



MISSOURI BOTANICAL GARDEN
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016





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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Missouri Botanical Garden:

We have audited the accompanying consolidated financial statements of the Missouri Botanical Garden, a perpetual not-for-profit trust established in 1889 by Henry Shaw and authorized by the General Assembly of the State of Missouri, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2018

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2017 and 2016

	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 10,011,468	\$ 7,397,976
Grants receivable	963,311	1,007,328
Pledges receivable, net	8,447,407	11,048,886
Other receivables, net	1,882,265	1,903,136
Inventories, prepayments and other assets	2,122,727	1,637,423
Investments	154,618,621	127,792,366
Property and equipment, net of accumulated depreciation	81,084,985	77,414,192
TOTAL ASSETS	\$ 259,130,784	\$ 228,201,307
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 10,066,912	\$ 6,763,567
Deferred revenue	1,721,734	2,255,121
Liability for gift annuity payments	2,503,720	2,653,282
TOTAL LIABILITIES	14,292,366	11,671,970
NET ASSETS:		
Unrestricted-		
General operating - undesignated	1,776,063	2,214,335
Board Designated-		
Operating	1,067,375	912,086
Capital expenditures	76,495,786	74,990,821
Long-term investment	13,361,829	3,220,734
Total Board Designated	90,924,990	79,123,641
Total unrestricted	92,701,053	81,337,976
Temporarily restricted	70,693,904	55,194,359
Permanently restricted	81,443,461	79,997,002
TOTAL NET ASSETS	244,838,418	216,529,337
TOTAL LIABILITIES AND NET ASSETS	\$ 259,130,784	\$ 228,201,307

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

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2017

	Unrestricted				Total	Temporarily Restricted	Permanently Restricted	Total
	General Operating	Board Designated						
PUBLIC SUPPORT AND REVENUES:								
Public support-								
Services provided for Botanical Garden Subdistrict	\$ 10,600,000	\$ -	\$ 10,600,000	\$ -	\$ 10,600,000	\$ -	\$ 10,600,000	
Contributions and memberships	8,035,200	63,100	8,098,300	2,533,337	11,978,096	1,346,459	11,978,096	
Bequests	-	13,541,114	13,541,114	780,607	14,421,721	100,000	14,421,721	
Revenues-								
Admissions	4,977,364	-	4,977,364	-	4,977,364	-	4,977,364	
Grants and contracts	-	6,855,640	6,855,640	449,229	7,304,869	-	7,304,869	
Retail shops	2,068,438	-	2,068,438	-	2,068,438	-	2,068,438	
Education	418,151	-	418,151	-	418,151	-	418,151	
Property rentals	449,840	-	449,840	-	449,840	-	449,840	
Overhead recovered from grants and contracts	204,318	(204,318)	-	-	-	-	-	
Interest and dividend income, net-								
Endowment	-	(19)	(19)	2,100,625	2,100,606	-	2,100,606	
Other investments	19,836	84,437	104,273	-	104,273	-	104,273	
Net realized investment gains (losses)-								
Endowment	-	-	-	318,329	318,329	-	318,329	
Other investments	(5,746)	39,512	33,766	824	34,590	-	34,590	
Net unrealized investment gains (losses)-								
Endowment	-	-	-	18,690,098	18,690,098	-	18,690,098	
Appropriated investment income	4,050,000	(4,125,000)	(75,000)	-	(75,000)	-	(75,000)	
Other investments	-	47,622	47,622	-	47,622	-	47,622	
Net loss on property retirements	-	(213,372)	(213,372)	-	(213,372)	-	(213,372)	
Other	962,052	19,061	981,113	-	981,113	-	981,113	
Net assets released from restrictions	-	9,369,584	9,369,584	(9,369,584)	-	-	-	
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 31,779,453	\$ 25,477,361	\$ 57,256,814	\$ 15,503,465	\$ 74,206,738	\$ 1,446,459	\$ 74,206,738	

(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, 2017

(Continued from previous page)

