

# The New York Botanical Garden

Consolidated Financial Statements as of and for the  
Years Ended June 30, 2015 and 2014, 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, 2015 and 2014, 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 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

November 18, 2015

# THE NEW YORK BOTANICAL GARDEN

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2015

	Supplemental Fund Information				
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 16,994,012	\$ 300	\$ -	\$ -	\$ 16,994,312
ACCOUNTS RECEIVABLE AND INVESTMENT INCOME RECEIVABLE	1,016,441	44,807	97,189	-	1,158,437
GRANTS AND CONTRACTS RECEIVABLE	1,550,000	865,967	-	243,909	2,659,876
PLEDGES RECEIVABLE	-	7,182,534	20,783,386	1,876,683	29,842,603
INVENTORIES	964,317	616	-	-	964,933
PREPAID EXPENSES AND OTHER ASSETS	322,653	93,501	-	819,279	1,235,433
INVESTMENTS	551,601	3,986,406	314,855,910	-	319,393,917
FIXED ASSETS	-	-	-	208,237,852	208,237,852
DUE (TO) FROM OTHER FUNDS	(14,201,410)	6,977,689	5,526,147	1,697,574	-
TOTAL ASSETS	\$ 7,197,614	\$19,151,820	\$341,262,632	\$212,875,297	\$580,487,363
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable	\$ 1,708,656	\$ 578,561	\$ -	\$ 267,519	\$ 2,554,736
Accrued expenses and other liabilities	1,633,176	1,771,887	-	-	3,405,063
Loans payable	-	-	-	3,874,991	3,874,991
Deferred income and refundable advances	473,116	152,040	-	1,000,000	1,625,156
Accrued vacation liability	1,995,153	395,604	-	-	2,390,757
Conditional asset retirement obligation	-	-	-	2,543,067	2,543,067
Interest rate swap valuation liability	-	-	-	12,711,283	12,711,283
Long-term debt	-	-	-	65,410,000	65,410,000
Total liabilities	5,810,101	2,898,092	-	85,806,860	94,515,053
COMMITMENTS AND CONTINGENCIES					
NET ASSETS:					
Unrestricted:					
General operations	1,387,513	-	-	-	1,387,513
Designated for special programs		4,014,978	-	-	4,014,978
Nonoperating:					
Funds functioning as endowment	-	-	118,247,447	-	118,247,447
Designated for land, buildings, and equipment	-	-	-	243,909	243,909
Net investment in land, buildings, and equipment	-	-	-	124,947,845	124,947,845
Total unrestricted	1,387,513	4,014,978	118,247,447	125,191,754	248,841,692
Temporarily restricted for the use of:					
Program activities	-	12,238,750	-	-	12,238,750
Unexpended endowment return	-	-	42,685,888	-	42,685,888
Land, buildings, and equipment	-	-	-	1,876,683	1,876,683
Total temporarily restricted	-	12,238,750	42,685,888	1,876,683	56,801,321
Permanently restricted	-	-	180,329,297	-	180,329,297
Total net assets	1,387,513	16,253,728	341,262,632	127,068,437	485,972,310
TOTAL LIABILITIES AND NET ASSETS	\$ 7,197,614	\$19,151,820	\$341,262,632	\$212,875,297	\$580,487,363

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

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

	Supplemental Fund Information				
	General Operations	Special Programs	Endowment and Similar Funds	Building and Equipment	Total
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 14,454,309	\$ 300	\$ -	\$ 7,724	\$ 14,462,333
ACCOUNTS RECEIVABLE AND INVESTMENT 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
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	<u>\$ 6,685,201</u>	<u>\$18,617,455</u>	<u>\$367,588,008</u>	<u>\$226,478,271</u>	<u>\$619,368,935</u>
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	<u>5,330,750</u>	<u>2,732,958</u>	<u>-</u>	<u>87,440,362</u>	<u>95,504,070</u>
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	<u>1,354,451</u>	<u>3,968,690</u>	<u>115,241,330</u>	<u>134,138,820</u>	<u>254,703,291</u>
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	<u>-</u>	<u>11,915,807</u>	<u>72,512,381</u>	<u>4,899,089</u>	<u>89,327,277</u>
Permanently restricted	<u>-</u>	<u>-</u>	<u>179,834,297</u>	<u>-</u>	<u>179,834,297</u>
Total net assets	<u>1,354,451</u>	<u>15,884,497</u>	<u>367,588,008</u>	<u>139,037,909</u>	<u>523,864,865</u>
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

## CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	Supplemental Fund Information			Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	General Operations	Special Programs	Non- Operating				
REVENUES, SUPPORT, AND GAINS:							
Appropriations — City of New York	\$ 7,590,096	\$ -	\$ 265,129	\$ 7,855,225	\$ 748,918	\$ -	\$ 8,604,143
Grants and contracts:							
Federal	633,744	-	-	633,744	2,179,546	100,000	2,913,290
State	2,272,282	-	-	2,272,282	105,009	-	2,377,291
Private gifts, grants, and bequests	5,944,057		6,797,003	12,741,060	3,262,739	395,000	16,398,799
Special events	2,510,147	1,659,187	-	4,169,334	-	-	4,169,334
Less expenses incurred for special events	(2,296,709)	(646,270)	-	(2,942,979)	-	-	(2,942,979)
Special events — net	213,438	1,012,917	-	1,226,355	-	-	1,226,355
Net investment return (loss) and endowment income not used in operations	2,898	38,308	(9,224,462)	(9,183,256)	(18,520,914)	-	(27,704,170)
Endowment income used in operations	1,326,648		-	1,326,648	14,031,704	-	15,358,352
Tuition fees	1,861,981	573,233	-	2,435,214	-	-	2,435,214
Membership income	4,601,373	-	-	4,601,373	-	-	4,601,373
Scientific publications	244,353	45,283	-	289,636	-	-	289,636
Admissions and tours	8,817,133	127,189	-	8,944,322	-	-	8,944,322
Auxiliary enterprises	4,274,285	56,121	400,000	4,730,406	-	-	4,730,406
Other income	67,068	69,135	146,502	282,705	-	-	282,705
Net assets released from restrictions	9,163,656	16,707,769	8,461,533	34,332,958	(34,332,958)		
Total revenues, support, and gains	47,013,012	18,629,955	6,845,705	72,488,672	(32,525,956)	495,000	40,457,716
EXPENSES AND OTHER DEDUCTIONS:							
Program services	33,597,039	17,686,660	11,457,893	62,741,592	-	-	62,741,592
Management and general	9,368,791	558,867	884,845	10,812,503	-	-	10,812,503
Fundraising	3,658,046	11,000	570,735	4,239,781	-	-	4,239,781
Total expenses and other deductions	46,623,876	18,256,527	12,913,473	77,793,876	-	-	77,793,876
INCREASE BEFORE TRANSFERS AND NONOPERATING LOSSES	389,136	373,428	(6,067,768)	(5,305,204)	(32,525,956)	495,000	(37,336,160)
TRANSFERS FOR LAND, BUILDINGS, AND EQUIPMENT	(356,074)	(327,140)	683,214	-	-	-	-
NONOPERATING GAINS (LOSSES):							
Loss on valuation of interest rate swaps	-	-	(556,395)	(556,395)	-	-	(556,395)
CHANGES IN NET ASSETS	33,062	46,288	(5,940,949)	(5,861,599)	(32,525,956)	495,000	(37,892,555)
NET ASSETS — Beginning of year	1,354,451	3,968,690	249,380,150	254,703,291	89,327,277	179,834,297	523,864,865
NET ASSETS — End of year	\$ 1,387,513	\$ 4,014,978	\$ 243,439,201	\$ 248,841,692	\$ 56,801,321	\$ 180,329,297	\$ 485,972,310

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 Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	General Operations	Special Programs	Non- 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 (loss) 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 LOSSES	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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2015

