

**DESERT BOTANICAL GARDEN, INC.  
AND AFFILIATES**

Consolidated financial statements  
Together with independent auditor's report  
And supplementary information

September 30, 2014



# **DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Desert Botanical Garden, Inc.

We have audited the accompanying consolidated financial statements of Desert Botanical Garden, Inc. (an Arizona nonprofit organization) and Affiliates (collectively, the "Garden"), which comprise the consolidated statement of financial position as of September 30, 2014 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Garden as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Garden's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 – 4 is presented for purposes of additional analysis and is 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.

*Schmidt Westergard & Company, PLLC*

Mesa, Arizona  
January 27, 2015

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
September 30, 2014  
(with comparative totals as of September 30, 2013)

|   | 2014                 | 2013                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>CURRENT ASSETS</b>   |                      |                      |
| Cash and cash equivalents   | \$ 3,894,109         | \$ 2,582,631         |
| Investments   | 1,421,702            | 1,276,060            |
| Contributions receivable, net                                       | 1,262,195            | 630,878              |
| Other current assets  | 281,792              | 423,846              |
| Total current assets  | 6,859,798            | 4,913,415            |
| CONTRIBUTIONS RECEIVABLE, net, less current and restricted portions | 1,247,969            | 626,992              |
| PROPERTY AND EQUIPMENT, net   | 19,699,785           | 18,068,303           |
| OTHER ASSETS  | 73,858               | 73,858               |
| <b>ASSETS RESTRICTED TO INVESTMENT IN LONG-LIVED</b>                |                      |                      |
| <b>ASSETS AND IMPROVEMENTS</b>                                      |                      |                      |
| Cash and cash equivalents   | 203,901              | 384,764              |
| Contributions receivable, net                                       | 369,726              | 876,678              |
| <b>ASSETS RESTRICTED FOR ENDOWMENT</b>                              |                      |                      |
| Cash and cash equivalents   | 97,343               | 134,752              |
| Investments   | 8,843,326            | 8,620,493            |
| Contributions receivable, net                                       | 646,140              | 200,659              |
| Beneficial interest in remainder trust                              | 238,000              | 151,000              |
| Cash surrender value of life insurance policies                     | 70,829               | 57,304               |
|   | <u>\$ 38,350,675</u> | <u>\$ 34,108,218</u> |
| <b>LIABILITIES AND NET ASSETS</b>                                   |                      |                      |
| <b>CURRENT LIABILITIES</b>  |                      |                      |
| Note payable - Bank line of credit                                  | \$ -                 | \$ 750,000           |
| Current portion of long-term debt                                   | 75,000               | 125,000              |
| Accounts payable and accrued liabilities                            | 1,726,262            | 1,260,660            |
| Deferred revenue  | 2,168,290            | 1,830,591            |
| Annuity payment liability   | 5,600                | 5,600                |
| Trustee notes payable   | 175,000              | -                    |
| Total current liabilities   | 4,150,152            | 3,971,851            |
| DEFERRED REVENUE, less current portion                              | 69,506               | 343,471              |
| ANNUITY PAYMENT LIABILITY, less current portion                     | 45,200               | 53,300               |
| LONG-TERM DEBT, less current portion                                | 200,000              | 360,000              |
| BONDS PAYABLE   | 600,000              | 600,000              |
| TRUSTEE NOTES PAYABLE   | -                    | 570,000              |
| OTHER LIABILITIES   | 75,000               | -                    |
| Total liabilities   | <u>5,139,858</u>     | <u>5,898,622</u>     |
| <b>NET ASSETS</b>   |                      |                      |
| <b>Unrestricted</b>   |                      |                      |
| <b>Designated by the Board of Trustees:</b>                         |                      |                      |
| Asset replacement   | 18,612               | 123,863              |
| Huizingh Working Capital Fund                                       | 1,000,000            | 1,000                |
| Total designated  | 1,018,612            | 124,863              |
| Nondesignated   | 16,572,952           | 12,957,692           |
| Total unrestricted net assets                                       | 17,591,564           | 13,082,555           |
| Temporarily restricted  | 5,723,615            | 5,962,833            |
| Permanently restricted  | 9,895,638            | 9,164,208            |
| Total net assets  | <u>\$ 38,350,675</u> | <u>\$ 34,108,218</u> |

The accompanying notes are an integral part of this consolidated financial statement.

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2014  
(with comparative totals for the year ended September 30, 2013)

