

MISSOURI BOTANICAL GARDEN
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Missouri Botanical Garden:

We have audited the accompanying consolidated financial statements of the Missouri Botanical Garden, a perpetual not-for-profit trust established in 1889 by Henry Shaw and authorized by the General Assembly of the State of Missouri, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Botanical Garden as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 29 through 31 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
March 27, 2017

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 7,397,976	\$ 7,759,775
Grants receivable	1,007,328	1,371,668
Pledges receivable, net	11,048,886	14,524,631
Other receivables, net	1,903,136	3,008,284
Inventories, prepayments and other assets	1,637,423	1,506,414
Investments	127,792,366	119,073,805
Property and equipment, net of accumulated depreciation	77,414,192	77,207,304
TOTAL ASSETS	\$ 228,201,307	\$ 224,451,881
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 6,763,567	\$ 7,563,883
Deferred revenue	2,255,121	1,651,313
Liability for gift annuity payments	2,653,282	2,733,630
TOTAL LIABILITIES	11,671,970	11,948,826
NET ASSETS:		
Unrestricted-		
General operating - undesignated	2,214,335	2,613,181
Board Designated-		
Operating	912,086	690,443
Capital expenditures	74,990,821	75,491,448
Long-term investment	3,220,734	1,085,029
Total Board designated	79,123,641	77,266,920
Total unrestricted	81,337,976	79,880,101
Temporarily restricted	55,194,359	54,390,248
Permanently restricted	79,997,002	78,232,706
TOTAL NET ASSETS	216,529,337	212,503,055
TOTAL LIABILITIES AND NET ASSETS	\$ 228,201,307	\$ 224,451,881

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Operating	Board Designated	Total			
PUBLIC SUPPORT AND REVENUES:						
Public support-						
Services provided for Botanical Garden Subdistrict	\$ 10,600,000	\$ -	\$ 10,600,000	\$ -	\$ -	\$ 10,600,000
Contributions and memberships	7,772,861	500	7,773,361	2,198,374	1,764,296	11,736,031
Bequests	2,513,055	-	2,513,055	51,291	-	2,564,346
Revenues-						
Admissions	3,922,329	-	3,922,329	-	-	3,922,329
Grants and contracts	-	6,815,970	6,815,970	(3,881)	-	6,812,089
Retail shops	2,181,391	-	2,181,391	-	-	2,181,391
Education	410,873	-	410,873	-	-	410,873
Property rentals	462,398	-	462,398	-	-	462,398
Overhead recovered from grants and contracts	163,474	(163,474)	-	-	-	-
Interest and dividend income, net-						
Endowment	-	-	-	1,885,753	-	1,885,753
Other investments	10,750	50,982	61,732	-	-	61,732
Net realized investment gains (losses)-						
Endowment	-	-	-	147,444	-	147,444
Other investments	(9,661)	19,475	9,814	(2,444)	-	7,370
Net unrealized investment gains (losses)-						
Endowment	-	-	-	7,618,828	-	7,618,828
Appropriated investment income	4,027,788	(4,102,788)	(75,000)	-	-	(75,000)
Other investments	-	73,572	73,572	-	-	73,572
Net loss on property retirements	-	(16,892)	(16,892)	-	-	(16,892)
Other	967,246	22,650	989,896	-	-	989,896
Net assets released from restrictions	-	11,052,764	11,052,764	(11,052,764)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 33,022,504	\$ 13,752,759	\$ 46,775,263	\$ 842,601	\$ 1,764,296	\$ 49,382,160

(Continued on following page)

