |                                       |   |                           |                                |                                     |                              |                           |                    |                     |
| Salaries and wages   | \$ 6,170,090                          | \$ 4,862,003                              | \$ 5,131,519              | \$1,163,372                    | \$ 5,047,797                        | \$22,374,781                 | \$5,431,694               | \$1,990,340        | \$29,796,815        |
| Fringe benefits  | 2,400,289                             | 1,953,704                                 | 1,748,097                 | 422,300                        | 1,945,281                           | 8,469,671                    | 1,100,357                 | 815,416            | 10,385,444          |
| Professional fees  | 232,730                               | 796,318                                   | 1,086,543                 | 84,870                         | 361,419                             | 2,561,880                    | 595,189                   | 31,132             | 3,188,201           |
| Supplies and materials   | 364,812                               | 563,968                                   | 404,106                   | 27,567                         | 27,185                              | 1,387,638                    | 67,821                    | 19,319             | 1,474,778           |
| Telecommunications   | 33,152                                | 19,060                                    | 75,059                    | 6,357                          | 17,593                              | 151,221                      | 104,178                   |                    | 255,399             |
| Postage and shipping   | 63,745                                | 19,183                                    | 127,390                   | 147,900                        |                                     | 358,218                      | 5,018                     | 27,004             | 390,240             |
| Utilities and occupancy  | 112,211                               | 101,049                                   | 126,752                   | 56,482                         | 2,413,311                           | 2,809,805                    | 6,120                     |                    | 2,815,925           |
| Equipment operating costs  | 122,359                               | 116,452                                   | 138,801                   | 36,395                         | 172,178                             | 586,185                      | 147,350                   | 12,642             | 746,177             |
| Equipment purchases  | 117,197                               | 26,540                                    | 83,580                    | 15,959                         | 65,288                              | 308,564                      | 32,581                    | 18,821             | 359,966             |
| Printing and publications  | 436,094                               | 39,810                                    | 507,035                   | 207,774                        |                                     | 1,190,713                    | 68,510                    | 53,670             | 1,312,893           |
| Travel and field work  | 1,255,954                             | 52,046                                    | 120,322                   | 79,549                         | 7,366                               | 1,515,237                    | 14,039                    | 2,647              | 1,531,923           |
| Conferences and meetings   | 161,745                               |   | 189,520                   | 5,838                          |                                     | 357,103                      | 47,784                    | 30,905             | 435,792             |
| Miscellaneous  | 1,952                                 | 846,322                                   | 434,566                   | 512,469                        | 25,103                              | 1,820,412                    | 159,217                   | 36,949             | 2,016,578           |
| Advertising and marketing  |                                       |   | 2,179,027                 | 39,289                         |                                     | 2,218,316                    |                           | 3,836              | 2,222,152           |
| Cost of goods sold   |                                       |   |                           | 1,810,251                      |                                     | 1,810,251                    |                           | 2,266              | 1,812,517           |
| Insurance  |                                       |   |                           |                                |                                     |                              | 889,716                   |                    | 889,716             |
| Bank and investment fees   |                                       |   | 191,382                   | 151,244                        |                                     | 342,626                      | 259,040                   | 1,638              | 603,304             |
| Total operating expenses   | <u>11,472,330</u>                     | <u>9,396,455</u>                          | <u>12,543,699</u>         | <u>4,767,616</u>               | <u>10,082,521</u>                   | <u>48,262,621</u>            | <u>8,928,614</u>          | <u>3,046,585</u>   | <u>60,237,820</u>   |
| NONOPERATING EXPENSES:   |                                       |   |                           |                                |                                     |                              |                           |                    |                     |
| Noncapitalized expenditures for land,<br>building, and equipment |                                       | 668,276                                   |                           |                                |                                     | 668,276                      |                           |                    | 668,276             |
| Interest, fees, and amortization                                 | 1,472,329                             | 1,065,617                                 | 203,615                   | 753,522                        |                                     | 3,495,083                    |                           |                    | 3,495,083           |
| Depreciation   | <u>2,208,151</u>                      | <u>1,756,062</u>                          | <u>1,772,528</u>          | <u>408,547</u>                 | <u>1,801,761</u>                    | <u>7,947,049</u>             | <u>841,452</u>            | <u>560,968</u>     | <u>9,349,469</u>    |
| Total nonoperating expenses                                      | <u>3,680,480</u>                      | <u>3,489,955</u>                          | <u>1,976,143</u>          | <u>1,162,069</u>               | <u>1,801,761</u>                    | <u>12,110,408</u>            | <u>841,452</u>            | <u>560,968</u>     | <u>13,512,828</u>   |
| TOTAL EXPENSES   | <u>\$15,152,810</u>                   | <u>\$12,886,410</u>                       | <u>\$14,519,842</u>       | <u>\$5,929,685</u>             | <u>\$11,884,282</u>                 | <u>\$60,373,029</u>          | <u>\$9,770,066</u>        | <u>\$3,607,553</u> | <u>\$73,750,648</u> |

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

|   | 2014          | 2013          |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |               |               |
| Change in net assets  | \$ 44,704,225 | \$ 34,512,050 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |               |               |
| Depreciation  | 9,635,526     | 9,349,469     |
| Amortization of discount on conditional asset retirement obligation                     | 41,962        | 34,261        |
| Actuarial loss on annuity obligations   | 3,254         | (10,978)      |
| Change in carrying value of conditional asset retirement obligation                     | (450,000)     | (138,100)     |
| Gain on valuation of interest rate swaps  | (58,414)      | (6,609,842)   |
| Write-off of obsolete inventory and other assets  | 3,142         | 8,101         |
| Amortization of bond issue costs and bond discount                                      | 48,175        | 48,175        |
| Amortization (accretion) of discount on pledges receivable                              | 397,810       | (544,486)     |
| Contributions designated for permanently restricted endowment                           | (17,389,271)  | (4,344,140)   |
| Grants and contributions designated for land, buildings, and equipment                  | (9,686,233)   | (9,255,399)   |
| Stock gifts   | (8,676,723)   | (1,390,000)   |
| Net realized and unrealized gains on investments  | (42,787,747)  | (30,142,268)  |
| Changes in operating assets and liabilities:  |               |               |
| Decrease (increase) in grants and contracts receivable                                  | 59,556        | (49,751)      |
| Decrease in accounts and investment income receivable                                   | 62,264        | 578,146       |
| Decrease in pledges receivable  | 3,287,826     | 2,222,085     |
| Increase in inventories   | (135,879)     | (1,052)       |
| (Decrease) increase in prepaid expenses and other assets                                | (263,274)     | 115,907       |
| (Increase) decrease in accounts payable   | (461,194)     | 369,896       |
| (Increase) decrease in accrued expenses and other liabilities                           | (4,466,799)   | 4,270,141     |
| (Increase) decrease in accrued vacation liability                                       | (14,539)      | 85,679        |
| (Increase) decrease in deferred income and refundable advances                          | (215,063)     | 415,464       |
| Net cash used in operating activities   | (26,361,396)  | (476,642)     |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |               |               |
| Proceeds from maturities/sales of investments   | 108,838,815   | 71,179,056    |
| Purchases of investments  | (95,177,176)  | (66,633,149)  |
| Purchase of fixed assets  | (6,283,659)   | (10,795,153)  |
| Net cash provided by (used in) investing activities                                     | 7,377,980     | (6,249,246)   |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |               |               |
| Contributions received for endowment  | 14,801,658    | 3,982,512     |
| Grants and contributions received for fixed assets                                      | 10,702,284    | 10,636,422    |
| Payment of annuity obligations  | (104,148)     | (97,982)      |
| Issuance of annuity obligations   | 135,624       | 26,105        |
| Repayment of loans due to trustees  |               | (6,500,000)   |
| Repayment of bank term loan payable   | (500,004)     | (125,001)     |
| Net cash provided by financing activities   | 25,035,414    | 7,922,056     |
| NET CHANGE IN CASH AND CASH EQUIVALENTS   | 6,051,998     | 1,196,168     |
| CASH AND CASH EQUIVALENTS—Beginning of year   | 8,410,335     | 7,214,167     |
| CASH AND CASH EQUIVALENTS—End of year   | \$ 14,462,333 | \$ 8,410,335  |
| SUPPLEMENTARY INFORMATION:  |               |               |
| Interest paid   | \$ 2,776,985  | \$ 2,950,538  |
| Credit line borrowings converted to term loan   |               | \$ 5,000,000  |