	Plant Research and Conservation	Horticulture and Living Collections	Education and Outreach	Earned Income Activities	Maintenance Security and Energy	Total Program Services	Management and General	Fundraising	Total
OPERATING EXPENSES:									
Salaries and wages	\$ 5,616,874	\$ 5,124,991	\$ 5,943,101	\$1,317,022	\$ 5,840,129	\$23,842,117	\$ 5,614,453	\$2,271,552	\$31,728,122
Fringe benefits	2,191,661	2,004,426	1,939,132	499,350	2,157,478	8,792,047	971,146	937,895	10,701,088
Professional fees	249,570	720,555	1,266,429	74,129	565,507	2,876,190	874,786	126,550	3,877,526
Supplies and materials	292,927	601,748	468,240	29,818	40,741	1,433,474	92,201	26,580	1,552,255
Telecommunications	36,437	16,344	254,417	-	23,227	330,425	124,077	1,394	455,896
Postage and shipping	91,035	32,367	133,405	173,436	1,911	432,154	20,582	26,496	479,232
Utilities and occupancy	-	39,401	127,684	74,808	2,652,892	2,894,785	6,120	-	2,900,905
Equipment operating costs	135,194	167,151	131,203	28,771	208,290	670,609	151,265	18,903	840,777
Equipment purchases	117,692	82,462	74,902	21,512	26,949	323,517	15,385	13,896	352,798
Printing and publications	452,401	156,937	518,153	222,703	-	1,350,194	82,888	83,707	1,516,789
Travel and field work	1,045,870	37,985	129,376	96,621	9,677	1,319,529	32,595	5,875	1,357,999
Conferences and meetings	172,852	1,218	196,687	1,384	-	372,141	62,135	63,157	497,433
Miscellaneous	249,903	757,065	208,114	506,654	539,792	2,261,528	512,333	93,041	2,866,902
Advertising and marketing	-	-	2,312,404	49,408	-	2,361,812	-	-	2,361,812
Cost of goods sold	-	-	-	1,659,735	-	1,659,735	-	-	1,659,735
Insurance	-	-	-	-	-	-	1,033,782	-	1,033,782
Bank and investment fees	-	-	216,874	146,568	-	363,442	333,910	-	697,352
Total operating expenses	<u>10,652,416</u>	<u>9,742,650</u>	<u>13,920,121</u>	<u>4,901,919</u>	<u>12,066,593</u>	<u>51,283,699</u>	<u>9,927,658</u>	<u>3,669,046</u>	<u>64,880,403</u>
NONOPERATING EXPENSES:									
Noncapitalized expenditures for land, building, and equipment	94,316	-	-	2,104	215,613	312,033	28,744	-	340,777
Interest, fees, and amortization	1,289,238	933,102	178,295	659,818	-	3,060,453	-	-	3,060,453
Depreciation	<u>1,934,635</u>	<u>1,766,377</u>	<u>1,952,894</u>	<u>450,022</u>	<u>1,981,479</u>	<u>8,085,407</u>	<u>856,101</u>	<u>570,735</u>	<u>9,512,243</u>
Total nonoperating expenses	<u>3,318,189</u>	<u>2,699,479</u>	<u>2,131,189</u>	<u>1,111,944</u>	<u>2,197,092</u>	<u>11,457,893</u>	<u>884,845</u>	<u>570,735</u>	<u>12,913,473</u>
TOTAL EXPENSES	<u>\$13,970,605</u>	<u>\$12,442,129</u>	<u>\$16,051,310</u>	<u>\$6,013,863</u>	<u>\$14,263,685</u>	<u>\$62,741,592</u>	<u>\$10,812,503</u>	<u>\$4,239,781</u>	<u>\$77,793,876</u>

See notes to consolidated financial statements.