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2016

(Continued from previous page)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Operating	Board Designated	Total			
EXPENSES:						
Operating services-						
Horticulture	\$ 3,296,694	\$ 183,190	\$ 3,479,884	\$ -	\$ -	\$ 3,479,884
Science and conservation	4,586,773	4,001,578	8,588,351	-	-	8,588,351
Retail shops	1,960,730	-	1,960,730	-	-	1,960,730
Education	1,079,090	1,360,364	2,439,454	-	-	2,439,454
Earthways/Sustainability	290,728	1,253,308	1,544,036	-	-	1,544,036
Butterfly House-general	1,076,946	30,123	1,107,069	-	-	1,107,069
Shaw Nature Reserve-general	1,060,496	314,223	1,374,719	-	-	1,374,719
Visitor services	541,160	2,743	543,903	-	-	543,903
Public events	1,662,960	122,727	1,785,687	-	-	1,785,687
Major exhibits	57,212	-	57,212	-	-	57,212
Professional services	-	1,191,140	1,191,140	-	-	1,191,140
Bioinformatics	177,271	446,585	623,856	-	-	623,856
TOTAL OPERATING SERVICES	15,790,060	8,905,981	24,696,041	-	-	24,696,041
Supporting Services-						
Administrative	7,103,654	212,790	7,316,444	-	-	7,316,444
Maintenance and improvements	3,178,010	81,383	3,259,393	-	-	3,259,393
Depreciation	-	4,654,479	4,654,479	-	-	4,654,479
Utilities	907,823	-	907,823	-	-	907,823
Security	736,539	-	736,539	-	-	736,539
Institutional advancement/fund raising	2,195,410	1,007,017	3,202,427	-	-	3,202,427
TOTAL SUPPORTING SERVICES	14,121,436	5,955,669	20,077,105	-	-	20,077,105
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	183,885	-	183,885
TOTAL EXPENSES	29,911,496	14,861,650	44,773,146	183,885	-	44,957,031
CHANGE IN NET ASSETS BEFORE TRANSFERS	3,111,008	(1,108,891)	2,002,117	658,716	1,764,296	4,425,129
PROPERTY TRANSFERS	(468,334)	468,334	-	-	-	-
TRANSFERS OF FUNDS	(2,642,673)	2,497,278	(145,395)	145,395	-	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	1	1,856,721	1,856,722	804,111	1,764,296	4,425,129
MINIMUM PENSION LIABILITY ADJUSTMENT	(398,847)	-	(398,847)	-	-	(398,847)
CHANGE IN NET ASSETS	(398,846)	1,856,721	1,457,875	804,111	1,764,296	4,026,282
NET ASSETS - BEGINNING OF YEAR	2,613,181	77,266,920	79,880,101	54,390,248	78,232,706	212,503,055
NET ASSETS - END OF YEAR	\$ 2,214,335	\$ 79,123,641	\$ 81,337,976	\$ 55,194,359	\$ 79,997,002	\$ 216,529,337

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2015

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

(continued on following page)

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2015

(Continued from previous page)

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Operating	Board Designated	Total			
EXPENSES:						
Operating services-						
Horticulture	\$ 3,233,784	\$ 290,665	\$ 3,524,449	\$ -	\$ -	\$ 3,524,449
Science and conservation	4,120,464	4,449,665	8,570,129	-	-	8,570,129
Retail shops	2,248,695	-	2,248,695	-	-	2,248,695
Education	1,308,427	1,521,565	2,829,992	-	-	2,829,992
Earthways/Sustainability	353,851	1,102,971	1,456,822	-	-	1,456,822
Butterfly House-general	1,133,091	-	1,133,091	-	-	1,133,091
Shaw Nature Reserve-general	779,640	223,494	1,003,134	-	-	1,003,134
Visitor services	463,355	2,935	466,290	-	-	466,290
Public events	1,642,046	122,232	1,764,278	-	-	1,764,278
Major exhibits	2,023,628	-	2,023,628	-	-	2,023,628
Professional services	-	1,526,233	1,526,233	-	-	1,526,233
Bioinformatics	38,248	768,696	806,944	-	-	806,944
Neighborhood improvements	-	50,597	50,597	-	-	50,597
TOTAL OPERATING SERVICES	17,345,229	10,059,053	27,404,282	-	-	27,404,282
Supporting Services-						
Administrative	7,743,334	121,249	7,864,583	-	-	7,864,583
Maintenance and improvements	3,315,760	4,820	3,320,580	-	-	3,320,580
Depreciation	-	4,680,011	4,680,011	-	-	4,680,011
Utilities	837,680	-	837,680	-	-	837,680
Security	738,044	-	738,044	-	-	738,044
Institutional advancement/fund raising	1,490,621	1,702,150	3,192,771	-	-	3,192,771
TOTAL SUPPORTING SERVICES	14,125,439	6,508,230	20,633,669	-	-	20,633,669
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	(369,848)	-	(369,848)
TOTAL EXPENSES	31,470,668	16,567,283	48,037,951	(369,848)	-	47,668,103
CHANGE IN NET ASSETS BEFORE TRANSFERS	1,107,722	(1,905,169)	(797,447)	(1,185,766)	1,383,544	(599,669)
PROPERTY TRANSFERS	(517,817)	(368,242)	(886,059)	886,059	-	-
TRANSFERS OF FUNDS	(454,907)	829,919	375,012	(375,012)	-	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	134,998	(1,443,492)	(1,308,494)	(674,719)	1,383,544	(599,669)
MINIMUM PENSION LIABILITY ADJUSTMENT	(803,346)	(3,461)	(806,807)	-	-	(806,807)
CHANGE IN NET ASSETS	(668,348)	(1,446,953)	(2,115,301)	(674,719)	1,383,544	(1,406,476)
NET ASSETS - BEGINNING OF YEAR	3,281,529	78,713,873	81,995,402	55,064,967	76,849,162	213,909,531
NET ASSETS - END OF YEAR	\$ 2,613,181	\$ 77,266,920	\$ 79,880,101	\$ 54,390,248	\$ 78,232,706	\$ 212,503,055