	General Operating	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	Total
		Board Designated					
EXPENSES:							
Operating Services-	\$ 3,362,577	\$ 314,730	\$ 3,677,307	\$ -	\$ -	\$ -	\$ 3,677,307
Horticulture	4,635,600	3,654,824	8,290,424	-	-	-	8,290,424
Science and conservation	1,861,204	-	1,861,204	-	-	-	1,861,204
Retail shops	1,139,167	1,337,361	2,476,528	-	-	-	2,476,528
Education	210,069	1,316,087	1,526,156	-	-	-	1,526,156
Earthways/Sustainability	1,031,742	18,985	1,050,727	-	-	-	1,050,727
Butterfly House	1,183,567	401,630	1,585,197	-	-	-	1,585,197
Shaw Nature Reserve	578,018	269	578,287	-	-	-	578,287
Visitor services	1,554,513	119,709	1,674,222	-	-	-	1,674,222
Public events	276,066	-	276,066	-	-	-	276,066
Major exhibits	-	1,112,440	1,112,440	-	-	-	1,112,440
Professional services	324,394	418,425	742,819	-	-	-	742,819
Bioinformatics	-	74,229	74,229	-	-	-	74,229
Neighborhood improvements	-	8,768,689	24,925,606	-	-	-	24,925,606
TOTAL OPERATING SERVICES	16,156,917	8,768,689	24,925,606	-	-	-	24,925,606
Supporting Services-							
Administrative	7,629,107	114,981	7,744,088	-	-	-	7,744,088
Maintenance and improvements	3,392,966	105,916	3,498,882	-	-	-	3,498,882
Depreciation	-	4,625,090	4,625,090	-	-	-	4,625,090
Utilities	972,939	-	972,939	-	-	-	972,939
Security	772,751	-	772,751	-	-	-	772,751
Institutional advancement/fund raising	2,071,218	804,988	2,876,206	-	-	-	2,876,206
TOTAL SUPPORTING SERVICES	14,838,981	5,650,975	20,489,956	-	-	-	20,489,956
CHANGE IN VALUE OF ANNUITY AGREEMENTS	-	-	-	45,860	-	-	45,860
TOTAL EXPENSES	30,995,898	14,419,664	45,415,562	45,860	-	-	45,461,422
CHANGE IN NET ASSETS BEFORE TRANSFERS	783,555	11,057,697	11,841,252	15,457,605	1,446,459	-	28,745,316
CAPITAL PURCHASE TRANSFERS	(683,909)	683,909	-	-	-	-	-
TRANSFERS OF FUNDS	(101,683)	59,743	(41,940)	41,940	-	-	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	(2,037)	11,801,349	11,799,312	15,499,545	1,446,459	-	28,745,316
MINIMUM PENSION LIABILITY ADJUSTMENT	(436,235)	-	(436,235)	-	-	-	(436,235)
CHANGE IN NET ASSETS	(438,272)	11,801,349	11,363,077	15,499,545	1,446,459	-	28,309,081
NET ASSETS - BEGINNING OF YEAR	2,214,335	79,123,641	81,337,976	55,194,359	79,997,002	-	216,529,337
NET ASSETS - END OF YEAR	\$ 1,776,063	\$ 90,924,990	\$ 92,701,063	\$ 70,693,904	\$ 81,443,461	\$ -	\$ 244,838,418

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			
	General Operating	Board Designated	Total	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	500	7,773,361	2,198,374
Bequests	2,513,055	-	2,513,055	51,291
Revenues-				
Admissions	3,922,329	-	3,922,329	-
Grants and contracts	-	6,815,970	6,815,970	(3,881)
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
Other investments	10,750	50,982	61,732	-
Net realized investment gains (losses)-				
Endowment	-	-	-	147,444
Other investments	(9,661)	19,475	9,814	(2,444)
Net unrealized investment gains (losses)-				
Endowment	-	-	-	7,618,828
Appropriated investment income	4,027,788	(4,102,788)	(75,000)	-
Other investments	-	73,572	73,572	-
Net loss on property retirements	-	(16,892)	(16,892)	-
Other	967,246	22,650	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)