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### 1. ORGANIZATION

The New York Botanical Garden (the “Garden”) (located in the Bronx, New York), a not-for-profit organization, is a museum of plants and a scientific research center devoted to the study of plants and their uses. It is the Garden’s mission to improve public understanding of the natural world, horticulture, and the relationships between plants and people. It is also the Garden’s mission to expand humanity’s knowledge of plants and how they are utilized.

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**—The accompanying consolidated financial statements represent the accounts of the Garden, a private not-for-profit corporation, formed in 1891 by the State of New York (the “State”), and its wholly owned limited liability company, North Central Bronx Real Estate, LLC. All intercompany balances and transactions have been eliminated in consolidation. North Central Bronx Real Estate, LLC was formed during the fiscal year ended June 30, 2013, to conduct acquisition of real property investments for the Garden, and to perform management services incidental to ownership of those investments.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under these principles, contributions or unconditional promises to give are recognized as revenues in the period received at their net present value, less an allowance for uncollectible pledges. Net assets, revenues, gains, expenses, and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets include all resources, which are not subject to donor-imposed restrictions. These include unrestricted contributions designated by management for specific purposes; unrestricted funds functioning as endowment; and land, buildings, and equipment.
- Temporarily restricted net assets include all resources for which donor-imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. These also include unexpended income from endowment funds restricted for donor-intended purposes and accumulated unexpended endowment gains subject to appropriation under the Garden’s spending policy.
- Permanently restricted net assets include contributions and pledges, which require, by donor restriction, that the corpus be invested in perpetuity and only the investment return be made available for operations or other purposes in accordance with donor restrictions.

#### **Significant Accounting Policies:**

**Cash Equivalents**—Cash equivalents consist of money market funds with underlying securities maturing in less than 90 days at the date of acquisition.

*Accounts Receivable*—Accounts receivable consist of fund-raising receivables for special fund-raising events that are collectible within one year, receivables for accrued income on long-term investments, and other sundry receivables related to earned-income activities.

*Grants and Contracts*—The Garden receives a substantial amount of its operating support from federal, state, and local governments. The Garden records as unrestricted revenue the reimbursement of indirect costs for applicable government-sponsored programs at negotiated rates each year. Indirect cost recovery revenue is recognized when reimbursements are billed to the sponsoring agency. The Garden's indirect cost recovery rate was 41.5% and 47.5%, respectively, in fiscal years ended June 30, 2014 and 2013.

*Inventories*—Inventories consist of goods held for sale by the Garden's retail shop and scientific publications managed by the New York Botanical Garden Press. The Garden records its inventories using an average-cost method of inventory valuation.

*Investments*—Investments consist of cash equivalents whose maturity exceeds 90 days at the date of acquisition, common stocks, fixed-income securities, fixed income and equity mutual funds, and investment funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Fair value is 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.

The Garden also holds limited interests in alternative investments and hedge funds, which invest and trade in various securities that are unlisted or thinly traded. The fair value of these holdings is determined by management based on the net asset values (NAVs) provided by the external investment managers of the alternative investment or hedge fund. Real estate held for investment purposes is recorded at the lower of cost or fair value and assessed annually for impairment. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets, unless their use is temporarily restricted or permanently restricted by explicit donor restrictions or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

*Fixed Assets*—Fixed assets are recorded at cost. Expenditures in excess of \$5,000 and having at least a two-year expected useful life are capitalized. Expenditures that do not meet these criteria are expensed as incurred. Assets are depreciated on a straight-line basis using the half-year convention, over lives ranging from five to forty-five years. Equipment, furniture, and fixtures are depreciated over lives ranging from five to ten years. Land and building improvements are depreciated over 20 years. Buildings are depreciated over forty-five years.

*Impairment of Long-Lived Assets*—Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Garden compares the carrying amounts of the assets to the undiscounted expected future cash flows. If this comparison indicates that there may be an impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended June 30, 2014 and 2013, no impairments have occurred.

*Collections*—The Garden’s collections include living plants, herbarium specimens, art objects, books, prints, and ephemera. The Garden has not capitalized the collections. The Garden’s collections are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain. Collections are the most valuable assets of the Garden and are protected, kept unencumbered, cared for, and preserved. The proceeds of items in collections that are sold are used to acquire other items for collections.

*Gift Annuities*—The Garden manages a segregated gift annuity fund and records gifts at the fair value of the assets received and liabilities for the payments to be made to the beneficiaries during the donor’s life. The liabilities are based on the present value of the payments expected to be made as determined using Internal Revenue Service mortality tables and commensurate discount rates. The investments related to the gift annuities are classified in the special programs fund as long-term investments and the liability for beneficiary payments is included in accrued expenses and other liabilities.

*Conditional Asset Retirement Obligation*—The Garden has recorded estimates for its conditional asset retirement obligations associated with constructed facilities and equipment. Equivalent amounts have been capitalized and included in fixed assets.

*Derivative Instruments*—The Garden records derivative instruments (e.g., interest rate swap agreements) at fair value in accordance with Derivatives and Hedges Accounting and Fair Value Accounting guidance under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 815, *Disclosures about Derivative Instruments and Hedging Activities*. The change in fair value during the reporting period is recognized below the operating measure in the consolidated statements of activities.

*Revenue Recognition*—The Garden reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of those assets. When expenditures are incurred that fulfill a donor restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Revenues from earned income sources are recognized when delivery of goods or services has been rendered.

*Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

*Fair Value of Financial Instruments*—The fair value of the Garden’s consolidated financial instruments is discussed in Note 5.