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

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATIONS:		
Change in net assets	\$ 4,026,282	\$ (1,406,476)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	4,654,479	4,680,011
Loss on property retirements	16,892	778,860
Net realized gains on investments	(154,814)	(427,080)
Net unrealized (gains) losses on investments	(7,692,400)	5,075,232
Net unrealized losses on investments- Annuity fund	42,094	278,111
Change in operating assets and liabilities-		
Receivables	4,945,233	(2,868,639)
Inventories, prepayments and other assets	(131,009)	922,373
Accounts payable and accrued liabilities	(800,316)	18,652
Deferred revenue	603,808	(695,537)
Liability for gift annuity payments	(80,348)	(571,372)
Contributions and investment income restricted for long-term purposes	11,895,365	(10,466,617)
NET CASH FROM OPERATIONS	17,325,266	(4,682,482)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	18,871,014	20,560,181
Purchases of investments	(19,784,455)	(22,955,100)
Purchases of property	(4,887,282)	(4,431,887)
Proceeds from sale of property	9,023	5,200
NET CASH FROM INVESTING ACTIVITIES	(5,791,700)	(6,821,606)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and investment income restricted for long-term purposes	(11,895,365)	10,466,617
NET CASH FROM FINANCING ACTIVITIES	(11,895,365)	10,466,617
NET CHANGE IN CASH AND CASH EQUIVALENTS	(361,799)	(1,037,471)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,759,775	8,797,246
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,397,976	\$ 7,759,775

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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

ASC 820, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

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

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

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

There were no triggering events that required fair value measurements of the Garden's nonfinancial assets and liabilities at December 31, 2016 and 2015.

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

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Treasury Bond rate at the pledge date (ranging from 3.96% to 2.75% at December 31, 2016 and 2015). The initially recorded fair value is considered a Level 2 fair value approach. For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. Amortization of the discount is included in contribution revenue. If restricted by a donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by a donor for particular purposes or for capital acquisition, the amount is reported as public support of temporarily restricted net assets. Conditional pledges receivable are not included as support until the conditions are substantially met. Management writes off receivables when it determines that an amount will not be collected and considers all pledges receivable at December 31, 2016 and 2015 to be collectible. Accordingly, no allowance for uncollectible pledges receivable has been reflected in the consolidated financial statements.

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

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

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

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

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

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

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

part of its general assets; a liability is recorded and measured at the present value which is a Level 2 fair value approach, using discount rates ranging from 4.00% to 7.00% as of December 31, 2016.

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

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

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

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

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

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

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

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Advertising expenses – Advertising costs are expensed as incurred and totaled approximately \$249,000 and \$448,000 for the years ended December 31, 2016 and 2015, respectively.

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

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

Reclassifications – Certain items in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation.