	General Operating	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
		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	1,076,946	30,123	1,107,069	-	-	1,107,069
Show Nature Reserve	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
CAPITAL PURCHASE 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	76,232,706	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 STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATIONS:		
Change in net assets	\$ 28,309,081	\$ 4,026,282
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	4,625,090	4,654,479
Loss on property retirements	213,372	16,892
Net realized gains on investments	(352,919)	(154,814)
Net unrealized gains on investments	(18,737,720)	(7,692,400)
Net unrealized (gains) losses on investments- Annuity fund	(73,280)	42,094
Change in operating assets and liabilities-		
Receivables	2,666,367	4,945,233
Inventories, prepayments and other assets	(485,304)	(131,009)
Accounts payable and accrued liabilities	3,043,762	(800,316)
Deferred revenue	(533,387)	603,808
Liability for gift annuity payments	(149,562)	(80,348)
Contributions and investment income restricted for long-term purposes	24,873,049	11,895,365
NET CASH FROM OPERATIONS	43,398,549	17,325,266
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	32,543,295	18,871,014
Purchases of investments	(40,205,631)	(19,784,455)
Purchases of property	(8,249,672)	(4,887,282)
Proceeds from sale of property	-	9,023
NET CASH FROM INVESTING ACTIVITIES	(15,912,008)	(5,791,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions and investment income restricted for long-term purposes	(24,873,049)	(11,895,365)
NET CASH FROM FINANCING ACTIVITIES	(24,873,049)	(11,895,365)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,613,492	(361,799)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,397,976	7,759,775
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,011,468	\$ 7,397,976
NON-CASH ACTIVITIES		
Capital items acquired with a capital lease	\$ 259,583	\$ -

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, 2017 and 2016.

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 2.74% at December 31, 2017 and 2016). 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, 2017 and 2016 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. Certain equipment is leased by the Garden and is treated as a capital lease. 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 3.75% to 7.00% as of December 31, 2017.

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 \$231,400 and \$249,000 for the years ended December 31, 2017 and 2016, 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.

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.

Recent accounting pronouncements – Not-for-Profit Entities – In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This update, which amends the requirements for financial statements and notes in *Topic 958, Not-for-Profit Entities*, require a Not-for-Profit (NFP) to:

- Present on the face of the statement of financial position amounts for two classes of net assets as “net assets with donor restrictions” and “net assets without donor restrictions,” rather than for the currently required three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes.
- Continue to present on the face of the statement of cash flows the net amount of operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosures about (1) amounts and purposes of governing board designations that result in self-imposed limits on the use of resources without donor-imposed restrictions (2) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources (3) qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date (4) quantitative information, either on the face of the statement of financial position

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

or in the notes, and additional qualitative information in the notes that communicates the availability of a NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date (5) amounts of expenses by both their natural classification and their functional classification (6) report investment return net of external and direct internal investment expenses, and no longer require disclosure of those netted expenses (7) use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

This standard is effective for fiscal years beginning after December 15, 2017. The Garden is evaluating the impact that this updated standard will have on the consolidated financial statements and related notes to the consolidated financial statements.

Recent accounting pronouncements – Revenue Recognition – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This standard applies to most contracts with customers and prescribes a five-step framework in accounting for revenues from contracts, including (a) identification of the contract, (b) identification of the performance obligation under the contract, (c) determination of the transaction price, (d) allocation of the transaction price to the identified performance obligation and (e) recognition of revenue as the identified performance obligation is satisfied. This standard also prescribes additional disclosures and financial statement presentations. This standard is effective for fiscal years beginning after December 31, 2019, and early adoption is permitted. The Garden may adopt the standard retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Garden is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

(2) Pledges receivable

Pledges receivable are due as follows:

	December 31,	
	2017	2016
Less than one year	\$ 2,879,984	\$ 3,549,293
One to five years	5,996,590	8,166,647
Pledge discounts	(429,167)	(667,054)
	<u>\$ 8,447,407</u>	<u>\$ 11,048,886</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) **Investments**

Investment income on the consolidated statements of activities is shown net of investment, custodian, advisory and management fees of \$494,708 and \$524,611 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 are \$232,686 and \$175,450, respectively. This conflict of interest was approved at the Garden Board of Trustees regular meetings held on March 22, 2017 and March 10, 2016, respectively.