*In-Kind Contributions*—The Garden received in-kind contributions of advertising, food, and supplies relating to its fund-raising events. For June 30, 2014 and 2013, the Garden received approximately \$1,000 and \$16,000, respectively. In-kind contributions were recorded at fair value as gift revenue and as miscellaneous expenses.

*Donated Services*—Volunteers donated approximately 104,000 hours and 98,000 hours during the years ended June 30, 2014 and 2013, respectively, providing various levels of service in almost all areas, including research, horticulture, education, the library, other support, and special events. The value of the contributed time has not been recorded in the Garden’s consolidated statements of activities because the contributed time does not meet the recognition criteria under ASC No. 958, *Accounting for Contributions Received and Contributions Made*.

*Program Services*—Program services are those activities of the Garden committed to the research and study of plants and the related activities in disseminating the information to the public. Program services include science (research), horticulture, education, library services, scientific publications, operations, security, audience development, and auxiliary enterprises.

*Management and General*—Management and general expenses include finance and administration, institutional services (printing and graphics, business services, computerization, and capital projects), government relations, and executive management.

*Fund-Raising*—Fund-raising expenses include development and external relations expenses.

*General Operations*—This includes all program and support and auxiliary enterprises activities that are funded by unrestricted revenue.

*Special Programs*—This includes program and support services that are funded primarily with donor-restricted funds and designated unrestricted funds.

*Nonoperating*—Nonoperating includes all activity related to the land, building, and equipment fund; changes in the fair value of derivatives; and unrestricted activity related to endowment and similar funds.

*Tax Status*—The Garden is a Section 501(c)(3) charitable organization exempt from federal income taxes under Section 501(a) of the US Internal Revenue Code. It has been classified as a publicly supported charitable organization under Section 509 (a)(1) and qualifies for the maximum charitable contribution deduction by donors. In addition, the State and City of New York (the “City”) have classified the Garden as nonprofit in character and, as such, the Garden is exempt from payment of income taxes to the State and City. ASC No. 740-10-05-6, *Accounting for Uncertainty in Income Taxes*, prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, before being measured and recognized in the consolidated financial statements. The Garden has reported no potential liabilities for uncertain tax positions at June 30, 2014 or 2013.

*New Accounting Standards*—In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-05, *Not-for-profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. ASU No. 2012-05 is effective for annual periods beginning after June 15, 2013. The guidance will require cash receipts from the sale of donated financial assets to be classified as cash inflows from operating activities in the statement of cash flows, unless such assets are restricted for long-term purposes, in which case the cash receipts will be required to be classified as cash inflows from financing activities. The adoption of this guidance will not have any material impact on the consolidated statements of cash flows.

### 3. LONG-TERM INVESTMENTS

The carrying value of the long-term investments as of June 30, 2014 and 2013, is as follows:

|  | 2014                  |                     |                                   |                       |
|--|-----------------------|---------------------|-----------------------------------|-----------------------|
|  | General<br>Operations | Special<br>Programs | Endowment<br>and Similar<br>Funds | Total                 |
| Money markets and temporary cash investments | \$300,755             | \$ 250,515          | \$ 11,264,922                     | \$ 11,816,192         |
| Fixed-income securities—U.S. Treasuries      |                       | 3,699,499           |                                   | 3,699,499             |
| Fixed-income mutual funds                    |                       |                     | 40,011,161                        | 40,011,161            |
| Equity securities:                           |                       |                     |                                   |                       |
| Energy                                       |                       |                     | 35,953,252                        | 35,953,252            |
| Industrials                                  |                       |                     | 23,091,712                        | 23,091,712            |
| Technology                                   |                       |                     | 13,258,660                        | 13,258,660            |
| Financial                                    |                       |                     | 8,341,436                         | 8,341,436             |
| Consumer cyclicals                           |                       |                     | 7,813,507                         | 7,813,507             |
| Healthcare                                   |                       |                     | 3,408,524                         | 3,408,524             |
| Materials                                    |                       |                     | 3,391,886                         | 3,391,886             |
| Equity mutual funds                          |                       |                     | 1,540,670                         | 1,540,670             |
| Alternative investment and hedge funds:      |                       |                     |                                   |                       |
| Equity                                       |                       |                     | 88,958,055                        | 88,958,055            |
| Absolute return and equity hedge             |                       |                     | 86,247,331                        | 86,247,331            |
| Private                                      |                       |                     | 3,771,237                         | 3,771,237             |
| Real estate                                  |                       |                     | 13,293,627                        | 13,293,627            |
| Total  | <u>\$300,755</u>      | <u>\$ 3,950,014</u> | <u>\$ 340,345,980</u>             | <u>\$ 344,596,749</u> |

  

|  | 2013                  |                     |                                   |                       |
|--|-----------------------|---------------------|-----------------------------------|-----------------------|
|  | General<br>Operations | Special<br>Programs | Endowment<br>and Similar<br>Funds | Total                 |
| Money markets and temporary cash investments | \$301,946             | \$ 217,664          | \$ 27,791,079                     | \$ 28,310,689         |
| Fixed-income securities—U.S. Treasuries      |                       | 3,489,171           |                                   | 3,489,171             |
| Fixed-income mutual funds                    |                       |                     | 28,706,557                        | 28,706,557            |
| Equity securities:                           |                       |                     |                                   |                       |
| Energy                                       |                       |                     | 29,619,547                        | 29,619,547            |
| Technology                                   | 101,409               |                     | 14,683,590                        | 14,784,999            |
| Industrials                                  |                       |                     | 10,000,140                        | 10,000,140            |
| Financial                                    |                       |                     | 8,656,593                         | 8,656,593             |
| Materials                                    |                       |                     | 6,467,509                         | 6,467,509             |
| Consumer cyclicals                           | 2,712                 |                     | 5,930,626                         | 5,933,338             |
| Healthcare                                   |                       |                     | 5,486,041                         | 5,486,041             |
| Equity mutual funds                          |                       |                     | 1,208,905                         | 1,208,905             |
| Alternative investment and hedge funds:      |                       |                     |                                   |                       |
| Equity                                       |                       |                     | 74,125,718                        | 74,125,718            |
| Absolute return and equity hedge             |                       |                     | 76,125,573                        | 76,125,573            |
| Private                                      |                       |                     | 2,015,511                         | 2,015,511             |
| Real estate                                  |                       |                     | 11,863,627                        | 11,863,627            |
| Total  | <u>\$406,067</u>      | <u>\$ 3,706,835</u> | <u>\$ 302,681,016</u>             | <u>\$ 306,793,918</u> |

State law allows the board to appropriate as much of the net appreciation as is prudent considering the Garden's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investment, price-level trends, and general economic conditions.



The Garden has adopted investment and spending policies for endowment assets to provide long-term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given. The time horizon for the endowment is perpetuity. The assets of the Garden are managed accordingly by external professional investment managers or invested in professionally managed funds. The appointment of managers is the responsibility of the Investment Committee, a standing committee of the Board of Managers. Investment managers have discretion over their investment programs, subject to appropriate constraints reflected in the Garden's Investment Policy Statement or in the applicable investment management contracts.