|   | Unrestricted  | Temporarily<br>Restricted | Permanently<br>Restricted | Total         | Total<br>2013 |
|---|---------------|---------------------------|---------------------------|---------------|---------------|
| <b>SUPPORT AND REVENUE</b>  |               |                           |                           |               |               |
| Retail sales  | \$ 1,864,786  | \$ -                      | \$ -                      | \$ 1,864,786  | \$ 1,055,849  |
| Cost of retail sales  | (257,008)     | -                         | -                         | (257,008)     | (273,587)     |
| Gross profit on retail sales  | 1,607,778     | -                         | -                         | 1,607,778     | 782,262       |
| Beverage sales  | 839,555       | -                         | -                         | 839,555       | 582,379       |
| Cost of beverage sales  | (141,690)     | -                         | -                         | (141,690)     | (119,357)     |
| Gross profit on beverage sales  | 697,865       | -                         | -                         | 697,865       | 463,022       |
| Total gross profit on retail<br>and beverage sales  | 2,305,643     | -                         | -                         | 2,305,643     | 1,245,284     |
| Contributions   | 1,916,392     | 2,642,362                 | 630,905                   | 5,189,659     | 5,805,248     |
| Admissions  | 8,145,608     | -                         | -                         | 8,145,608     | 2,734,900     |
| Memberships   | 3,128,866     | -                         | -                         | 3,128,866     | 2,259,130     |
| Governmental contracts  | 313,859       | -                         | -                         | 313,859       | 137,647       |
| Educational classes   | 306,078       | -                         | -                         | 306,078       | 294,570       |
| Facility rental and concessions   | 532,714       | -                         | -                         | 532,714       | 431,977       |
| Investment income   | -             | 665,089                   | -                         | 665,089       | 417,322       |
| Net realized and unrealized<br>gain on investments  | 126           | 93,510                    | -                         | 93,636        | 610,016       |
| Change in value of split interest<br>agreements   | 2,500         | -                         | 100,525                   | 103,025       | (48,981)      |
| Loss on disposal of assets  | (916)         | -                         | -                         | (916)         | -             |
| Other revenues and gains  | 167,056       | -                         | -                         | 167,056       | 86,667        |
| Total support and revenue before<br>special events and net assets<br>released from restrictions | 16,817,926    | 3,400,961                 | 731,430                   | 20,950,317    | 13,973,780    |
| Special events revenue  | 2,856,085     | -                         | -                         | 2,856,085     | 1,988,574     |
| Less costs of direct donor benefits   | (989,213)     | -                         | -                         | (989,213)     | (783,392)     |
| Gross profit on special events  | 1,866,872     | -                         | -                         | 1,866,872     | 1,205,182     |
| Total support and revenue   | 18,684,798    | 3,400,961                 | 731,430                   | 22,817,189    | 15,178,962    |
| <b>NET ASSETS RELEASED FROM<br/>RESTRICTIONS</b>  |               |                           |                           |               |               |
|   | 3,640,179     | (3,640,179)               | -                         | -             | -             |
| <b>TOTAL SUPPORT, REVENUE AND<br/>NET ASSETS RELEASED FROM<br/>RESTRICTIONS</b>                 |               |                           |                           |               |               |
|   | 22,324,977    | (239,218)                 | 731,430                   | 22,817,189    | 15,178,962    |
| <b>EXPENSES</b>   |               |                           |                           |               |               |
| Program   | 8,742,742     | -                         | -                         | 8,742,742     | 7,112,255     |
| Retail, marketing, and visitor services   | 4,987,160     | -                         | -                         | 4,987,160     | 2,717,848     |
| Administration  | 1,899,008     | -                         | -                         | 1,899,008     | 1,718,487     |
| Fundraising and membership  | 2,187,058     | -                         | -                         | 2,187,058     | 1,697,878     |
| Total expenses  | 17,815,968    | -                         | -                         | 17,815,968    | 13,246,468    |
| CHANGE IN NET ASSETS  | 4,509,009     | (239,218)                 | 731,430                   | 5,001,221     | 1,932,494     |
| NET ASSETS - Beginning of year  | 13,082,555    | 5,962,833                 | 9,164,208                 | 28,209,596    | 26,277,102    |
| NET ASSETS - End of year  | \$ 17,591,564 | \$ 5,723,615              | \$ 9,895,638              | \$ 33,210,817 | \$ 28,209,596 |

The accompanying notes are an integral part of this consolidated financial statement.

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2014  
(with comparative totals for the year ended September 30, 2013)

|  | <u>2014</u>         | <u>2013</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Change in net assets   | \$ 5,001,221        | \$ 1,932,494        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities             |                     |                     |
| Depreciation   | 1,183,033           | 1,089,911           |
| Contributions restricted for investment in long-lived assets, improvements and endowment               | (775,170)           | (674,525)           |
| Non-cash contribution - Forgiveness of trustee notes payable   | (10,000)            | (105,000)           |
| Non-cash contribution of stock   | (66,655)            | (48,435)            |
| Non-cash contribution of property and equipment  | (97,300)            | -                   |
| Change in value of split interest agreements   | (89,500)            | 64,200              |
| Change in cash surrender value of life insurance policies  | (13,525)            | (15,219)            |
| Net realized and unrealized gains on investments   | (93,636)            | (610,016)           |
| Change in discount on long-term contributions receivable   | (10,922)            | 41,486              |
| Change in valuation allowance for contributions receivable   | (12,525)            | 12,525              |
| (Increase) decrease in   |                     |                     |
| Other current assets   | 142,054             | (145,828)           |
| Contributions receivable   | (1,040,365)         | (941,990)           |
| Increase (decrease) in   |                     |                     |
| Accounts payable and accrued liabilities   | (83,061)            | 30,564              |
| Deferred revenue   | 63,734              | 822,931             |
| Annuity payment liability  | (5,600)             | (5,600)             |
| Other liabilities  | 75,000              | -                   |
| Net cash provided by operating activities  | <u>4,166,783</u>    | <u>1,447,498</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Decrease in cash and cash equivalents restricted for investment in long-lived assets and improvements  | 180,863             | 612,941             |
| (Increase) decrease in cash and cash equivalents restricted for endowment                              | 37,409              | (99,750)            |
| Purchases of investments restricted to endowment   | (222,833)           | (162,560)           |
| Proceeds from maturities and sales of investments  | 1,474,918           | 10,292,322          |
| Purchases of investments   | (1,322,233)         | (10,184,934)        |
| Purchases of property and equipment  | <u>(2,168,552)</u>  | <u>(2,406,388)</u>  |
| Net cash used in investing activities  | <u>(2,020,428)</u>  | <u>(1,948,369)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |
| Proceeds from contributions restricted for investment in long-lived assets, improvements and endowment | 510,123             | 677,475             |
| Borrowings on note payable - Bank line of credit   | -                   | 1,150,000           |
| Payments on note payable - Bank line of credit   | (750,000)           | (1,100,000)         |
| Borrowings on long-term debt   | -                   | 350,000             |
| Repayments on long-term debt   | (210,000)           | (65,000)            |
| Borrowings on trustee notes payable  | -                   | 25,000              |
| Repayments on trustee notes payable  | <u>(385,000)</u>    | <u>-</u>            |
| Net cash provided by (used in) financing activities  | <u>(834,877)</u>    | <u>1,037,475</u>    |
| Net increase in cash and cash equivalents  | 1,311,478           | 536,604             |
| CASH AND CASH EQUIVALENTS - Beginning of year  | <u>2,582,631</u>    | <u>2,046,027</u>    |
| CASH AND CASH EQUIVALENTS - End of year  | <u>\$ 3,894,109</u> | <u>\$ 2,582,631</u> |