Use of estimates – The presentation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Pledges receivable

Pledges receivable are due as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Less than one year	\$ 3,549,293	\$ 5,144,740
One to five years	8,166,647	10,244,415
Pledge discounts	(667,054)	(864,524)
	<u>\$ 11,048,886</u>	<u>\$ 14,524,631</u>

(3) Investments

Investment income on the consolidated statements of activities is shown net of investment, custodian, advisory and management fees of \$524,611 and \$544,543 for the years ended December 31, 2016 and 2015, respectively. Included in these fees are amounts paid to a financial institution for which a Trustee is a director. The amounts paid to the financial institution during the years ended December 31, 2016 and 2015 are \$175,450 and \$183,663, respectively. This conflict of interest was approved at the Garden Board of Trustees regular meetings held on March 10, 2016 and March 25, 2015.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investments (continued)

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

Investments consist of the following at:

	December 31,	
	2016	2015
Equities	\$ 26,093,933	\$ 23,380,433
Bonds	18,790,641	17,776,263
Mutual funds	62,055,882	56,260,795
Commercial paper	6,365,425	9,318,302
Real estate funds and other	14,486,485	12,338,012
	<u>\$ 127,792,366</u>	<u>\$ 119,073,805</u>

The total cost basis of these investments amounted to \$87,618,567 and \$85,803,313 at December 31, 2016 and 2015.

(4) Endowment

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

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Endowment (continued)

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

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

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

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

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Endowment (continued)

The changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	\$ 1,085,029	\$ 40,489,980	\$ 77,669,493	\$ 119,244,502
Contributions	-	-	1,764,296	1,764,296
Investment return:				
Investment income, including realized gains	-	2,030,753	-	2,030,753
Net appreciation	-	7,618,828	-	7,618,828
Net assets released from restriction	5,613,348	(5,613,348)	-	-
Amounts transferred to (from) endowment	2,005,816	-	-	2,005,816
Amounts appropriated	(5,483,459)	-	-	(5,483,459)
Endowment net assets, December 31, 2016	<u>\$ 3,220,734</u>	<u>\$ 44,526,213</u>	<u>\$ 79,433,789</u>	<u>\$ 127,180,736</u>

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Garden to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016 and 2015.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value measurements

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

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

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

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

Private equity funds: The value of private equity funds, which are not readily marketable, is based on the value determined in audited financial statements. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Private equity funds have no ability to be redeemed. At December 31, 2016 the Garden's unfunded commitments with respect to these funds are \$3,336,308.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value measurements (continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2016</u>				
Investments:				
Equities	\$ 26,093,933	\$ 26,093,933	\$ -	\$ -
Bonds:				
Government	2,116,280	-	2,116,280	-
Corporate	8,746,882	-	8,746,882	-
Other	3,097,712	-	3,097,712	-
Foreign	4,829,767	4,597,692	232,075	-
Fixed mutual funds	11,036,347	11,036,347	-	-
Equity mutual funds	51,019,535	51,019,535	-	-
Commercial paper	6,365,425	6,365,425	-	-
Total investments at Fair Value	<u>\$ 113,305,881</u>	<u>\$ 99,112,932</u>	<u>\$ 14,192,949</u>	<u>\$ -</u>
Investments reported at NAV	<u>14,486,485</u>			
Total investments	<u>\$ 127,792,366</u>			

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) Fair value measurements (continued)

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2015</u>				
Investments:				
Equities	\$ 23,380,433	\$ 23,380,433	\$ -	\$ -
Bonds:				
Government	1,473,182	-	1,473,182	-
Corporate	8,052,235	-	8,052,235	-
Other	3,895,639	747,000	3,148,639	-
Foreign	4,355,207	4,041,056	314,151	-
Fixed mutual funds	9,599,283	9,599,283	-	-
Equity mutual funds	46,661,512	46,661,512	-	-
Commercial paper	9,318,302	9,318,302	-	-
Total investments at Fair Value	<u>\$ 106,735,793</u>	<u>\$ 93,747,586</u>	<u>\$ 12,988,207</u>	<u>\$ -</u>
Investments reported at NAV	<u>12,338,012</u>			
Total investments	<u>\$ 119,073,805</u>			

(6) Property and equipment

Property and equipment, consists of the following at:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>Nondepreciable:</u>		
Land	\$ 6,895,042	\$ 6,619,835
Construction in progress	1,949,210	1,307,522
Fountains, sculptures, gardens and other	3,070,057	3,078,082
<u>Depreciable:</u>		
Buildings, gardens and other structures	141,237,146	138,866,153
Furniture, office and data processing equipment	5,251,419	5,493,901
Other	4,106,549	4,299,966
Less - accumulated depreciation	<u>(85,095,231)</u>	<u>(82,458,155)</u>
	<u>\$ 77,414,192</u>	<u>\$ 77,207,304</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$4,654,479 and \$4,680,011, respectively.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Line of credit

The Garden maintains an unsecured line of credit at December 31, 2016 and 2015 for \$5,000,000 which expires on May 5, 2017. The line of credit bears interest of 1.50% above the LIBOR index. The line of credit was not used in 2016 or 2015.