The long-term objective of the Garden is to stabilize annual spending levels to preserve the real value of the endowment portfolio over time. The expected return on endowment assets is the sum of the annual spending rate, the long-term inflation rate, and any growth factor, which the Investment Committee may deem appropriate.

Under the Garden's endowment support policy, an allocation rate authorized by the Garden's Board of Managers is applied to the average of the prior three years' fair value of endowment investments to determine the amount appropriated to support current operations. To the extent that current yield is inadequate to meet the amount appropriated, a portion of accumulated unexpended gains is available for current use. The effective appropriation rate for the fiscal year ended June 30, 2013, was 5.1%.

Effective fiscal year ended June 30, 2014, the Garden adopted a variation of a formula commonly referred to as the "Yale Method." Under this method, the amount appropriated to support current operations is composed of two components. The first is an inflation component of 80% of the previous fiscal year's endowment support, which is adjusted for inflation. The second is a market value component of 20% of the average market value of the endowment as of the prior three calendar years, to which an allocation rate authorized by the Garden's Board of Managers is applied. The total of the two components is the amount appropriated to support current operations. The effective appropriation rate for the fiscal year ended June 30, 2014, was 5.4%.

The investment return and its classification in the consolidated statements of activities for the fiscal years ended June 30, 2014 and 2013, are summarized as follows:

|  | <b>2014</b>         |                               |                      |
|--|---------------------|-------------------------------|----------------------|
|  | <b>Unrestricted</b> | <b>Temporarily Restricted</b> | <b>Total</b>         |
| Dividends and interest income                      | \$ 379,102          | \$ 3,431,641                  | \$ 3,810,743         |
| Less investment fees                               | (159,024)           | (1,604,099)                   | (1,763,123)          |
| Net realized and unrealized gains                  | <u>7,479,691</u>    | <u>35,308,056</u>             | <u>42,787,747</u>    |
| Total return on investments—net of investment fees | 7,699,769           | 37,135,598                    | 44,835,367           |
| Endowment return used in operations                | <u>(1,296,451)</u>  | <u>(13,444,538)</u>           | <u>(14,740,989)</u>  |
| Return on investments                              | <u>\$ 6,403,318</u> | <u>\$ 23,691,060</u>          | <u>\$ 30,094,378</u> |

|  | <b>2013</b>           |                               |                      |
|--|-----------------------|-------------------------------|----------------------|
|  | <b>Unrestricted</b>   | <b>Temporarily Restricted</b> | <b>Total</b>         |
| Dividends and interest income                      | \$ 436,405            | \$ 4,678,162                  | \$ 5,114,567         |
| Less investment fees                               | (274,288)             | (1,507,935)                   | (1,782,223)          |
| Net realized and unrealized gains                  | <u>1,098,950</u>      | <u>29,043,318</u>             | <u>30,142,268</u>    |
| Total return on investments—net of investment fees | 1,261,067             | 32,213,545                    | 33,474,612           |
| Endowment return used in operations                | <u>(4,035,167)</u>    | <u>(11,418,966)</u>           | <u>(15,454,133)</u>  |
| (Loss) return on investments                       | <u>\$ (2,774,100)</u> | <u>\$ 20,794,579</u>          | <u>\$ 18,020,479</u> |

#### 4. DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENT AND SIMILAR FUNDS

Donor-restricted and board-designated endowment and similar funds by net asset class as of June 30, 2014, are as follows:

|   | <b>Unrestricted</b>   | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>          |
|---|-----------------------|-------------------------------|-------------------------------|-----------------------|
| Donor-restricted funds  | \$ -                  | \$ -                          | \$ 179,834,297                | \$ 179,834,297        |
| Board-designated funds  | 115,241,330           |                               |                               | 115,241,330           |
| Net appreciation of permanently restricted net assets available for appropriation |                       | <u>72,512,381</u>             |                               | <u>72,512,381</u>     |
| Total   | <u>\$ 115,241,330</u> | <u>\$ 72,512,381</u>          | <u>\$ 179,834,297</u>         | <u>\$ 367,588,008</u> |

Changes in donor-restricted and board-designated endowment and similar funds for the fiscal year ended June 30, 2014, are as follows:

|                                      | <b>Unrestricted</b>   | <b>Temporarily Restricted</b> | <b>Permanently Restricted</b> | <b>Total</b>          |
|--------------------------------------|-----------------------|-------------------------------|-------------------------------|-----------------------|
| Balance—beginning of year            | \$ 111,903,471        | \$ 51,593,855                 | \$ 162,445,026                | \$ 325,942,352        |
| Contributions                        |                       |                               | 17,389,271                    | 17,389,271            |
| Investment income—net of fees        | 130,078               | 1,827,543                     |                               | 1,957,621             |
| Net investment return                | 7,455,683             | 32,535,521                    |                               | 39,991,204            |
| Amounts appropriated for expenditure | <u>(4,247,902)</u>    | <u>(13,444,538)</u>           |                               | <u>(17,692,440)</u>   |
| Balance—end of year                  | <u>\$ 115,241,330</u> | <u>\$ 72,512,381</u>          | <u>\$ 179,834,297</u>         | <u>\$ 367,588,008</u> |

Donor-restricted and board-designated endowment and similar funds by net asset class as of June 30, 2013, are as follows:

|   | Unrestricted          | Temporarily Restricted | Permanently Restricted | Total                 |
|---|-----------------------|------------------------|------------------------|-----------------------|
| Donor-restricted funds  | \$ -                  | \$ -                   | \$ 162,445,026         | \$ 162,445,026        |
| Board-designated funds  | 111,903,471           |                        |                        | 111,903,471           |
| Net appreciation of permanently restricted net assets available for appropriation |                       | 51,593,855             |                        | -                     |
|   |                       |                        |                        | 51,593,855            |
| Total   | <u>\$ 111,903,471</u> | <u>\$ 51,593,855</u>   | <u>\$ 162,445,026</u>  | <u>\$ 325,942,352</u> |

Changes in donor-restricted and board-designated endowment and similar funds for the fiscal year ended June 30, 2013, are as follows:

|                                      | Unrestricted          | Temporarily Restricted | Permanently Restricted | Total                 |
|--------------------------------------|-----------------------|------------------------|------------------------|-----------------------|
| Balance—beginning of year            | \$ 116,743,109        | \$ 30,063,589          | \$ 158,100,886         | \$ 304,907,584        |
| Contributions                        | 6,346,301             |                        | 4,344,140              | 10,690,441            |
| Investment income—net of fees        | 59,851                | 3,170,226              |                        | 3,230,077             |
| Net investment return                | 851,862               | 29,779,006             |                        | 30,630,868            |
| Amounts appropriated for expenditure | (12,097,652)          | (11,418,966)           |                        | (23,516,618)          |
| Balance—end of year                  | <u>\$ 111,903,471</u> | <u>\$ 51,593,855</u>   | <u>\$ 162,445,026</u>  | <u>\$ 325,942,352</u> |

## 5. FAIR VALUE MEASUREMENTS

ASC No. 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC No. 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 at the measurement date. Market price data is generally obtained from exchange or dealer markets. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

*Level 2*—Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted 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
- Inputs that are obtained from various sources, including market participants, dealers, and brokers

*Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

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

*Fixed-Income Securities and Mutual Funds*—Valued at the closing price reported on the active market on which the individual securities are traded.