The accompanying notes are an integral part of this consolidated financial statement.

## **1. Operations and Summary of Significant Accounting Policies**

### *Operations*

The Desert Botanical Garden, Inc. ("DBG"), an Arizona nonprofit corporation, was formed in 1937 as an educational and scientific institution devoted to the conservation, display, study and dissemination of knowledge regarding desert plants. Located on 140 acres in Papago Park, Phoenix, Arizona, DBG has more than 50,000 individual plants representing approximately 4,300 taxa (species) from the deserts of the world. Research facilities include a botanical library with over 6,700 books and 400 serial publications on deserts and desert plants, and an herbarium that houses more than 74,000 dried plant specimens collected primarily from Arizona and northern Mexico. Educational programs include classes, field trips, lectures and workshops on desert plants and desert related subjects.

DBG is supported primarily by donations, memberships from individuals and corporations, research grants, admission fees, educational program fees, and retail sales from a garden shop.

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of DBG, Desert Botanical Garden Foundation, and DBG Agave, LLC (collectively, the "Garden").

Desert Botanical Garden Foundation (the "Foundation") is a nonprofit corporation and was incorporated under the laws of the state of Arizona in August 2008. The Foundation was organized for educational and charitable purposes for the benefit of, and to carry out certain purposes of, DBG. The Foundation operates as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation was inactive for the period from its inception (August 2008) through September 30, 2008. From October 1, 2008 through September 30, 2013, the net amount of cash, investments, split interest agreements and contributions receivable related to the endowment that had been transferred from DBG to the Foundation totaled approximately \$7,609,000. During the year ended September 30, 2014, DBG transferred additional cash related to the endowment, totaling approximately \$192,000, to the Foundation. During the year ended September 30, 2014, the Foundation distributed approximately \$422,000 to DBG as a draw on accumulated investment earnings.

DBG Agave, LLC ("DBG Agave") is an Arizona limited liability company organized by DBG in December 2010. DBG is the sole member of DBG Agave. DBG Agave was created for the purpose of receiving and holding contributed interests in real estate, should DBG receive any such contributions in the future. DBG Agave has been inactive from inception (December 2010) through September 30, 2014, and had no assets or liabilities as of September 30, 2014.

Intercompany balances and transactions, which relate primarily to DBG's beneficial interest in the net assets of the Foundation, are eliminated in the consolidation.

### *Basis of Presentation*

The Garden reports 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. At September 30, 2014, the Board of Trustees has designated approximately \$19,000 of unrestricted net assets for asset replacement and \$1,000,000 of unrestricted net assets as a working capital fund.



#### *Cash and Cash Equivalents*

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have maturities of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Garden believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

#### *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Garden does not require collateral for accounts receivable. Past due status is determined based upon invoice due date. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are considered by management to be collectible in full, and accordingly, an allowance for doubtful accounts has not been provided. Accounts receivable totaled approximately \$146,000 at September 30, 2014, and are included in "Other current assets" in the accompanying consolidated statement of financial position.

#### *Promises to Give*

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in "Contributions" in the accompanying consolidated statement of activities. Conditional promises to give are not included as support until the conditions are substantially met.

The Garden's contributions receivable consist primarily of promises to give from individuals, employees and members of the Board of Trustees. Credit risk is limited due to the receipt of prior contributions from many of the individuals and their standing in the community, as well as the Garden's relationship with employees and members of the Board of Trustees.

#### *Inventories*

Inventories are stated at the lower of cost or market using the average cost method and consist primarily of liquor for events. Inventories totaled approximately \$52,000 at September 30, 2014, and are included in "Other current assets" in the accompanying consolidated statement of financial position.