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,	
	2017	2016
Equities	\$ 73,648,119	\$ 26,093,933
Bonds	18,984,848	14,192,949
Mutual funds	46,341,197	66,653,574
Commercial paper	2,914,048	6,365,425
Real estate funds and other	12,730,409	14,486,485
	<u>\$ 154,618,621</u>	<u>\$ 127,792,366</u>

The total cost basis of these investments amounted to \$95,633,821 and \$87,618,567 at December 31, 2017 and 2016.

(4) **Endowment**

The Garden's endowment consists of 30 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 a percent of its endowment fund's average fair value over the prior 12 quarters at June 30 preceding the fiscal year in which the distribution is planned. In 2016, the spend formula was based on 5% of the average fair value and in 2017, the spend formula was based on 4.8% of the average fair value. 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, 2017 and 2016 are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2017	\$ 3,220,734	\$ 44,526,213	\$ 79,433,789	\$ 127,180,736
Contributions	10,141,114	-	1,446,459	11,587,573
Investment return:				
Investment income, including realized gains	(19)	2,419,778	-	2,419,759
Net appreciation	-	18,690,098	-	18,690,098
Net assets released from restriction	5,635,855	(5,635,855)	-	-
Amounts transferred to (from) endowment	(31,102)	-	-	(31,102)
Amounts appropriated	(5,604,753)	-	-	(5,604,753)
Endowment net assets, December 31, 2017	<u>\$ 13,361,829</u>	<u>\$ 60,000,234</u>	<u>\$ 80,880,248</u>	<u>\$ 154,242,311</u>

	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>

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, 2017 and 2016.

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, 2017 the Garden's unfunded commitments with respect to these funds are \$3,883,904.

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, 2017 and 2016 are as follows:

<u>December 31, 2017</u>	<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>
Investments:				
Equities	\$ 73,648,119	\$ 73,648,119	\$ -	\$ -
Bonds:				
Government	3,951,716	-	3,951,716	-
Corporate	11,346,974	-	11,346,974	-
Other	3,349,215	-	3,349,215	-
Foreign	336,943	-	336,943	-
Fixed mutual funds	13,134,357	13,134,357	-	-
Equity mutual funds	33,206,840	33,206,840	-	-
Commercial paper	2,914,048	2,914,048	-	-
Total investments at Fair Value	<u>\$ 141,888,212</u>	<u>\$ 122,903,364</u>	<u>\$ 18,984,848</u>	<u>\$ -</u>
Investments reported at NAV	<u>12,730,409</u>			
Total investments	<u><u>\$ 154,618,621</u></u>			

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) 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, 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	232,075	-	232,075	-
Fixed mutual funds	11,036,347	11,036,347	-	-
Equity mutual funds	55,617,227	55,617,227	-	-
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>			

(6) Property and equipment

Property and equipment, consists of the following at:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
<u>Nondepreciable:</u>		
Land	\$ 7,213,460	\$ 6,895,042
Construction in progress	7,942,604	1,949,210
Fountains, sculptures, gardens and other	2,962,286	3,070,057
<u>Depreciable:</u>		
Buildings, gardens and other structures	141,261,527	141,237,146
Furniture, office and data processing equipment	5,888,208	5,251,419
Other	4,769,630	4,106,549
Less - accumulated depreciation	(88,952,730)	(85,095,231)
	<u>\$ 81,084,985</u>	<u>\$ 77,414,192</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$4,625,090 and \$4,654,479, respectively.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Line of credit

The Garden maintains an unsecured line of credit at December 31, 2017 and 2016 for \$5,000,000 which expires on May 4, 2018. The line of credit bears interest of 1.50% above the LIBOR index. The line of credit was not used in 2017 or 2016.