*Equity Securities and Mutual Funds*—Valued at the closing price reported on the active market on which the individual securities are traded.

*Alternative Investment and Hedge Funds*—Valued at the NAV of shares held by the fund as reported by the fund managers.

*Money Markets*—The fair value approximates the carrying amount because of the short maturity of these instruments.

*Interest Rate Swaps*—Valued at discounted future cash flows under proprietary financial models developed by the counterparty.

*Pledges Receivable*—Pledges are discounted using the current yields for one- to 10-year U.S. Treasury notes. The Garden considers these yields to be a Level 2 input in the context of the fair value hierarchy. In each of the fiscal years ended June 30, 2014 and 2013, pledges were discounted at rates ranging from 0.2% to 2.5%.

|   | Classification as of June 30, 2014 |            |              |               |
|---|------------------------------------|------------|--------------|---------------|
|   | Level 1                            | Level 2    | Level 3      | Total         |
| Money markets                           | \$ 11,816,192                      | \$ -       | \$ -         | \$ 11,816,192 |
| Fixed-income securities—U.S. Treasuries | 3,699,499                          |            |              | 3,699,499     |
| Fixed-income mutual funds               | 40,011,161                         |            |              | 40,011,161    |
| Equity securities:                      |                                    |            |              |               |
| Energy                                  | 35,953,252                         |            |              | 35,953,252    |
| Industrials                             | 23,091,712                         |            |              | 23,091,712    |
| Technology                              | 13,258,660                         |            |              | 13,258,660    |
| Financial                               | 8,341,436                          |            |              | 8,341,436     |
| Consumer cyclicals                      | 7,813,507                          |            |              | 7,813,507     |
| Healthcare                              | 3,408,524                          |            |              | 3,408,524     |
| Materials                               | 3,391,886                          |            |              | 3,391,886     |
| Communications                          | 1,540,670                          |            |              | 1,540,670     |
| Equity mutual funds                     | 1,540,670                          |            |              | 1,540,670     |
| Alternative investment and hedge funds: |                                    |            |              |               |
| Equity                                  |                                    |            | 88,958,055   | 88,958,055    |
| Absolute return and equity hedge        |                                    |            | 86,247,331   | 86,247,331    |
| Private                                 |                                    |            | 3,771,237    | 3,771,237     |
| Interest rate swap valuation liability  |                                    |            | (12,154,888) | (12,154,888)  |
| New pledges received                    |                                    | 20,975,000 |              | 20,975,000    |

  

|   | Classification as of June 30, 2013 |            |              |               |
|---|------------------------------------|------------|--------------|---------------|
|   | Level 1                            | Level 2    | Level 3      | Total         |
| Money markets                           | \$ 28,310,689                      | \$ -       | \$ -         | \$ 28,310,689 |
| Fixed-income securities—U.S. Treasuries | 3,489,171                          |            |              | 3,489,171     |
| Fixed-income mutual funds               | 28,706,557                         |            |              | 28,706,557    |
| Equity securities:                      |                                    |            |              |               |
| Energy                                  | 29,619,547                         |            |              | 29,619,547    |
| Technology                              | 14,784,999                         |            |              | 14,784,999    |
| Industrials                             | 10,000,140                         |            |              | 10,000,140    |
| Financial                               | 8,656,593                          |            |              | 8,656,593     |
| Materials                               | 6,467,509                          |            |              | 6,467,509     |
| Consumer cyclicals                      | 5,933,338                          |            |              | 5,933,338     |
| Healthcare                              | 5,486,041                          |            |              | 5,486,041     |
| Equity mutual funds                     | 1,208,905                          |            |              | 1,208,905     |
| Alternative investment and hedge funds: |                                    |            |              |               |
| Equity                                  |                                    |            | 74,125,718   | 74,125,718    |
| Absolute return and equity hedge        |                                    |            | 76,125,573   | 76,125,573    |
| Private                                 |                                    |            | 2,015,511    | 2,015,511     |
| Interest rate swap valuation liability  |                                    |            | (12,213,302) | (12,213,302)  |
| New pledges received                    |                                    | 16,519,000 |              | 16,519,000    |

The Garden does not directly employ investment-related derivatives; however, its external investment managers engage in strategic use of such derivatives.

Under the terms of certain investment agreements, the Garden had funding commitments outstanding of approximately \$8.4 million and \$6.9 million at June 30, 2014 and 2013, respectively. The Garden maintains sufficient liquidity in its investment portfolio to cover such commitments.

The changes in the fair value of the Garden's Level 3 assets for the fiscal years ended June 30, 2014 and 2013, are summarized as follows:

|                           | <b>Level 3 Items</b>                          |                           |
|---------------------------|---|---------------------------|
|                           | <b>Fiscal Year Ended June 30, 2014</b>        |                           |
|                           | <b>Alternative Investment and Hedge Funds</b> | <b>Interest Rate Swap</b> |
| Balance—beginning of year | \$ 152,266,802                                | \$ (12,213,302)           |
| Purchases                 | 6,420,562                                     |                           |
| Redemptions               | (6,359,571)                                   |                           |
| Change in fair value      | <u>26,648,830</u>                             | <u>58,414</u>             |
| Balance—end of year       | <u>\$ 178,976,623</u>                         | <u>\$ (12,154,888)</u>    |

  

|                           | <b>Level 3 Items</b>                          |                           |
|---------------------------|---|---------------------------|
|                           | <b>Fiscal Year Ended June 30, 2013</b>        |                           |
|                           | <b>Alternative Investment and Hedge Funds</b> | <b>Interest Rate Swap</b> |
| Balance—beginning of year | \$ 113,998,276                                | \$ (18,823,144)           |
| Purchases                 | 26,625,800                                    |                           |
| Redemptions               | (6,852,686)                                   |                           |
| Change in fair value      | <u>18,495,412</u>                             | <u>6,609,842</u>          |
| Balance—end of year       | <u>\$ 152,266,802</u>                         | <u>\$ (12,213,302)</u>    |

In accordance with ASU No. 2009-12, disclosures regarding the category, fair value, unfunded commitments, redemption frequency, and redemption notice period for those assets whose fair value is estimated using NAV per share as of June 30, 2014 and 2013, are summarized as follows:

**June 30, 2014**

| <b>Category/Objective</b>                                   | <b>Fair Value Determined Using NAV</b> | <b>Unfunded Commitments</b> | <b>Redemption Frequency</b>                    | <b>Redemption Notice Period</b> |
|---|--|-----------------------------|--|---------------------------------|
| Equity <sup>(a)</sup>                                       | \$ 88,958,055                          | \$ -                        | Bi-monthly, quarterly, semi-annually           | 30–90 days                      |
| Alternative/absolute return and equity hedge <sup>(b)</sup> | 86,247,331                             | 174,596                     | Bi-monthly, quarterly, semi-annually, annually | 30–90 days                      |
| Private <sup>(c)</sup>                                      | <u>3,771,237</u>                       | <u>8,238,350</u>            | N/A  | N/A                             |
| Total   | <u>\$ 178,976,623</u>                  | <u>\$ 8,412,946</u>         |  |                                 |