#### *Investments*

The Garden reports its investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair values of investments are based on quoted market prices.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2014

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In accordance with the investment policies of the Garden, proceeds from investments which have matured are placed in a money market account until they are re-invested.

*Joint Venture*

At September 30, 2013, the Garden owned 50% of Flora & Fauna, LLC ("F&F, LLC"), a joint venture created in May 2008 to facilitate the sale of a piece of real estate that had been donated jointly to the Garden and another Arizona nonprofit organization. F&F, LLC had been inactive since the sale of that original real estate in July 2009. During the year ended September 30, 2014, the two members of F&F, LLC, along with two additional Arizona nonprofit organizations, were named as equal beneficiaries of an estate that included real estate. As a result, the two additional nonprofit organizations were added as equal members (in order to facilitate the sale of the real estate), with each member owning 25% of F&F, LLC.

The Garden does not retain control of F&F, LLC; however, the Garden's ownership interest creates both the ability to exercise significant influence over F&F, LLC and an ongoing economic interest in the net assets of F&F, LLC. Accordingly, the Garden reports its interest in the net assets of F&F, LLC, as well as any changes in the net assets of F&F, LLC, in a manner similar to the equity method of accounting for investments in common stock. During the year ended September 30, 2014, the donated real estate was received and liquidated, and the net proceeds (which totaled approximately \$376,000) were distributed equally to the four members of F&F, LLC. At September 30, 2014, F&F, LLC had no assets or liabilities.

*Property and Equipment*

Property and equipment are recorded at cost when purchased or fair value as of the date contributed. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and maintenance that materially prolong the useful lives of assets are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations. Depreciation is computed on a straight-line basis over the following estimated useful lives:

|  |               |
|--|---------------|
| Buildings and building improvements      | 10 - 50 years |
| Ground installations                     | 5 - 30 years  |
| Office furniture, fixtures and equipment | 7 years       |
| Computer equipment and technology        | 3 - 5 years   |
| Machinery and equipment                  | 2 - 20 years  |
| Master plan for buildings and exhibits   | 10 years      |
| Vehicles                                 | 5 - 10 years  |

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Garden reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Garden reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### *Life Insurance Policies*

The Garden is the beneficiary of various donated life insurance policies with total cash surrender values of approximately \$71,000 and face values of approximately \$1,025,000 as of September 30, 2014. Changes in the value of these policies are included in "Change in value of split interest agreements" in the accompanying consolidated statement of activities for the year ended September 30, 2014.

#### *Impairment of Long-Lived Assets*

The Garden reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

#### *Deferred Revenue*

Deferred revenue consists primarily of unearned membership revenues and cash collected for certain events that will take place in the next fiscal year.

#### *Contributions*

The Garden accounts for contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same year the contribution is received, the Garden reports the support as unrestricted.

#### *Revenue Recognition*

The Garden records admissions revenue, which consists of ticket sales, as tickets are sold. Retail sales consist of revenue earned from third-party operations of the restaurant and gift shop, semi-annual plant sales, beverage sales, and other fees. Retail revenue is recognized when goods are sold or services are provided. Membership revenue is recorded as unearned membership income and is recognized as revenue ratably over the term of the membership.

#### *Special Events Revenue*

The Garden conducts special events in which a portion of the amount paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Garden. The direct costs of the special events, which ultimately benefit the donor rather than the Garden, are recorded as costs of direct donor benefits.

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2014

All proceeds received in excess of the direct costs are reported as gross profit on special events in the accompanying consolidated statement of activities. Direct costs incurred prior to the events are recorded as prepaid expenses in the accompanying consolidated statement of financial position until the event occurs, at which time they are recognized as special events costs.

*Donated Materials and Services*

The Garden recognizes donations of materials at their estimated fair value on the date received. The Garden recognizes donations of services received at their estimated fair value if such services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would otherwise need to be purchased if not donated.

In-kind contributions consisted of the following for the year ended September 30, 2014:

|  | Contributed<br>Services | Supplies          | Advertising       | Other         | Total               |
|--|-------------------------|-------------------|-------------------|---------------|---------------------|
| Direct donor benefit                                 | \$ 265,041              | \$ -              | \$ -              | \$ -          | \$ 265,041          |
| Program  | 360,558                 | 115,372           | -                 | -             | 475,930             |
| Retail, marketing,<br>and visitor services           | -                       | 3,270             | 604,556           | -             | 607,826             |
| Administration                                       | -                       | -                 | -                 | 656           | 656                 |
| Fundraising and<br>membership                        | 74,428                  | 17,449            | -                 | -             | 91,877              |
| Total in-kind<br>expense                             | <u>\$ 700,027</u>       | <u>\$ 136,091</u> | <u>\$ 604,556</u> | <u>\$ 656</u> | 1,441,330           |
| Capitalized donation<br>of property and<br>equipment |                         |                   |                   |               | <u>97,300</u>       |
| Total in-kind<br>contributions                       |                         |                   |                   |               | <u>\$ 1,538,630</u> |

Contributed services above include approximately \$349,000 related to volunteer services for horticultural and research programs that require specialized skills and enhance nonfinancial assets. In addition, a substantial number of other volunteers have donated significant amounts of their time to the Garden. However, no amounts have been reflected in the accompanying consolidated financial statements for these other volunteer services because they did not qualify for recording under current accounting requirements.

*Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited. Administration expense includes those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Garden.

Membership development expenses totaled approximately \$750,000 for the year ended September 30, 2014, and have been included in "Fundraising and membership expense" in the accompanying consolidated statement of activities.

### *Advertising*

The Garden uses advertising to promote its programs to the various groups it serves. Advertising costs are charged to operations as incurred. Advertising expense totaled approximately \$1,343,000 (including in-kind advertising described above of approximately \$605,000) for the year ended September 30, 2014, and has been included in "Retail, marketing, and visitor services expense" in the accompanying 2014 consolidated statement of activities.

### *Income Taxes*

The Garden is a nonprofit corporation exempt from both federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and similar state provisions. In addition, the Garden qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income would be taxed.

The Garden files information returns in the U.S. federal jurisdiction and in certain state and local jurisdictions. As of September 30, 2014, U.S. federal information returns for years ended prior to September 30, 2011 and state returns for years ended prior to September 30, 2010 were closed to assessment. Interest and penalties, if any, are accrued as a component of administration expenses when assessed.

The Garden follows the guidance issued by the Financial Accounting Standards Board ("FASB") related to accounting for income tax uncertainties. Under this guidance, the Garden accounts for the effect of any uncertain tax positions based on whether it is "more-likely-than-not" that the position will be sustained by the taxing authority upon examination. The Garden routinely evaluates potential uncertain tax positions. The Garden has identified its status as an exempt organization as a tax position; however, the Garden has determined that such tax position does not result in an uncertainty that requires recognition.

### *Prior Year Information*

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Garden's consolidated financial statements for the year ended September 30, 2013, from which the summarized information was derived.

## **2. Estimates**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

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**3. Contributions Receivable**

Contributions receivable include unconditional promises to give and consisted of the following at September 30, 2014:

|                                 |                     |
|---------------------------------|---------------------|
| The Saguaro Initiative Campaign |                     |
| Core trail                      | \$ 362,927          |
| Community garden initiative     | 117,000             |
| Conservation alliance           | 114,910             |
| Horticulture center             | 19,775              |
| Undesignated                    | 1,856,653           |
| Other purpose restrictions      |                     |
| Endowment                       | 671,500             |
| Other                           | 138,454             |
| Time restrictions               | 35,000              |
| Unrestricted                    | <u>319,861</u>      |
| Total contributions receivable  | 3,636,080           |
| Less: Unamortized discount      | <u>(110,050)</u>    |
| Contributions receivable, net   | <u>\$ 3,526,030</u> |

Contributions receivable (before the unamortized discount and any valuation allowance) are due as follows at September 30, 2014:

|  |                     |
|--|---------------------|
| Contributions receivable due in less than one year | \$ 1,999,066        |
| Contributions receivable due in one to five years  | 1,527,014           |
| Contributions receivable due thereafter            | <u>110,000</u>      |
| Total contributions receivable                     | <u>\$ 3,636,080</u> |

The estimated cash flows for contributions receivable were discounted over the collection period using management determined, risk-adjusted discount rates, which ranged from 1.5% to 6.3%.

Contributions receivable from employees and members of the Board of Trustees (before the unamortized discount) were as follows at September 30, 2014:

|  |                     |
|--|---------------------|
| Contributions receivable due in less than one year                                     | \$ 986,909          |
| Contributions receivable due in one to five years                                      | <u>492,114</u>      |
| Total contributions receivable due from employees and members of the Board of Trustees | <u>\$ 1,479,023</u> |

As of September 30, 2014, an individual donor has promised to give the Garden approximately \$516,000 (total promise to give of \$1,000,000 less cash receipts through September 30, 2014 of approximately \$484,000). This promise to give is subject to significant conditions imposed by the donor; accordingly, this conditional promise has not been reflected in the accompanying consolidated financial statements.

#### **4. Fair Value Measurements**

Certain assets and liabilities of the Garden are required to be measured at fair value under U.S. GAAP on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an "exit price") on the measurement date in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants (with no compulsion to buy or sell). The fair value hierarchy below lists the three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

*Level 1* Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

*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 or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- 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* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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

##### *Investments*

Investments consist of corporate stocks, mutual funds, and commodities and are valued at the net asset value of shares held by the Garden. Net asset value is based on quoted market prices for identical assets.

##### *Hedge Fund*

The hedge fund investment is a multi-fund pool commonly referred to as a "fund of funds" incorporating between 10 and 20 hedge funds in each multi-fund pool. For the most part, hedge funds invest in marketable securities that trade in well-established and highly-liquid markets (stocks, bonds, futures, options, etc.). Most hedge funds use independent fund administrators who obtain position prices from independent pricing services. These prices are often confirmed by prime brokers or custodians who are in possession of the actual securities.

The hedge fund vehicles are priced monthly by Citi Hedge Fund Services ("Citi HFS"), a division of Citigroup which is a US public company, and one of the largest independent fund administrators in the world. Citi HFS compiles the prices from each underlying hedge fund administrator to determine the monthly valuation for each multi-fund pool. Upon completion of the fund valuation, Citi HFS then computes the monthly individual investor valuations based upon their ownership share of each pool and provides this information to each investor's custodian.