(8) Functional classification of expenses

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

	Years Ending December 31,	
	2016	2015
Program services:		
Horticulture	\$ 5,090,056	\$ 4,864,799
Research	12,562,254	13,161,482
Education	9,456,817	8,865,724
Other programs	9,013,982	12,266,268
Support services:		
Management and general support	6,678,710	6,876,191
Fundraising	1,971,327	2,003,487
	44,773,146	48,037,951
Change in value of annuity agreements	183,885	(369,848)
	\$ 44,957,031	\$ 47,668,103

(9) Restricted net assets

Temporarily restricted net assets consist of:

	December 31,	
	2016	2015
Property and equipment	\$ 9,117,759	\$ 12,429,703
Research and education	46,076,600	41,960,545
	\$ 55,194,359	\$ 54,390,248

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) **Restricted net assets (continued)**

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

	Years Ended December 31,	
	2016	2015
Research and education	\$ 5,613,348	\$ 4,872,340
Property and equipment	4,457,507	5,945,963
General operating	981,909	1,203,928
	<u>\$ 11,052,764</u>	<u>\$ 12,022,231</u>

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

(10) **Retirement plans**

The Garden sponsors a defined contribution 403(b) plan covering substantially all eligible employees who choose to participate. The Garden matches employee contributions up to a maximum of 6%. The Garden's contributions for the years ended December 31, 2016 and 2015 were \$946,793 and \$938,887, respectively.

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

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

Change in benefit obligation during year:

	Years Ended December 31,	
	2016	2015
Projected Benefit Obligation (PBO) at beginning of year	\$ 11,756,232	\$ 11,452,939
Interest cost	409,274	398,134
Benefits paid	(1,044,334)	(343,615)
Actuarial loss	299,322	248,774
PBO at end of year	<u>\$ 11,420,494</u>	<u>\$ 11,756,232</u>

Accumulated benefit obligation at end of year

	<u>\$ 11,420,494</u>	<u>\$ 11,756,232</u>
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Change in plan assets during year:

	Years Ended December 31,	
	2016	2015
Fair value of plan assets at beginning of year	\$ 8,585,381	\$ 8,664,948
Actual return on plan assets	309,749	(159,899)
Employer contributions	229,282	423,947
Benefits paid	(1,044,334)	(343,615)
Fair value of plan assets at end of year	<u>\$ 8,080,078</u>	<u>\$ 8,585,381</u>

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

	<u>\$ (3,340,416)</u>	<u>\$ (3,170,851)</u>
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ASC 715 amounts recognized in Statement of Financial Position consist of:

	December 31,	
	2016	2015
Liabilities	<u>\$ 3,340,416</u>	<u>\$ 3,170,851</u>

ASC 715 amounts recognized in Unrestricted Net Assets consist of:

	December 31,	
	2016	2015
(Decrease) increase during year	\$ (202,430)	\$ 649,493
Beginning of year actuarial net loss	4,610,706	3,961,213
Total	<u>\$ 4,408,276</u>	<u>\$ 4,610,706</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

	Pension Benefits	
	2016	2015
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.50%	3.50%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	3.50%	3.50%
Expected return on plan assets	6.00%	6.75%
Rate of compensation increase	N/A	N/A

The Garden's assumed long-term rate of return on assets is 6.00%. The expected one-year nominal returns and annual standard deviation columns below are from the actuary's capital market assumption model.

Asset Class	Approximate % of Total Portfolio	Actuary's Capital Market Assumptions	
		30 Year Nominal Return	Annual Standard Deviation
Core Fixed Income	60%	4%	5%
Mid-Cap US Equity	8%	8%	18%
Large-Cap US Equity	15%	7%	16%
Small-Cap US Equity	2%	8%	21%
International Equity	7%	9%	19%
Cash	3%	3%	2%
Hedge Funds	3%	4%	8%
Real Estate	2%	7%	20%

The 6.00% expected return on Plan assets assumption falls within the expected range.