June 30, 2013

| Category/Objective  | Fair Value<br>Determined<br>Using NAV | Unfunded<br>Commitments | Redemption<br>Frequency                                 | Redemption<br>Notice<br>Period |
|---|---------------------------------------|-------------------------|---|--------------------------------|
| Equity <sup>(a)</sup>                                       | \$ 74,125,718                         | \$ 699,200              | Bi-monthly,<br>quarterly,<br>semi-annually              | 30–90 days                     |
| Alternative/absolute return and equity hedge <sup>(b)</sup> | 76,125,573                            | 621,506                 | Bi-monthly,<br>quarterly,<br>semi-annually,<br>annually | 30–90 days                     |
| Private <sup>(c)</sup>                                      | <u>2,015,511</u>                      | <u>5,560,000</u>        | N/A   | N/A                            |
| Total   | <u>\$ 152,266,802</u>                 | <u>\$ 6,880,706</u>     |   |                                |

<sup>(a)</sup> The purpose of the allocation to equities is to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns higher than the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE, and MSCI World), net of fees, over full market cycles (5-10 years). Funds are locked up for periods ranging from one year to thirty months.

<sup>(b)</sup> The alternative asset allocation may include both “absolute return strategies” and long/short “equity hedge” strategies. Absolute return strategies typically involve event-driven, stressed and distressed credit and spread-based arbitrage investments. Absolute return strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns, which exhibit relatively low correlation to broad market indices over longer time horizons. Equity hedge managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional “long-only” equity managers. Investments in alternative assets are generally subject to an initial lockup of 12-24 months or longer and thereafter investors can typically withdraw quarterly or annually with advance notice. Over time, alternative assets should generate returns comparable to long-term equity markets, but with lower volatility than equity markets. Funds are locked up for periods ranging from one year to twenty-five months.

<sup>(c)</sup> Private equity investments encompass diverse strategies, including buyout, growth, venture capital, and control-oriented distressed. These illiquid investments generally have four- to six-year investment periods and approximately 10-year fund lives. Given their illiquidity, private investments are expected to generate higher returns than public market strategies. The performance of funds raised and managed by the same team following similar strategies can vary significantly from one period to the next. Thus, investment in this asset class requires diversification across not only manager, strategies, and geographies, but also “vintage years.” Funds are locked up for a period of 10 years.

## 6. PLEDGES RECEIVABLE

The Garden has recognized promises to give contributions in the year in which such promises are made or become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of future cash flows. Pledges are discounted to approximate present value using the applicable U.S. Treasury note rate in effect on June 30 of the fiscal year in which the pledges were received. Such receivables are to be collected as follows:

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| Gross contributions:   |                     |                     |
| Within one year  | \$ 16,486,756       | \$ 17,774,809       |
| 1 to 5 years   | 25,245,689          | 25,494,119          |
| Over 5 years   | <u>3,190,561</u>    | <u>1,962,500</u>    |
| Total  | 44,923,006          | 45,231,428          |
| Allowance for estimated uncollectible amounts                              | (1,775,000)         | (1,900,000)         |
| Discount to present value (applied discount rates range from 0.1% to 2.5%) | <u>(1,442,566)</u>  | <u>(1,044,756)</u>  |
| Net pledges receivable   | <u>\$41,705,440</u> | <u>\$42,286,672</u> |

Included in pledges receivable at June 30, 2014, is \$1,749,000 from charitable lead trusts to be received in fiscal years 2015 through 2018. The assets of the trusts are held by third-party trustees.

## 7. LONG-TERM DEBT

**Land, Building, and Equipment Fund**—The Garden is constructing, expanding, and renovating a number of facilities. A portion of the costs of these projects has been financed by the sale of revenue bonds issued in fiscal year 2010 by The Trust for Cultural Resources of the City of New York (the “Trust”).

**Series 2009A Bond**—On August 14, 2009, the Garden entered into a loan agreement with The Trust (the “Series 2009A bonds”). The Trust loaned to the Garden the proceeds of a \$68.1 million Series 2009A refunding revenue bond issued for the purpose of refunding an outstanding bridge loan facility with JP Morgan Chase Bank and to cover the costs of issuance. The borrowings under the bridge loan were repaid.

The loan agreement obligates the Garden to make payments equal to the debt service requirements of the Series 2009A bonds. The Series 2009A bonds bear variable rates of interest, determined weekly by the designated remarketing agent, Morgan Stanley & Co., pursuant to a remarketing agreement. The bonds are supported by an irrevocable transferable letter of credit (the “Letter”) issued by JP Morgan Chase (the “Bank”) to Wells Fargo (the “bond trustee”). The Letter permits the bond trustee to draw upon the funds of the Bank for payment of interest and principal in the event the remarketing agent is unable to remarket the bonds. The interest rate was 0.02% and 0.08% at June 30, 2014 and 2013, respectively. The Series 2009A bonds loan agreement requires monthly interest payments, which commenced on September 1, 2009, and annual principal payments beginning July 1, 2015, with the final payment due July 1, 2032. Issuance costs and discount on the bonds are being amortized over the term of the bond issue.



The Series 2009A bondholders have the option to put the bonds back to the Trust. The bonds are subject to remarketing efforts by the remarketing agent. To the extent that such remarketing efforts were unsuccessful, the nonmarketable bonds would be purchased from the proceeds of the letter of credit agreement with the Bank, which expires on August 13, 2016.

If the letter of credit agreement is not extended or replaced, the bonds must be tendered. If tendered, the bonds would be purchased from the proceeds of the expiring letter of credit agreement. Bonds purchased from the proceeds of the letter of credit agreement would be converted to a term loan and become payable over three years. The Series 2009A bonds have been reported in accordance with the scheduled maturities contained in the bond agreements in the table of annual principal payments below.

If all the Series 2009A bonds were put back to the Trust on June 30, 2013, and not remarketed, the required repayments of the outstanding bond principal, after giving effect to the terms of the related letter of credit agreement, would be as follows:

| <b>Fiscal Year Ending<br/>June 30</b> | <b>Total</b>         |
|---------------------------------------|----------------------|
| 2015                                  | \$ 22,696,667        |
| 2016                                  | 22,696,667           |
| 2017                                  | <u>22,696,666</u>    |
| Total                                 | <u>\$ 68,090,000</u> |

**Trustee Loans**—Beginning in December 2009, the Garden entered into loan agreements with four of its trustees for the purpose of providing short-term financing for its various construction projects. The total amount borrowed was \$7 million. Each agreement had a fixed annual rate of 4%. The loans were payable on August 31, 2012 (\$3 million), and on December 31, 2012 (\$3.5 million). During the fiscal year ended June 30, 2013, the loans were repaid in full.