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*Split Interest Agreements*

During the year ended September 30, 2006, the Garden was named as the recipient of a beneficial interest in a Charitable Remainder Unitrust (the "CRUT"). The assets of the trust include shares of mutual funds and government bonds. The beneficiaries of the CRUT (the donors) retain the right to receive quarterly distributions over the trust's term (the beneficiaries' lifetimes). The quarterly distributions are to be in an amount equal to a specified percentage of the total trust asset value as of each January 1st. Upon the death of the beneficiaries, the remaining assets of the trust are to be available for the Garden, subject to donor-imposed restrictions that the funds be invested in perpetuity as part of the Garden's endowment.

The Garden's interest in the assets of the trust were initially measured based upon the present value of the estimated future cash flows. Adjustments to the value of the beneficial interest in the trust due to changes in present value or actuarial assumptions during the term of the CRUT are recognized as "Change in value of split interest agreements" in the consolidated statement of activities. The change in the value of the CRUT for the year ended September 30, 2014 was an increase of approximately \$87,000.

The following table sets forth by level, within the fair value hierarchy, the Garden's assets that are measured at fair value as of September 30, 2014:

|                          | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u>    | <u>Total</u>         |
|--------------------------|---------------------|-------------------|-------------------|----------------------|
| Corporate stocks         |                     |                   |                   |                      |
| Domestic                 | \$ 35,548           | \$ -              | \$ -              | \$ 35,548            |
| Mutual funds - Equity    |                     |                   |                   |                      |
| Domestic                 | 4,131,247           | -                 | -                 | 4,131,247            |
| International            | 2,933,711           | -                 | -                 | 2,933,711            |
| Mutual funds - Bonds     | 1,548,200           | -                 | -                 | 1,548,200            |
| Commodity funds          | 654,704             | -                 | -                 | 654,704              |
| Hedge funds              | -                   | -                 | 961,618           | 961,618              |
| Split interest agreement | -                   | 238,000           | -                 | 238,000              |
| Total                    | <u>\$ 9,303,410</u> | <u>\$ 238,000</u> | <u>\$ 961,618</u> | <u>\$ 10,503,028</u> |

The assets above are included in the following line items in the accompanying consolidated statement of financial position at September 30, 2014:

|                                  | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u>    | <u>Total</u>         |
|----------------------------------|---------------------|-------------------|-------------------|----------------------|
| Current investments              | \$ 1,421,702        | \$ -              | \$ -              | \$ 1,421,702         |
| Assets restricted for endowment: |                     |                   |                   |                      |
| Investments                      | 7,881,708           | -                 | 961,618           | 8,843,326            |
| Split interest agreement         | -                   | 238,000           | -                 | 238,000              |
| Total                            | <u>\$ 9,303,410</u> | <u>\$ 238,000</u> | <u>\$ 961,618</u> | <u>\$ 10,503,028</u> |



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The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs during the year ended September 30, 2014:

|  |                          |
|--|--------------------------|
| Level 3 beginning balance - September 30, 2013 | \$ 813,773               |
| Additions - New investment purchases           | 100,000                  |
| Net realized and unrealized gains / (losses)   | <u>47,845</u>            |
| Level 3 ending balance - September 30, 2014    | <u><u>\$ 961,618</u></u> |

Net realized and unrealized gains and losses on the hedge fund have been included in "Net realized and unrealized gain on investments" in the accompanying consolidated statement of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Garden believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

**5. Property and Equipment**

Property and equipment have been acquired since the Garden began operations in 1937. Property and equipment acquired in earlier years, where information concerning purchase cost was not generally available, have been recorded at amounts established for insurance purposes in 1980. Property and equipment acquired since 1980 have been recorded at purchased cost or, if contributed, at fair value on the date of gift. In 1980, accumulated depreciation was established by calculating depreciation retroactive from asset acquisition dates to 1980. Property and equipment lives were determined based on the period from acquisition to 1980, plus their remaining estimated useful lives based on the current condition and planned use of the property and equipment. Subsequent acquisitions of property and equipment are recorded at cost or fair value at the date of gift.

Property and equipment consisted of the following at September 30, 2014:

|  |                             |
|--|-----------------------------|
| Buildings and building improvements      | \$ 14,456,616               |
| Ground installations                     | 13,656,615                  |
| Computer equipment and technology        | 2,169,899                   |
| Office furniture, fixtures and equipment | 1,619,376                   |
| Master plan for buildings and exhibits   | 705,986                     |
| Machinery and equipment                  | 635,487                     |
| Vehicles                                 | 347,506                     |
| Construction-in-progress                 | <u>2,449,895</u>            |
| Total property and equipment             | 36,041,380                  |
| Less - Accumulated depreciation          | <u>(16,341,595)</u>         |
| Property and equipment, net              | <u><u>\$ 19,699,785</u></u> |

Depreciation expense was approximately \$1,183,000 for the year ended September 30, 2014.

## **6. Collections**

Collections include the Garden's library and living plant collection, which are on display for the general public. These collection items are not capitalized by the Garden. The Garden's library consists of over 400 botanical periodicals and over 6,700 rare books, including floristic, ecological and horticultural works that relate to the deserts of the world. The library also includes materials on botanical illustration, plant taxonomy and nomenclature, edible and useful plants, rare and endangered plants, and desert ecology and conservation.