# THE NEW YORK BOTANICAL GARDEN

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

	Plant Research and Conservation	Horticulture and Living Collections	Education and Outreach	Earned Income Activities	Maintenance Security & Energy	Total Program Services	Management 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, 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 STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (37,892,555)	\$ 44,704,225
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,512,243	9,635,526
Amortization of discount on conditional asset retirement obligation	49,345	41,962
Actuarial (gain) loss on annuity obligations	(41,004)	3,254
Change in carrying value of conditional asset retirement obligation	-	(450,000)
Loss (gain) on valuation of interest rate swaps	556,395	(58,414)
Write-off of obsolete inventory and other assets	12,542	3,142
Amortization of bond issue costs and bond discount	48,175	48,175
Accretion of discount on pledges receivable	803,157	397,810
Contributions designated for permanently restricted endowment	(495,000)	(17,389,271)
Grants and contributions designated for land, buildings, and equipment	(1,041,994)	(9,686,233)
Stock gifts	(4,012,695)	(8,676,723)
Net realized and unrealized losses (gains) on investments	13,133,474	(42,787,747)
Changes in operating assets and liabilities:		
Decrease in grants and contracts receivable	117,970	59,556
Decrease in accounts and investment income receivable	45,402	62,264
(Increase) decrease in pledges receivable	(746,172)	3,287,826
Decrease (increase) in inventories	27,940	(135,879)
Decrease (increase) in prepaid expenses and other assets	464,051	(263,274)
Increase (decrease) in accounts payable	516,363	(461,194)
Increase (decrease) in accrued expenses and other liabilities	114,479	(4,466,799)
Increase (decrease) in accrued vacation liability	83,893	(14,539)
Increase (decrease) in deferred income and refundable advances	966,681	(215,063)
Net cash used in operating activities	<u>(17,777,310)</u>	<u>(26,361,396)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturities/sales of investments	77,555,998	108,838,815
Purchases of investments	(61,473,945)	(95,177,176)
Purchase of fixed assets	<u>(6,210,867)</u>	<u>(6,283,659)</u>
Net cash provided by investing activities	<u>9,871,186</u>	<u>7,377,980</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for endowment	9,278,446	14,801,658
Grants and contributions received for fixed assets	4,394,826	10,702,284
Payment of annuity obligations	(105,802)	(104,148)
Issuance of annuity obligations	50,637	135,624
Repayment of long term debt	(2,680,000)	-
Repayment of bank term loan payable	<u>(500,004)</u>	<u>(500,004)</u>
Net cash provided by financing activities	<u>10,438,103</u>	<u>25,035,414</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,531,979</b>	<b>6,051,998</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<b><u>14,462,333</u></b>	<b><u>8,410,335</u></b>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<b><u>\$ 16,994,312</u></b>	<b><u>\$ 14,462,333</u></b>
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest paid	<u>\$ 2,958,654</u>	<u>\$ 2,776,985</u>
Credit line borrowings converted to term loan	<u>\$ -</u>	<u>\$ 5,000,000</u>

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, 2015 AND 2014

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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 program or capital purposes, and unrestricted funds designated to function as endowment funds.
- 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 fundraising receivables for special fundraising 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 54.2% and 41.5%, respectively, in fiscal years ended June 30, 2015 and 2014.

*Pledges Receivable* — The Garden recognizes 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 are received.

*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. 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 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, 2015 and 2014, 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 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 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 financial instruments is discussed in Note 5.

*In-Kind Contributions* — The Garden received in-kind contributions of advertising, food, and supplies relating to its fundraising events. For June 30, 2015 and 2014, the Garden received approximately \$21,000 and \$1,000, respectively. In-kind contributions were recorded at fair value as gift revenue and as miscellaneous expenses.

*Donated Services* — Volunteers donated approximately 105,000 hours and 104,000 hours during the years ended June 30, 2015 and 2014, 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 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.

*Fundraising* — Fundraising 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 U.S. 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 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 financial statements. The Garden has reported no potential liabilities for uncertain tax positions at June 30, 2015 or 2014.

*New Accounting Standards* — In April, 2015, the Financial Accounting Standards Board ("FASB") released for public comment an Exposure Draft ("ED") that will significantly impact not-for-profit financial reporting. The goal of the ED is to enhance the usefulness of the financial statements of not-for-profit organizations. The ED proposes changes to the current net asset classification categories, reducing the number of net asset classes presented from three to two, and expands required information about an organization's liquidity, financial performance and cash flows. The new classifications would convey net assets with, and without, donor-imposed restrictions. The ED would also require all not-for-profits to report expenses by both nature and function, and proposes the use of an operating measure within the statement of activities to improve communications around mission fulfillment and availability of resources for current period activity. Additionally, the ED proposes several changes related to the categorization of items in the statement of cash flow, and would require the direct method of presenting cash flows. The FASB has not yet determined an effective date for the proposed requirements.