(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,	
	2017	2016
Program services:		
Horticulture	\$ 5,284,278	\$ 5,090,056
Research	11,913,311	12,562,254
Education	9,539,657	9,456,817
Other programs	9,080,766	9,013,982
Support services:		
Management and general support	7,688,973	6,678,710
Fundraising	1,908,577	1,971,327
	45,415,562	44,773,146
Change in value of annuity agreements	45,860	183,885
	\$ 45,461,422	\$ 44,957,031

(9) Restricted net assets

Temporarily restricted net assets consist of:

	December 31,	
	2017	2016
Property and equipment	\$ 12,054,200	\$ 9,117,759
Research and education	58,639,704	46,076,600
	\$ 70,693,904	\$ 55,194,359

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,	
	2017	2016
Research and education	\$ 5,635,855	\$ 5,613,348
Property and equipment	2,825,221	4,457,507
General operating	908,508	981,909
	<u>\$ 9,369,584</u>	<u>\$ 11,052,764</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, 2017 and 2016 were \$956,872 and \$946,793, 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,	
	2017	2016
Projected Benefit Obligation (PBO) at beginning of year	\$ 11,420,494	\$ 11,756,232
Interest cost	398,253	409,274
Benefits paid	(1,006,511)	(1,044,334)
Actuarial loss	604,428	299,322
PBO at end of year	<u>\$ 11,416,664</u>	<u>\$ 11,420,494</u>
Accumulated benefit obligation at end of year	<u>\$ 11,416,664</u>	<u>\$ 11,420,494</u>

Change in plan assets during year:

	Years Ended December 31,	
	2017	2016
Fair value of plan assets at beginning of year	\$ 8,080,078	\$ 8,585,381
Actual return on plan assets	566,446	309,749
Employer contributions	371,473	229,282
Benefits paid	(1,006,511)	(1,044,334)
Fair value of plan assets at end of year	<u>\$ 8,011,486</u>	<u>\$ 8,080,078</u>
Funded status at end of year- (Assets less PBO)	<u>\$ (3,405,178)</u>	<u>\$ (3,340,416)</u>

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

	December 31,	
	2017	2016
Liabilities	<u>\$ 3,405,178</u>	<u>\$ 3,340,416</u>

ASC 715 amounts recognized in Unrestricted Net Assets consist of:

	December 31,	
	2017	2016
Decrease during year	\$ (167,980)	\$ (202,430)
Beginning of year actuarial net loss	4,408,276	4,610,706
Total	<u>\$ 4,240,296</u>	<u>\$ 4,408,276</u>

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

	Pension Benefits	
	2017	2016
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.25%	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%	6.00%
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	66%	4%	5%
Mid-Cap US Equity	6%	7%	18%
Large-Cap US Equity	14%	7%	16%
Small-Cap US Equity	4%	8%	21%
International Equity	7%	8%	19%
Cash	2%	3%	2%
Real Estate	1%	10%	27%

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, 2017 and 2016 using quoted market prices in active markets for identical assets Level 1, Level 2 and Level 3, as defined in Note 5:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

	Investments at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 127,618	\$ -	\$ -	\$ 127,618
Mutual funds:				
Equity	2,603,933	-	-	2,603,933
Fixed	5,279,935	-	-	5,279,935
Total investments at fair value	\$ 8,011,486	\$ -	\$ -	\$ 8,011,486

	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
Total investments at fair value	\$ 8,080,078	\$ -	\$ -	\$ 8,080,078

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%

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.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Retirement plans (continued)

Cash Flows

Contributions

The Garden expects to contribute \$359,932 to the Plan in 2018 because the estimated 2017 remaining required contributions and the estimated 2018 total required quarterly contributions are \$80,307 and \$279,625, 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>
2018	\$ 801,925
2019	798,468
2020	809,126
2021	806,450
2022	813,269
Years 2023-2027	<u>3,863,010</u>
Total	<u>\$ 7,892,248</u>

(11) Concentrations of credit risk

Financial instruments which 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, 2017, five donors comprise over 91% 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, 2017 and 2016, the Garden received \$1,358,644 and \$1,188,070, 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, 2017 and 2016, \$2,930,745 and \$2,034,231, 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, 2017 and 2016, pledges receivable, gross, of \$7,701,655 and \$7,271,068, 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 Botanical Garden Subdistrict is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Botanical Garden 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 Botanical Garden 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 Botanical Garden Subdistrict. In accordance with the contract, the Garden records revenue based on a rate of 3.86¢ and 3.99¢ on each \$100 of assessed valuation at December 31, 2017 and 2016, 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, 2017 and 2016, the Garden has a receivable from GDC of \$54 and \$57,577, respectively, included in other receivables in the consolidated statements of financial position. During the years ended December 31, 2017 and 2016, the Garden received \$74,229 and \$0, 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, 2017 and 2016, the Garden has a contract receivable from Solid Waste Management of \$47,054 and \$37,892, 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, 2017 and 2016, the Garden has a contract receivable from BSA of \$0 and \$3,729, 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, 2017 and 2016, the Garden has a contract receivable from GBC of \$46,160 and \$46,784, 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 consolidated 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, 2018, which is the date the consolidated 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, 2017