**JP Morgan Chase Bank Credit Facility**—In March 2010, the Garden entered into an unsecured revolving credit facility agreement with the JPMorgan Chase Bank. The agreement allowed the Garden to borrow up to \$5,000,000 and expired on March 31, 2012, with a variable interest at Prime rate or London InterBank Offered Rate (LIBOR), plus 250 basis points. The line was renewed in March 2012 with an increased borrowing of up to \$10,000,000 under the same terms. The interest rate on the facility was LIBOR, plus 75 basis points, at June 30, 2014 and 2013. The current agreement expires on March 31, 2015.

At June 30, 2014 and 2013, borrowings outstanding under the credit facility were zero and \$4 million, respectively. The outstanding borrowings at June 30, 2013, are included in accrued expenses and other liabilities in the consolidated balance sheet, as they are short term in nature.

**JP Morgan Chase Bank Term Loan**—During the fiscal year ended June 30, 2013, \$5,000,000 of the \$10,000,000 credit facility was drawn and subsequently converted to a secured five-year term loan, bearing interest at LIBOR, plus 125 basis points, and maturing in October 2017. The repayment terms of the loan require monthly equal principal payments assuming a 10-year maturity, beginning in April 2013, with the remaining principal amount due and payable on the maturity date. During the fiscal years ended June 30, 2014 and 2013, \$500,004 and \$125,001, respectively, of the loan principal was repaid.

The aggregate principal payments due on long-term debt and bank term loan are as follows:

| <b>Year Ending<br/>June 30</b> | <b>Series 2009A<br/>Bond</b> | <b>JP Morgan Chase<br/>Term Loan</b> | <b>Total</b>        |
|--------------------------------|------------------------------|--------------------------------------|---------------------|
| 2015                           | \$ -                         | \$ 500,000                           | \$ 500,000          |
| 2016                           | 2,680,000                    | 500,000                              | 3,180,000           |
| 2017                           | 2,780,000                    | 500,000                              | 3,280,000           |
| 2018                           | 2,905,000                    | 2,874,995                            | 5,779,995           |
| 2019                           | 3,070,000                    |                                      | 3,070,000           |
| Thereafter                     | <u>56,655,000</u>            | <u>                    </u>          | <u>56,655,000</u>   |
| Total                          | <u>\$68,090,000</u>          | <u>\$4,374,995</u>                   | <u>\$72,464,995</u> |

**Interest Rate Swap Agreements**—In February 2005, the Garden entered into two interest rate swap agreements and a swaption agreement with a counterparty. The interest rate swap agreements are for notional amounts of \$40,000,000 and \$27,900,000, wherein the Garden agrees to pay the counterparty a fixed rate of interest equal to 3.63% and 3.61%, respectively. The counterparty pays a floating rate based on 70% of USD LIBOR. The notional amounts of the interest rate swap agreements decrease based on the Series 2009A bond amortization schedule and expire in 2032 and 2026, respectively. The swaption agreement has a notional amount of \$15,000,000 and was exercised on May 26, 2006. The underlying interest rate swap agreement requires the Garden to pay a fixed rate of 3.61% on a \$15,000,000 notional amount that decreases through 2035 based on an amortization schedule. The counterparty pays a floating rate based on 70% of USD LIBOR.

The Garden's net benefit or obligation under these agreements is accounted for in the Garden's consolidated balance sheets as an asset or liability. The estimated fair value of the swap agreements is \$(12,154,888) and \$(12,213,302) at June 30, 2014 and 2013, respectively. Gains and losses on valuation are reported in the consolidated statements of activities as nonoperating gains or losses.

## 8. PENSION PLAN AND POSTRETIREMENT BENEFITS

Pension benefits are provided to eligible employees through the Cultural Institutions Retirement System (CIRS), a multiemployer retirement system funded by the City of New York not-for-profit cultural organizations. Fiscal year 2014 pension expense was \$2,865,841, including \$420,898 paid by the City of New York. Fiscal year 2013 pension expense was \$2,819,168 including \$448,491 paid by the City of New York. The Garden makes annual contributions to the CIRS plan equal to amounts accrued for expense, including amortization of past services cost over 30 years. On July 1, 2013, the date of the last actuarial valuation, the market value of CIRS plan assets was \$1.05 billion. Accumulated benefit liabilities of the plan were \$1.6 billion.

The tables provide additional information about the CIRS retirement plan and its financial condition at June 30, 2014 and 2013, as follows:

|  |  |
|--|--|
| Legal Plan Name                                    | The Cultural Institutions Pension Plan |
| Plan Taxpayer ID Number                            | 11-2001170                             |
| Plan Number  | 001                                    |
| Expiration Date of Collective Bargaining Agreement | June 30, 2015                          |

|   | <b>Fiscal Year Ended, June 30,</b> |             |
|---|------------------------------------|-------------|
|   | <b>2014</b>                        | <b>2013</b> |
| Pension Protection Act Zone Status (certified by plan actuary)                      | Green                              | Green       |
| Contributions made to the plan by NYBG  | \$2,640,703                        | \$2,104,433 |
| Contributions made by NYBG were in excess of 5% of total contributions to the plan? | Yes                                | Yes         |

Under the terms of its collective bargaining agreement, the Garden also contributes to a multiemployer postretirement health care plan covering retired union employees. Postretirement benefit costs equal to the amount of the required contributions are recorded as expense. The Garden contributed approximately \$538,000 and \$504,000 to the plan in the years ended June 30, 2014 and 2013, respectively.

The Garden has a supplemental key executive deferred compensation plan. The plan is partially funded by certain long-term investments (included in General Operations—Long-Term Investments in the consolidated balance sheets) and represents a general obligation of the Garden. Under the terms of the plan, the obligations outstanding at June 30, 2014 and 2013, were \$244,250 and \$311,000, respectively, and are included in accrued expenses and other liabilities in the consolidated balance sheets. Benefits accrued under the plan during the fiscal years ended June 30, 2014 and 2013, were \$267,000, and \$268,250, respectively.

## **9. FIXED ASSETS**

Title to substantially all of the land, and improvements, and buildings operated by the Garden is held by the City of New York (the “City”); however, use of the properties is dedicated exclusively to the Garden in accordance with the original 1891 Act of Incorporation of The New York Botanical Garden. All such assets are recorded in the books of the Garden.

The Garden is responsible for the facility’s management and operation, and for maintaining certain insurance coverage. The City may provide gas, electricity, and water; funding for improvement and new construction; funding for the salaries and medical benefits of certain employees, including those employed in the maintenance and care of the property; and pension expense of certain employees.

In addition, the City, from time to time, has made improvements to the existing facility on behalf of the Garden. Title to such improvements remains with the City. The Garden has adopted the policy of capitalizing such expenditures and recorded such amounts as temporarily restricted contributions in accordance with the City’s instructions. The Garden amortizes these costs over a 20-year period.

In fiscal years 2014 and 2013, the City of New York (the “City”) allocated approximately \$5.1 million and \$2.9 million, respectively, for appropriations relating to capital projects. From fiscal years 1990 to 2014, the City has contributed approximately \$129.9 million toward the Garden’s capital expenses. The Garden also receives funding for capital projects from private and other sources. From fiscal years 1990 to 2014, private and other sources have contributed approximately \$143.2 million toward the Garden’s capital expenses.