### 3. INVESTMENTS

The carrying value of investments as of June 30, 2015 and 2014, is as follows:

	2015			
	General Operations	Special Programs	Endowment and Similar Funds	Total
Cash and cash equivalents	\$ 284,682	\$ 288,133	\$ 17,099,892	\$ 17,672,707
Fixed-income securities — U.S. Treasuries	-	3,698,273	-	3,698,273
Fixed-income mutual funds	-	-	37,192,592	37,192,592
Equity securities:				
Financial	-	-	14,965,092	14,965,092
Energy	266,919	-	13,469,325	13,736,244
Consumer cyclical	-	-	11,874,765	11,874,765
Industrials	-	-	9,474,094	9,474,094
Technology	-	-	7,177,475	7,177,475
Healthcare	-	-	5,607,318	5,607,318
Materials	-	-	3,279,643	3,279,643
Equity mutual funds	-	-	1,296,465	1,296,465
Alternative investment and hedge funds:				
Equity	-	-	90,941,848	90,941,848
Absolute return and equity hedge	-	-	82,085,571	82,085,571
Private	-	-	6,167,503	6,167,503
Real estate	-	-	14,224,327	14,224,327
Total	<u>\$ 551,601</u>	<u>\$ 3,986,406</u>	<u>\$ 314,855,910</u>	<u>\$ 319,393,917</u>

  

	2014			
	General Operations	Special Programs	Endowment and Similar Funds	Total
Cash and cash equivalents	\$ 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
Technology	-	-	23,091,712	23,091,712
Industrials	-	-	13,258,660	13,258,660
Financial	-	-	8,341,436	8,341,436
Materials	-	-	7,813,507	7,813,507
Consumer cyclical	-	-	3,408,524	3,408,524
Healthcare	-	-	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>

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, a variation of a formula commonly referred to as the "Yale Method" is used to determine the amount appropriated to support current operations. 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, 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. 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 rates for the fiscal years ended June 30, 2015 and 2014 were 5.0% and 5.4%, respectively.

The investment return (loss) and its classification in the statement of activities for the fiscal years ended June 30, 2015 and 2014, is summarized as follows:

	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Dividends and interest income	\$ 342,736	\$ 2,529,809	\$ 2,872,545
Less investment fees	(196,698)	(1,888,191)	(2,084,889)
Net realized and unrealized losses	<u>(8,002,646)</u>	<u>(5,130,828)</u>	<u>(13,133,474)</u>
 Total return (loss) on investments — net of investment fees	 (7,856,608)	 (4,489,210)	 (12,345,818)
 Endowment return used in operations	 <u>(1,326,648)</u>	 <u>(14,031,704)</u>	 <u>(15,358,352)</u>
 Net investment loss	 <u>\$ (9,183,256)</u>	 <u>\$ (18,520,914)</u>	 <u>\$ (27,704,170)</u>

	<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 (loss) 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>
 Net investment return	 <u>\$ 6,403,318</u>	 <u>\$ 23,691,060</u>	 <u>\$ 30,094,378</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, 2015, are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted funds	\$ -	\$ -	\$ 180,329,297	\$ 180,329,297
Board-designated funds	118,247,447	-	-	118,247,447
Net appreciation of permanently restricted net assets available for appropriation	<u>-</u>	<u>42,685,888</u>	<u>-</u>	<u>42,685,888</u>
 Total	 <u>\$ 118,247,447</u>	 <u>\$ 42,685,888</u>	 <u>\$ 180,329,297</u>	 <u>\$ 341,262,632</u>

Changes in donor-restricted and board-designated endowment and similar funds for the fiscal year ended June 30, 2015, are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance — beginning of year	\$ 115,241,330	\$ 72,512,381	\$ 179,834,297	\$ 367,588,008
Contributions	520,000	405,000	495,000	1,420,000
Investment income — net of fees	72,882	641,618	-	714,499
Net investment return	3,739,883	(16,841,407)	-	(13,101,523)
Amounts appropriated for expenditure	<u>(1,326,648)</u>	<u>(14,031,704)</u>	<u>-</u>	<u>(15,358,352)</u>
 Balance — end of year	 <u>\$ 118,247,447</u>	 <u>\$ 42,685,888</u>	 <u>\$ 180,329,297</u>	 <u>\$ 341,262,632</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	-	72,512,381	-	72,512,381
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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	1,827,542	-	1,957,621
Net investment return	7,455,683	32,535,522	-	39,991,204
Amounts appropriated for expenditure	<u>(4,247,902)</u>	<u>(13,444,538)</u>	<u>-</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>

## 5. FAIR VALUE MEASUREMENTS

ASC 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 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 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 net asset value ("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, 2015 and 2014, pledges were discounted at rates ranging from 0.1% to 2.5%.