Plan Assets

The following are the major categories of assets maintained by the Garden's pension plan measured at fair value on a recurring basis at December 31, 2016 and 2015 using quoted market prices in active markets for identical assets Level 1, Level 2 and Level 3, as defined in Note 5:

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

Investments at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 225,972	\$ -	\$ -	\$ 225,972
Mutual funds:				
Equity	2,563,550	-	-	2,563,550
Fixed	4,883,106	-	-	4,883,106
Real estate	162,360	-	-	162,360
Hedge funds	245,090	-	-	245,090
Infrastructure	-	-	-	-
	<u>\$ 8,080,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,080,078</u>
Total investments at fair value	<u>\$ 8,080,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,080,078</u>

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

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

- Domestic equity securities – 20%-35%
- International equity securities – 0%-15%
- Domestic fixed income securities – 45%-80%
- International fixed income securities – 0% - 10%
- Alternative investments – 0%-20%

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

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

Cash Flows

Contributions

The Garden expects to contribute \$390,410 to the Plan in 2017 because the estimated 2016 remaining required contributions and the estimated 2017 total required quarterly contributions are \$130,352 and \$260,058, respectively.

Estimated Future Benefit Payments

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

	<u>Benefit Payments</u>
2017	\$ 732,744
2018	796,900
2019	795,377
2020	806,410
2021	804,200
Years 2022-2026	<u>3,950,850</u>
Total	<u>\$ 7,886,481</u>

(11) Concentrations of credit risk

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

At December 31, 2016, five donors comprise over 87% of the pledge receivables balance. All of these donors have a strong history with the Garden and no issues with collectability are anticipated.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Related party transactions

During the years ended December 31, 2016 and 2015, the Garden received \$1,188,070 and \$526,510, respectively, in contributions for operating, research, and capital purposes from various members of the Board of Trustees. In addition, during the years ended December 31, 2016 and 2015, \$2,034,231 and \$4,242,365, respectively, were received from immediate family members of the Trustees, or from companies in which Trustees serve as a director or officer. At December 31, 2016 and 2015, pledges receivable, gross, of \$7,271,068 and \$10,791,423, respectively, were due from Trustees, immediate family members of the Trustees and companies in which Trustees serve as a director or officer, and consisted of multiple year pledges to the Garden for operating, research, and capital funds. Note 3 includes amounts paid for investment, custodian, advisory and management fees to a related party.

(13) Botanical Garden Subdistrict

The Subdistrict is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Subdistrict was established to receive tax revenues from the tax collectors' offices and to pay for botanical services provided to benefit the public. Pursuant to legal requirements, the Subdistrict and the Garden enter into an annually renewable contract for botanical services. The contract provides for botanical facilities and services to be provided to the public by the Garden in exchange for compensation from the Subdistrict. In accordance with the contract, the Garden records revenue based on a rate of 3.99¢ and 3.97¢ on each \$100 of assessed valuation at December 31, 2016 and 2015, respectively.

(14) Related entities

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

Garden District Commission – GDC is a not-for-profit corporation established to help stabilize and strengthen the Shaw, McRee Town, Tiffany, and Southwest Garden neighborhoods. It is also intended to provide services to organizations and institutions within these neighborhoods as part of a planned approach to neighborhood stabilization and improvement. In addition to providing accounting services, the Garden lends money to GDC from time to time primarily for property purchases and other related expenses. As of December 31, 2016 and 2015, the Garden has a receivable from GDC of \$57,577 and \$390,170 (net of an allowance and discount totaling \$0 and \$114,747), respectively, included in other receivables in the consolidated statements of financial position. During the years ended December 31, 2016 and 2015, the Garden received \$0 and \$50,597, respectively, in Federal grants that were passed through to GDC and reported as neighborhood improvements on the consolidated statements of activities.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Related entities (continued)

The St. Louis-Jefferson Solid Waste Management District – Solid Waste Management is a local government agency which serves as a resource to assist the public, private and not-for-profit sectors in establishing and expanding waste reduction, recycling and composting efforts in the St. Louis area. At December 31, 2016 and 2015, the Garden has a contract receivable from Solid Waste Management of \$37,892 and \$42,047, respectively.

Botanical Society of America – BSA is a not-for-profit corporation established to promote botany, the field of basic science dealing with the study and inquiry into form, function, diversity, development, reproduction, evolution, and uses of plants and their interactions within the biosphere. In addition to leasing employees to BSA, the Garden also leases approximately 1,000 square feet of space for a nominal fee. At December 31, 2016 and 2015, the Garden has a contract receivable from BSA of \$3,729 and \$49,797, respectively.