	Unrestricted Operating	Designated/Temporarily Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
ASSETS:							
Cash and cash equivalents	\$ 10,011,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,011,468
Grants receivable	-	900,202	-	63,109	-	-	963,311
Pledges receivable, net	328,934	45,164	5,649,969	-	2,423,340	-	8,447,407
Other receivables, net	1,594,874	138	274,863	-	9,164	3,226	1,882,265
Inventories, prepayments and other assets	1,757,627	-	-	365,100	-	-	2,122,727
Investments	18	45,539	147,924,571	-	4,925,717	1,722,776	154,618,621
Property and equipment, net of accumulated depreciation	-	-	-	81,084,985	-	-	81,084,985
Interfund receivables (payables)	(2,138,390)	3,761,755	392,908	1,890,565	(4,708,554)	801,716	-
TOTAL ASSETS	\$ 11,554,531	\$ 4,752,798	\$ 154,242,311	\$ 83,403,759	\$ 2,649,667	\$ 2,527,718	\$ 259,130,784
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 9,702,687	\$ -	\$ -	\$ 352,692	\$ -	\$ 11,533	\$ 10,066,912
Deferred revenue	75,781	1,645,953	-	-	-	-	1,721,734
Liability for gift annuity payments	-	-	-	-	-	2,503,720	2,503,720
TOTAL LIABILITIES	9,778,468	1,645,953	-	352,692	-	2,515,253	14,292,366
NET ASSETS:							
General operating - undesignated	1,776,063	-	-	-	-	-	1,776,063
Board Designated-							
Operating	-	1,067,375	-	-	-	-	1,067,375
Capital expenditures	-	-	-	76,801,555	(305,769)	-	76,495,786
Long-term investment	-	-	13,361,829	-	-	-	13,361,829
Total Board designated	-	1,067,375	13,361,829	76,801,555	(305,769)	-	90,924,990
Total unrestricted	1,776,063	1,067,375	13,361,829	76,801,555	(305,769)	-	92,701,053
Temporarily restricted	-	2,039,470	60,000,234	5,698,764	2,955,436	-	70,693,904
Permanently restricted	-	-	80,880,248	550,748	-	12,465	81,443,461
TOTAL NET ASSETS	1,776,063	3,106,845	154,242,311	83,051,067	2,649,667	12,465	244,838,418
TOTAL LIABILITIES AND NET ASSETS	\$ 11,554,531	\$ 4,752,798	\$ 154,242,311	\$ 83,403,759	\$ 2,649,667	\$ 2,527,718	\$ 259,130,784

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MISSOURI BOTANICAL GARDEN

STATEMENT OF ACTIVITIES BY FUND

For the Year Ended December 31, 2017

	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	8,035,200	1,213,698	1,346,459	902,615	466,204	13,920	11,978,096
Bequests	-	124,564	10,241,114	-	4,056,043	-	14,421,721
Revenues-							
Admissions	4,977,364	-	-	-	-	-	4,977,364
Grants and contracts	-	6,840,640	-	464,229	-	-	7,304,869
Retail shops	2,068,438	-	-	-	-	-	2,068,438
Education	418,151	-	-	-	-	-	418,151
Property rentals	449,840	-	-	-	-	-	449,840
Overhead recovered from grants and contracts	204,318	(204,318)	-	-	-	-	-
Interest and dividend income, net-							
Endowment	-	-	2,100,606	-	-	-	2,100,606
Other investments	19,836	52	-	-	101,953	(17,568)	104,273
Net realized investment gains (losses)-							
Endowment	-	-	318,329	-	-	-	318,329
Other investments	(5,746)	(7,345)	824	-	46,763	94	34,590
Net unrealized investment gains-							
Endowment	-	-	18,690,098	-	-	-	18,690,098
Appropriated investment income	4,050,000	1,479,753	(5,604,753)	-	-	-	(75,000)
Other investments	-	403	-	-	47,219	-	47,622
Net loss on property retirements	-	-	-	(213,372)	-	-	(213,372)
Other	962,052	-	-	749	-	18,312	981,113
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 31,779,453	\$ 9,447,447	\$ 27,092,677	\$ 1,154,221	\$ 4,718,182	\$ 14,758	\$ 74,206,738