Classification as of June 30, 2015				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 17,672,707	\$ -	\$ -	\$ 17,672,707
Fixed-income securities — U.S. Treasuries	3,698,273	-	-	3,698,273
Fixed-income mutual funds	37,192,592	-	-	37,192,592
Equity securities:				
Financial	14,965,092	-	-	14,965,092
Energy	13,736,244	-	-	13,736,244
Consumer cyclicals	11,874,765	-	-	11,874,765
Industrials	9,474,094	-	-	9,474,094
Technology	7,177,475	-	-	7,177,475
Healthcare	5,607,318	-	-	5,607,318
Materials	3,279,643	-	-	3,279,643
Equity mutual funds	1,296,465	-	-	1,296,465
Alternative investment and hedge funds:				
Equity	-	-	90,941,848	90,941,848
Absolute return and equity hedge	-	-	82,085,571	82,085,571
Private	-	-	6,167,503	6,167,503
Interest rate swap valuation liability	-	-	(12,711,283)	(12,711,283)
New pledges received	-	5,795,000	-	5,795,000

Classification as of June 30, 2014				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 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
Technology	23,091,712	-	-	23,091,712
Industrials	13,258,660	-	-	13,258,660
Financial	8,341,436	-	-	8,341,436
Materials	7,813,507	-	-	7,813,507
Consumer cyclicals	3,408,524	-	-	3,408,524
Healthcare	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
Interest rate swap valuation liability	-	-	(12,154,888)	(12,154,888)
New pledges received	-	20,975,000	-	20,975,000

The Garden does not directly invest in derivative instruments; however, its external investment managers do invest directly in such instruments, as their investment strategy may dictate.

Under the terms of certain investment agreements, the Garden had funding commitments outstanding of approximately \$10.0 million and \$8.4 million at June 30, 2015 and 2014, 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, 2015 and 2014, are summarized as follows:

		<b>Level 3 Items</b>	
		<b>Fiscal Year Ended June 30, 2015</b>	
		<b>Alternative</b>	
		<b>Investment and</b>	<b>Interest</b>
		<b>Hedge Funds</b>	<b>Rate Swap</b>
Balance — beginning of year		\$ 178,976,623	\$ (12,154,888)
Purchases		2,652,452	-
Redemptions		(11,024,790)	-
Change in fair value		<u>8,590,638</u>	<u>(556,395)</u>
Balance — end of year		<u>\$ 179,194,922</u>	<u>\$ (12,711,283)</u>

  

		<b>Level 3 Items</b>	
		<b>Fiscal Year Ended June 30, 2014</b>	
		<b>Alternative</b>	
		<b>Investment and</b>	<b>Interest</b>
		<b>Hedge Funds</b>	<b>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>

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 net asset value per share as of June 30, 2015 and 2014, are summarized as follows:

**June 30, 2015**

<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 (a)	\$ 90,941,848	\$ -	Bi-monthly, quarterly, semi-annually	30–90 days
Alternative/absolute return and equity hedge (b)	82,085,571	87,144	Bi-monthly, quarterly, semi-annually, annually	30–90 days
Private (c)	<u>6,167,503</u>	<u>9,948,350</u>	N/A	N/A
Total	<u>\$ 179,194,922</u>	<u>\$ 10,035,494</u>		

**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 (a)	\$ 88,958,055	\$ -	Bi-monthly, quarterly, semi-annually	30–90 days
Alternative/absolute return and equity hedge (b)	86,247,331	174,596	Bi-monthly, quarterly, semi-annually, annually	30–90 days
Private (c)	<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>		

- (a) 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.
- (b) 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 lock-up 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.

- (c) 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

Pledges receivable consisted of the following as of June 30, 2015 and 2014.