The living plant collection consists of plants that are rare and difficult to replace. The Garden employs horticulturists to ensure that the collection items are preserved and protected. Based on an independent study conducted in 2005 by an advisor from Arizona State University, a value of \$20 was estimated for each unprocessed herbarium specimen and a value of \$35 was estimated for each processed herbarium specimen. Adjusting these amounts in 2013 for the annual Consumer Price Index ("CPI"), the Garden estimates that the value of each unprocessed specimen is approximately \$24 and the processed specimen value is approximately \$41, for an estimated total of herbarium specimens of approximately \$3,200,000. In conformity with the practice followed by many gardens, specimens contributed to the Garden are not included in the accompanying consolidated financial statements.

Costs of purchasing collection items are included as a change in unrestricted net assets in "Program expense" in the accompanying consolidated statement of activities. During the year ended September 30, 2014, acquisitions and de-accessions of collection items were not significant.

## **7. Charitable Gift Annuity**

During the year ended September 30, 2007, the Garden received a \$100,000 bequest in the form of a Charitable Gift Annuity. The agreement provides for quarterly payments of approximately \$1,400 to the donors over the term of the agreement (the donors' expected lifetimes). The fair value of the assets received by the Garden was recorded as a permanently restricted contribution. A liability was recorded for the present value of the estimated annuity amounts payable to the beneficiaries over the expected term of the agreement using a discount rate of 5.6%.

The annuity liability balance is reduced by payments to the beneficiaries. Adjustments to the value of the annuity liability related to changes in present value or actuarial assumptions during the term of the gift annuity agreement are recognized as changes in the value of split interest agreements in the consolidated statement of activities. The change in the value of the gift annuity liability for the year ended September 30, 2014 (not including cash payments to beneficiaries) was a decrease of approximately \$3,000.

## **8. Note Payable – Bank Line of Credit**

DBG has an unsecured line of credit with a bank. Maximum borrowings available under the line of credit total \$1,500,000. Advances under this line of credit bear interest, payable monthly, at the 1-month LIBOR (0.15% at September 30, 2014) plus 3%. On October 31, 2013, the maximum borrowings available decreased to \$1,000,000. The line was scheduled to mature in March 31, 2014. In March 2014, DBG renewed the line of credit through March 31, 2015 and increased the maximum borrowings available under the line of credit to \$1,500,000.

The line of credit agreement requires DBG to submit its annual audited financial statements to the bank no later than 120 days after its fiscal year end.

**9. Long-term Debt**

*Note Payable – Bank*

DBG had an unsecured \$250,000 note payable to a bank. At September 30, 2013, the outstanding balance on this note totaled \$135,000. The note bore interest, payable quarterly, at the 3-month LIBOR rate plus 1.7%, and required annual principal installments of \$50,000, which were due each December 31. The note was paid in full during the year ended September 30, 2014.

*Note Payable – Community Foundation*

DBG has a \$350,000 note payable agreement with a nonprofit community foundation to finance certain capital projects. The note is unsecured and bears interest, payable quarterly, at 3.5%. The note requires annual principal installments of \$75,000 beginning June 30, 2014, and continuing annually through June 30, 2018, at which time any outstanding principal and accrued interest is due in full. The note is subordinate to the bank line of credit (Note 8) and the bonds payable (Note 10). Annual principal payments on long-term debt for the years subsequent to September 30, 2014 are scheduled as follows:

| Year Ending<br>September 30                |                          |
|--|--------------------------|
| 2015                                       | \$ 75,000                |
| 2016                                       | 75,000                   |
| 2017                                       | 75,000                   |
| 2018                                       | <u>50,000</u>            |
| Total note payable                         | 275,000                  |
| Less - Current portion                     | <u>(75,000)</u>          |
| Total long-term debt, less current portion | <u><u>\$ 200,000</u></u> |

**10. Bonds Payable**

On September 1, 2000, DBG issued \$16,300,000 of Adjustable Rate Demand Revenue Bonds, Series 2000 (the "Bonds") through the Industrial Development Authority of the City of Phoenix, Arizona. The Bonds are collateralized by an irrevocable transferable direct pay Letter of Credit ("Letter of Credit") of DBG as set forth in the Trust Indenture dated September 1, 2000. Interest on the Bonds is payable monthly under variable interest rate provisions. The Bonds were initially issued in the weekly rate mode under which the interest rate is determined on a weekly basis. The Bonds contain conversion features to other adjustable and fixed rate methods of interest rate determination. The annualized weekly interest rate in effect at September 30, 2014 was 0.05%. The stated maturity date of the Bonds is July 1, 2035, and is subject to optional redemption provisions prior to maturity based upon certain circumstances described in the Trust Indenture. As of September 30, 2014, \$15,700,000 of bond principal had been redeemed early, leaving a total outstanding balance of \$600,000.

The Letter of Credit, which is scheduled to expire on September 9, 2015 and which serves as collateral for the Bonds, has a maximum borrowing amount of \$603,101, of which \$600,000 may be drawn to pay principal of the Bonds and \$3,101 may be drawn to pay interest on the Bonds. The Letter of Credit is unsecured and bears a variable interest rate, which is determined based upon the nature of the amounts drawn, and provides for a variable facility fee amount based upon certain liquidity provisions. Additionally, the letter of credit requires DBG to maintain certain net asset, liquidity, and indebtedness ratios and to comply with certain other general covenants of both the Letter of Credit and the Trust Indenture.