(Continued on following page)

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MISSOURI BOTANICAL GARDEN
STATEMENT OF ACTIVITIES BY FUND

For the Year Ended December 31, 2017

(Continued from previous page)

	Unrestricted Operating	Designated/Temporarily Restricted Operating	Endowment	Property and Equipment	Capital Campaign	Gift Annuities	Total
EXPENSES							
Operating Services-							
Horticulture	\$ 3,362,577	\$ 241,944	\$ -	\$ -	\$ 72,786	\$ -	\$ 3,677,307
Science and conservation	4,635,600	3,654,824	-	-	-	-	8,290,424
Retail shops	1,861,204	-	-	-	-	-	1,861,204
Education	1,139,167	1,217,823	-	-	119,538	-	2,476,528
Earthways	210,069	1,316,087	-	-	-	-	1,526,156
Butterfly House	1,031,742	18,985	-	-	-	-	1,050,727
Shaw Nature Reserve	1,183,567	271,369	-	130,261	-	-	1,585,197
Visitor services	578,018	269	-	-	-	-	578,287
Public events	1,554,513	119,709	-	-	-	-	1,674,222
Major exhibits	276,066	1,112,440	-	-	-	-	1,388,506
Professional services	-	418,425	-	-	-	-	418,425
Bioinformatics	324,394	-	-	-	-	-	324,394
Neighborhood improvements	-	-	-	74,229	-	-	74,229
TOTAL OPERATING SERVICES	16,156,917	8,371,875	-	204,490	192,324	-	24,925,606
Supporting services-							
Administrative	7,629,107	58,857	-	1,257	54,867	-	7,744,088
Maintenance and improvements	3,392,966	9,595	-	3,000	93,321	-	3,498,882
Depreciation	-	-	-	4,625,090	-	-	4,625,090
Utilities	972,939	-	-	-	-	-	972,939
Security	772,751	-	-	-	-	-	772,751
Institutional Advancement/fund raising	2,071,218	-	-	-	804,988	-	2,876,206
TOTAL SUPPORTING SERVICES	14,838,981	68,452	-	4,629,347	953,176	-	20,489,956
CHANGE IN VALUE OF ANNUITY AGREEMENTS							
TOTAL EXPENSES	30,995,898	8,440,327	-	4,833,837	1,145,500	45,860	45,860
CHANGE IN NET ASSETS BEFORE TRANSFERS	783,555	1,007,120	27,092,677	(3,679,616)	3,572,682	(31,102)	28,745,316
CAPITAL PURCHASE TRANSFERS	(683,909)	(462,929)	-	8,024,109	(6,877,271)	-	-
TRANSFERS OF FUNDS	(101,683)	100,181	(31,102)	(334,169)	335,671	31,102	-
CHANGE IN NET ASSETS BEFORE MINIMUM PENSION LIABILITY ADJUSTMENT	(2,037)	644,372	27,061,575	4,010,324	(2,968,918)	-	28,745,316
MINIMUM PENSION LIABILITY ADJUSTMENT	(436,235)	-	-	-	-	-	(436,235)
CHANGE IN NET ASSETS	(438,272)	644,372	27,061,575	4,010,324	(2,968,918)	-	28,309,081
NET ASSETS - BEGINNING OF YEAR	2,214,335	2,462,473	127,180,736	79,040,743	5,618,585	12,465	218,529,337
NET ASSETS - END OF YEAR	\$ 1,776,063	\$ 3,106,845	\$ 154,242,311	\$ 83,051,067	\$ 2,649,667	\$ 12,465	\$ 244,838,418

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