	2015	2014
Gross contributions:		
Within one year	\$ 12,916,187	\$ 16,486,756
1 to 5 years	13,327,139	25,245,689
Over 5 years	<u>7,620,000</u>	<u>3,190,561</u>
Total	33,863,326	44,923,006
Allowance for estimated uncollectible amounts	(1,775,000)	(1,775,000)
Discount to present value (applied discount rates range from 0.1% to 2.5%)	<u>(2,245,723)</u>	<u>(1,442,566)</u>
Net pledges receivable	<u>\$29,842,603</u>	<u>\$41,705,440</u>

Included in pledges receivable at June 30, 2015, is \$1,311,750 from charitable lead trusts to be received in fiscal years 2016 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 0.24% and 0.20% at June 30, 2015 and 2014, 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 non-marketable 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, 2015, 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 June 30,</b>	<b>Total</b>
2016	\$ 21,804,000
2017	21,803,000
2018	<u>21,803,000</u>
Total	<u><u>\$ 65,410,000</u></u>

**JP Morgan Chase Bank Credit Facility** — The Garden is party to an unsecured revolving credit facility agreement with JPMorgan Chase Bank. The agreement allows the Garden to borrow up to \$5,000,000, with variable interest at London InterBank Offered Rate (LIBOR), plus 75 basis points. The interest rate on the facility was LIBOR, plus 75 basis points, at June 30, 2015 and 2014, respectively. The current agreement expires on March 31, 2016. At June 30, 2015 and 2014, there were no borrowings outstanding under the credit facility.

**JP Morgan Chase Bank Term Loan** — The Garden is party to a secured five-year term loan with JP Morgan Chase Bank, 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, 2015 and 2014, \$500,004 and \$500,004 of the loan principal was repaid, respectively.

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

<b>Year Ending June 30</b>	<b>Series 2009A Bond</b>	<b>JP MorganChase Term Loan</b>	<b>Total</b>
2016	\$ 2,780,000	\$ 500,000	\$ 3,280,000
2017	2,905,000	500,000	3,405,000
2018	3,070,000	500,000	3,570,000
2019	3,190,000	500,000	3,690,000
2020	3,260,000	1,874,991	5,134,991
Thereafter	<u>50,205,000</u>	<u>-</u>	<u>50,205,000</u>
Total	<u>\$ 65,410,000</u>	<u>\$ 3,874,991</u>	<u>\$ 69,284,991</u>

**Interest Rate Swap Agreements** — In February of 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 on the Garden's statement of financial position as an asset or liability. The estimated fair value of the swap agreements is \$(12,711,283) and \$(12,154,888) at June 30, 2015 and 2014, respectively. Gains and losses on valuation are reported in the statement 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 multi-employer retirement system funded by City of New York not-for-profit cultural organizations. Fiscal year 2015 pension expense was \$2,886,122 including \$450,819 paid by the City of New York. Fiscal year 2014 pension expense was \$2,865,841, including \$420,898 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, 2014, the date of the last actuarial valuation, the market value of CIRS plan assets was \$1.17 billion. Accumulated benefit liabilities of the plan were \$1.7 billion.

Additional information about the CIRS retirement plan and its financial condition at June 30, 2015 and 2014, is summarized 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	6/30/2015

	<b>Fiscal Year Ended, June 30,</b>	
	<b>2015</b>	<b>2014</b>
Pension Protection Act Zone Status (certified by plan actuary)	Green	Green
Contributions made to the plan by NYBG	\$2,648,377	\$2,640,703
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 \$455,000 and \$538,000 to the plan in the years ended June 30, 2015 and 2014.

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 on the balance sheet) and represents a general obligation of the Garden. Under the terms of the plan, the obligations outstanding at June 30, 2015 and 2014, were \$288,750 and \$244,250, respectively, and are included in accrued expenses and other liabilities on the balance sheet. Benefits accrued under the plan during the fiscal years ended June 30, 2015 and 2014, were \$267,000, and \$267,000, 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 on 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 2015 and 2014, the City of New York (the “City”) allocated approximately \$0.27 million and \$5.1 million, respectively, for appropriations relating to capital projects. From fiscal years 1990 to 2015, the City has contributed approximately \$130.1 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 2015, private and other sources have contributed approximately \$143.9 million toward the Garden’s capital expenses.