U.S. Green Building Council- Missouri Gateway Chapter – GBC is a not-for-profit corporation established to initiate, develop and accelerate implementation of green building concepts, technologies and principles that promote environmentally responsible, profitable and healthy places to live and work. At December 31, 2016 and 2015, the Garden has a contract receivable from GBC of \$46,784 and \$48,175, respectively.

(15) Risks and uncertainties

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

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

(16) Subsequent events

In accordance with ASC 855, *Subsequent Events*, the Garden has evaluated subsequent events through March 27, 2017, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

SUPPLEMENTARY INFORMATION

MISSOURI BOTANICAL GARDEN
STATEMENT OF FINANCIAL POSITION BY FUND

As of December 31, 2016

ASSETS:	Unrestricted Operating	Designated/ Temporarily Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
Cash and cash equivalents	\$ 7,014,896	\$ -	\$ 350,000	\$ -	\$ -	\$ 33,080	\$ 7,397,976
Grants receivable	-	994,683	-	12,645	-	-	1,007,328
Pledges receivable, net	262,554	-	6,906,647	-	3,879,685	-	11,048,886
Other receivables, net	1,558,132	57,627	277,755	-	5,392	4,230	1,903,136
Inventories, prepayments and other assets	1,627,323	-	-	100	10,000	-	1,637,423
Investments	18	45,366	121,092,899	-	4,835,016	1,819,067	127,792,366
Property and equipment, net of accumulated depreciation	-	-	-	77,414,192	-	-	77,414,192
Interfund receivables (payables)	(1,409,694)	3,099,665	(1,446,565)	2,047,199	(3,111,508)	820,903	-
TOTAL ASSETS	\$ 9,053,229	\$ 4,197,341	\$ 127,180,736	\$ 79,474,136	\$ 5,618,585	\$ 2,677,280	\$ 228,201,307
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 6,693,640	\$ -	\$ -	\$ 58,394	\$ -	\$ 11,533	\$ 6,763,567
Deferred revenue	145,254	1,734,868	-	374,999	-	-	2,255,121
Liability for gift annuity payments	-	-	-	-	-	2,653,282	2,653,282
TOTAL LIABILITIES	6,838,894	1,734,868	-	433,393	-	2,664,815	11,671,970
NET ASSETS:							
Unrestricted-							
General operating - undesignated	2,214,335	-	-	-	-	-	2,214,335
Board Designated-							
Operating	-	912,086	-	-	-	-	912,086
Capital expenditures	-	-	-	75,952,633	(961,812)	-	74,990,821
Long-term investment	-	-	3,220,734	-	-	-	3,220,734
Total Board designated	-	912,086	3,220,734	75,952,633	(961,812)	-	79,123,641
Total unrestricted	2,214,335	912,086	3,220,734	75,952,633	(961,812)	-	81,337,976
Temporarily restricted	-	1,550,387	44,526,213	2,537,362	6,580,397	-	55,194,359
Permanently restricted	-	-	79,433,789	550,748	-	12,465	79,997,002
TOTAL NET ASSETS	2,214,335	2,462,473	127,180,736	79,040,743	5,618,585	12,465	216,529,337
TOTAL LIABILITIES AND NET ASSETS	\$ 9,053,229	\$ 4,197,341	\$ 127,180,736	\$ 79,474,136	\$ 5,618,585	\$ 2,677,280	\$ 228,201,307

See Independent Auditors' Report on Supplemental Information

MISSOURI BOTANICAL GARDEN
STATEMENT OF ACTIVITIES BY FUND
For the Year Ended December 31, 2016