Fixed assets as of June 30, 2014 and 2013, are summarized as follows:

|                                    | <b>2014</b>           | <b>2013</b>           |
|------------------------------------|-----------------------|-----------------------|
| Land                               | \$ 9,053,130          | \$ 9,053,130          |
| Land improvements                  | 56,340,627            | 52,848,308            |
| Buildings                          | 155,140,839           | 154,891,038           |
| Building improvements              | 66,058,879            | 63,972,046            |
| Equipment, furniture, and fixtures | 17,346,064            | 16,830,140            |
| Construction in progress           | 18,384,724            | 18,445,942            |
| Conditional asset retirement costs | <u>4,200,000</u>      | <u>4,200,000</u>      |
|                                    | 326,524,263           | 320,240,604           |
| Less accumulated depreciation      | <u>(114,985,035)</u>  | <u>(105,349,509)</u>  |
| Total                              | <u>\$ 211,539,228</u> | <u>\$ 214,891,095</u> |

Outstanding commitments for construction in progress were \$5.3 million and \$10.8 million at June 30, 2014 and 2013, respectively.

Depreciation expense for the year ended June 30, 2014, was \$9,635,526 (Program Services, \$8,190,196; Management and General, \$867,197; Fundraising, \$578,132). Depreciation expense for the year ended June 30, 2013, was \$9,349,469 (Program Services, \$7,947,049; Management and General, \$841,452; Fundraising, \$560,968).

The changes in the carrying value of the Garden's Conditional Asset Retirement Obligation for the fiscal years ended June 30, 2014 and 2013, are summarized as follows:

|                           | <b>2014</b>         | <b>2013</b>         |
|---------------------------|---------------------|---------------------|
| Balance—beginning of year | \$ 2,901,760        | \$ 3,005,599        |
| Obligations settled—net   | (450,000)           | (138,100)           |
| Amortization of discount  | <u>41,962</u>       | <u>34,261</u>       |
| Balance—end of year       | <u>\$ 2,493,722</u> | <u>\$ 2,901,760</u> |

*Impact of Superstorm Sandy*—Superstorm Sandy struck the Northeast region on Monday, October 29, 2012, a day that the Garden was closed to the public. The Garden incurred some minor property damage, a loss of some trees, and damage to others. Substantially all of the Garden's cleanup efforts occurred the subsequent two days following the storm, and the Garden was open for business on November 1. Repair of damaged facilities and structures was substantially completed as of June 30, 2013. The event did not materially affect the consolidated financial statements as presented for June 30, 2014 and 2013.

Substantially all of the costs of debris cleanup and structural repairs were covered by reimbursements received from the Federal Emergency Management Agency (FEMA), and by insurance recoveries received from the Garden's private insurer. Reimbursements received from FEMA indemnified the Garden for the costs of debris removal and cleanup, and totaled approximately \$500 thousand. Recoveries received from private insurance indemnified the cost of structural repairs and totaled approximately \$589 thousand.

## 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013, are available for the following purposes or periods:

|  | 2014                 | 2013                 |
|--|----------------------|----------------------|
| Investment earnings accumulated for program and other operating activities | \$ 77,188,669        | \$ 52,058,984        |
| Buildings and equipment  | 4,899,089            | 4,382,298            |
| Pledges due in future years for program activities                         | <u>7,239,519</u>     | <u>10,925,155</u>    |
| Total  | <u>\$ 89,327,277</u> | <u>\$ 67,366,437</u> |

During the fiscal years ended June 30, 2014 and 2013, net assets were released from donor restrictions by incurring expenses or expenditures satisfying the restricted purposes specified by donors. Restricted sources of revenue include government support, private gifts, grants and bequests, and endowment income. Restricted purposes included \$587,976 for land, building, and equipment and \$25,388,872 for operating purposes in 2014, and \$7,428,222 for land, building, and equipment and \$24,437,189 for operating purposes in 2013. Purpose and time restrictions met by program category for the years ended June 30, 2014 and 2013, are as follows:

|                                    | 2014                 | 2013                 |
|------------------------------------|----------------------|----------------------|
| Purpose restrictions accomplished: |                      |                      |
| Science                            | \$ 11,782,543        | \$ 14,659,184        |
| Horticulture                       | 9,820,159            | 12,006,656           |
| Education and outreach             | <u>4,374,146</u>     | <u>5,199,571</u>     |
| Total restrictions released        | <u>\$ 25,976,848</u> | <u>\$ 31,865,411</u> |

## 11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investments in perpetuity, the total return from which is expendable to support:

|                                  | 2014                  | 2013                  |
|----------------------------------|-----------------------|-----------------------|
| Program activities               | \$ 177,024,838        | \$ 158,785,567        |
| Building operations              | 1,238,829             | 1,238,829             |
| Any activity of the organization | <u>1,570,630</u>      | <u>2,420,630</u>      |
| Total                            | <u>\$ 179,834,297</u> | <u>\$ 162,445,026</u> |

Permanently restricted net assets include contributions and pledges, which require, by donor restriction, that the corpus be invested in perpetuity and only the investment returns being made available for operations or other purposes in accordance with donor restrictions.

## 12. APPROPRIATIONS—THE CITY OF NEW YORK

The appropriations from the City of New York for the fiscal years ended June 30, 2014 and 2013, are summarized as follows:

|                            | 2014                 | 2013                 |
|----------------------------|----------------------|----------------------|
| General operating support  | \$ 4,285,673         | \$ 4,202,524         |
| Energy appropriation       | 2,255,563            | 2,030,920            |
| Pension contribution       | 420,898              | 448,491              |
| Restricted program support | 615,362              | 455,688              |
| Capital support            | <u>5,138,590</u>     | <u>2,918,504</u>     |
| Total                      | <u>\$ 12,716,086</u> | <u>\$ 10,056,127</u> |

## 13. TUITION FEES REVENUE—SCHOOL OF PROFESSIONAL HORTICULTURE

Tuition fees revenue includes tuition and fees earned by the Garden's School of Professional Horticulture. Student financial assistance received on behalf of students enrolled in the program (e.g., loans and grants funded by government and private sources) are included in Tuition Fees revenue in the accompanying consolidated financial statements.

During the fiscal years ended June 30, 2014 and 2013, the School of Professional Horticulture generated gross Tuition Fees revenue of \$56,880 and \$67,172, respectively, and incurred operating expenses of \$225,453 and \$234,142, respectively.

## 14. RISKS AND UNCERTAINTIES

During the fiscal years ended June 30, 2014 and 2013, conditions in global debt and equity markets continued to remain volatile. The financial performance of the Garden's investment portfolios is affected commensurately with changes in market conditions.

The Garden receives financial assistance from the federal government. Entitlements to the resources are generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits. Any disallowances become liabilities of the Garden.

## 15. SUBSEQUENT EVENTS

The Garden has evaluated subsequent events as of November 11, 2014, and determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements.

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