Fixed assets as of June 30, 2015 and 2014 are summarized as follows:

	<b>2015</b>	<b>2014</b>
Land	\$ 9,053,130	\$ 9,053,130
Land improvements	58,056,391	56,340,627
Buildings	155,145,291	155,140,839
Building improvements	69,708,906	66,058,879
Equipment, furniture, and fixtures	17,875,030	17,346,064
Construction in progress	18,696,382	18,384,724
Conditional asset retirement costs	<u>4,200,000</u>	<u>4,200,000</u>
	332,735,130	326,524,263
Less accumulated depreciation	<u>(124,497,278)</u>	<u>(114,985,035)</u>
Total	<u>\$ 208,237,852</u>	<u>\$ 211,539,228</u>

Outstanding commitments for construction in progress were \$5.2 million and \$5.3 million at June 30, 2015 and 2014, respectively.

Depreciation expense for the year ended June 30, 2015, was \$9,512,243 (Program Services, \$8,085,407; Management and General, \$856,101; Fundraising, \$570,735). Depreciation expense for the year ended June 30, 2014, was \$9,635,526 (Program Services, \$8,190,197; Management and General, \$867,197; Fundraising, \$578,132).

The changes in the carrying value of the Garden's Conditional Asset Retirement Obligation for the fiscal years ended June 30, 2015 and 2014, are summarized as follows:

	<b>2015</b>	<b>2014</b>
Balance — beginning of year	\$2,493,722	\$2,901,760
Obligations settled — net		(450,000)
Amortization of discount	<u>49,345</u>	<u>41,962</u>
Balance — end of year	<u>\$2,543,067</u>	<u>\$2,493,722</u>

## 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014, are available for the following purposes or periods:

	2015	2014
Investment earnings accumulated for program and other operating activities	\$47,742,104	\$77,188,669
Buildings and equipment	1,876,683	4,899,089
Pledges due in future years for program activities	<u>7,182,534</u>	<u>7,239,519</u>
Total	<u>\$56,801,321</u>	<u>\$89,327,277</u>

During the fiscal years ended June 30, 2015 and 2014, 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 \$8,461,533 for land, building, and equipment and \$25,871,425 for operating purposes in 2015, and \$587,976 for land, building, and equipment and \$25,388,872 for operating purposes in 2014. Purpose and time restrictions met by program category for the years ended June 30, 2015, and 2014 are as follows:

	2015	2014
Purpose restrictions accomplished:		
Science	\$14,706,076	\$11,782,543
Horticulture	13,450,114	9,820,159
Education and outreach	<u>6,176,768</u>	<u>4,374,146</u>
Total restrictions released	<u>\$34,332,958</u>	<u>\$25,976,848</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:

	2015	2014
Program activities	\$177,519,838	\$177,024,838
Building operations	1,238,829	1,238,829
Any activity of the organization	<u>1,570,630</u>	<u>1,570,630</u>
Total	<u>\$180,329,297</u>	<u>\$179,834,297</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 – CITY OF NEW YORK

Appropriations from the City of New York for the fiscal years ended June 30, 2015 and 2014, are summarized as follows:

	2015	2014
General operating support	\$ 4,914,225	\$ 4,285,673
Energy appropriation	2,038,566	2,255,563
Pension contribution	450,819	420,898
Restricted program support	935,404	615,362
Capital support	<u>265,129</u>	<u>5,138,590</u>
Total	<u>\$ 8,604,143</u>	<u>\$ 12,716,086</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 financial statements. Gross and net tuition and fees earned by the School of Professional Horticulture for the fiscal years ended June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Gross tuition income	\$ 125,200	\$ 59,350
Less student refunds	<u>1,682</u>	<u>2,470</u>
Net tuition income	<u>\$ 123,518</u>	<u>\$ 56,880</u>

The School incurred operating expenses of \$245,132, and \$225,453, for the fiscal years ended June 30, 2015 and 2014, respectively.

## 14. RISKS AND UNCERTAINTIES

During the fiscal years ended June 30, 2015 and 2014, 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 18, 2015 and determined that there are no subsequent events requiring adjustment or disclosure in the financial statements.

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