	Unrestricted Operating	Designated/ Temporarily Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
PUBLIC SUPPORT AND REVENUES:							
Public support-							
Services provided for Botanical Garden Subdistrict	\$ 10,600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,600,000
Contributions and memberships	7,772,861	952,098	1,764,296	1,000	1,206,460	39,316	11,736,031
Bequests	2,513,055	10,000	-	-	41,291	-	2,564,346
Revenues-							
Admissions	3,922,329	-	-	-	-	-	3,922,329
Grants and contracts	-	6,800,970	-	11,119	-	-	6,812,089
Retail shops	2,181,391	-	-	-	-	-	2,181,391
Education	410,873	-	-	-	-	-	410,873
Property rentals	462,398	-	-	-	-	-	462,398
Overhead recovered from grants and contracts	163,474	(163,474)	-	-	-	-	-
Interest and dividend income, net-							
Endowment	-	-	1,885,753	-	-	-	1,885,753
Other investments	10,750	(5)	-	-	66,315	(15,328)	61,732
Net realized investment gains (losses)-							
Endowment	-	-	147,444	-	-	-	147,444
Other investments	(9,661)	902	(2,444)	-	(11,435)	30,008	7,370
Net unrealized investment gains-							
Endowment	-	-	7,618,828	-	-	-	7,618,828
Appropriated investment income	4,027,788	1,380,671	(5,483,459)	-	-	-	(75,000)
Other investments	-	651	-	-	72,921	-	73,572
Net gain on property retirements	-	-	-	(16,892)	-	-	(16,892)
Other	967,246	-	-	-	22,650	-	989,896
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 33,022,504	\$ 8,981,813	\$ 5,930,418	\$ (4,773)	\$ 1,398,202	\$ 53,996	\$ 49,382,160

(Continued on following page)

See Independent Auditors' Report on Supplemental Information

MISSOURI BOTANICAL GARDEN
STATEMENT OF ACTIVITIES BY FUND

For the Year Ended December 31, 2016

(Continued from previous page)

	Unrestricted Operating	Designated/ Temporarily Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
EXPENSES							
Operating services-							
Horticulture	\$ 3,296,694	\$ 107,556	\$ -	\$ -	\$ 75,634	\$ -	\$ 3,479,884
Science and conservation	4,586,773	4,001,578	-	-	-	-	8,588,351
Retail shops	1,960,730	-	-	-	-	-	1,960,730
Education	1,079,090	1,263,814	-	-	96,550	-	2,439,454
Earthways/Sustainability	290,728	1,253,308	-	-	-	-	1,544,036
Butterfly House-general	1,076,946	30,123	-	-	-	-	1,107,069
Shaw Nature Reserve-general	1,060,496	276,683	-	37,470	70	-	1,374,719
Visitor services	541,160	2,743	-	-	-	-	543,903
Public events	1,662,960	122,727	-	-	-	-	1,785,687
Major exhibits	57,212	-	-	-	-	-	57,212
Professional services	-	1,195,021	-	(3,881)	-	-	1,191,140
Bioinformatics	177,271	385,238	-	-	61,347	-	623,856
TOTAL OPERATING SERVICES	15,790,060	8,638,791	-	33,589	233,601	-	24,696,041
Supporting services-							
Administrative	7,103,654	115,144	-	-	97,646	-	7,316,444
Maintenance and improvements	3,178,010	-	-	27,091	54,292	-	3,259,393
Depreciation	-	-	-	4,654,479	-	-	4,654,479
Utilities	907,823	-	-	-	-	-	907,823
Security	736,539	-	-	-	-	-	736,539
Institutional Advancement/fund raising	2,195,410	-	-	-	1,007,017	-	3,202,427
TOTAL SUPPORTING SERVICES	14,121,436	115,144	-	4,681,570	1,158,955	-	20,077,105
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	-	-	183,885	183,885
TOTAL EXPENSES	29,911,496	8,753,935	-	4,715,159	1,392,556	183,885	44,957,031
CHANGE IN NET ASSETS BEFORE TRANSFERS	3,111,008	227,878	5,930,418	(4,719,932)	5,646	(129,889)	4,425,129
PROPERTY TRANSFERS	(468,334)	(95,330)	-	4,485,778	(3,922,114)	-	-
TRANSFERS OF FUNDS	(2,642,673)	168,917	2,005,816	458,506	(120,455)	129,889	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	1	301,465	7,936,234	224,352	(4,036,923)	-	4,425,129
MINIMUM PENSION LIABILITY ADJUSTMENT	(398,847)	-	-	-	-	-	(398,847)
CHANGE IN NET ASSETS	(398,846)	301,465	7,936,234	224,352	(4,036,923)	-	4,026,282
NET ASSETS - BEGINNING OF YEAR	2,613,181	2,161,008	119,244,502	78,816,391	9,655,508	12,465	212,503,055
NET ASSETS - END OF YEAR	\$ 2,214,335	\$ 2,462,473	\$ 127,180,736	\$ 79,040,743	\$ 5,618,585	\$ 12,465	\$ 216,529,337

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