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**11. Trustee Notes Payable**

DBG has unsecured note payable agreements with members of the Board of Trustees, with original principal amounts totaling \$675,000. The notes payable require annual interest-only payments at a rate of 2.50%. Principal balances are payable upon maturity, in April 2015. The notes are subordinated to DBG's line of credit (Note 8), note payable to a bank (Note 9) and bonds payable (Note 10).

During the year ended September 30, 2014, certain Trustees made non-cash contributions to DBG totaling approximately \$10,000, by forgiving all or a portion of the outstanding amounts under their note payable agreements. In addition, during the year ended September 30, 2014, DBG repaid trustee notes payable totaling approximately \$385,000. Interest expense on Trustee notes payable totaled approximately \$11,000 for the year ended September 30, 2014. Interest paid to Trustees on these notes payable totaled approximately \$16,000 for the year ended September 30, 2014. Accrued interest payable on these notes totaled approximately \$2,000 at September 30, 2014, which has been included in "Accounts payable and accrued liabilities" in the accompanying consolidated statement of financial position.

**12. Temporarily Restricted Net Assets**

Temporarily restricted net asset activity for the year ended September 30, 2014 was as follows:

|   | Balance<br>09/30/13 | Contributions       | Releases              | Balance<br>09/30/14 |
|---|---------------------|---------------------|-----------------------|---------------------|
| TSI Campaign                              |                     |                     |                       |                     |
| Undesignated                              | \$ 2,075,999        | \$ 2,077,853        | \$ (1,489,170)        | \$ 2,664,682        |
| Core trail                                | 1,115,505           | 33,409              | (719,980)             | 428,934             |
| Butterfly pavilion                        | 500                 | 3,648               | -                     | 4,148               |
| Horticulture center                       | 62,263              | 82,021              | (39,673)              | 104,611             |
| Conservation alliance                     | 231,336             | 21,157              | (99,260)              | 153,233             |
| Community garden                          | 13,471              | 120,409             | (21,982)              | 111,898             |
| Institutional planning and<br>advancement | 23,741              | 50,018              | (73,759)              | -                   |
| Other purpose restrictions                |                     |                     |                       |                     |
| Garden exhibits / improvements            | 59,433              | 1,500               | (25,000)              | 35,933              |
| Education programs                        | 203,526             | 158,197             | (183,240)             | 178,483             |
| Research                                  | 386,592             | 37,000              | (144,236)             | 279,356             |
| Dr. Huizingh Fellowship                   | 111,867             | 1,050               | (112,917)             | -                   |
| Other                                     | 306,185             | 56,100              | (189,897)             | 172,388             |
| Time restrictions                         |                     |                     |                       |                     |
| General                                   | 85,000              | -                   | (50,000)              | 35,000              |
| Earnings on endowment                     | 1,287,415           | 758,599             | (491,065)             | 1,554,949           |
| Total                                     | <u>\$ 5,962,833</u> | <u>\$ 3,400,961</u> | <u>\$ (3,640,179)</u> | <u>\$ 5,723,615</u> |

### **13. Permanently Restricted Net Assets**

Permanently restricted net assets are to provide a permanent endowment with investment income available for the operating expenses of the Garden. Investment income and gains or losses on the investment of endowment assets are reported as increases or decreases in unrestricted net assets, unless a donor or law temporarily or permanently restricts their use.

The Garden's endowment consists of funds established for the future prosperity of the Garden. The endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona enacted a version of the Uniform Prudent Management of Institutional Funds Act ("SPMIFA") in June 2008. The Board of Trustees of the Garden has interpreted SPMIFA 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, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 by the Garden in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

- The duration and preservation of the fund
- The purposes of the Garden and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Garden
- The investment policies of the Garden

The Garden has adopted 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. Under this policy the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

The Garden's annual appropriations are at the discretion of the Board of Trustees unless specific instructions were provided by the endowment donors.

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 SPMIFA requires the Garden to retain as a fund of perpetual duration. As of September 30, 2014, the Garden had sufficient funds allocated to the endowment.

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Changes in endowment net assets for the year ended September 30, 2014 were as follows:

|  | Temporarily<br>Restricted | Permanently Restricted |  | Total                |
|--|---------------------------|------------------------|--|----------------------|
|  |                           | Invested<br>Assets     | Contributions<br>Receivable,<br>Split Interest<br>Agreements,<br>and Other |                      |
| Endowment net assets,<br>beginning of year                             | \$ 1,287,415              | \$ 8,755,245           | \$ 408,963   | \$ 10,451,623        |
| Investment income  | 665,089                   | -                      | -  | 665,089              |
| Net realized and<br>unrealized<br>gains/(losses)                       | 93,510                    | -                      | -  | 93,510               |
| New contributions  |                           | 122,594                | 506,057  | 628,651              |
| Change in allowance<br>and discount on<br>contributions receivable     | -                         | -                      | 2,254  | 2,254                |
| Payments on contributions<br>receivable restricted to<br>the endowment | -                         | 62,830                 | (62,830)   | -                    |
| Change in value of split<br>interest agreements                        | -                         | -                      | 100,525  | 100,525              |
| Appropriation of<br>endowment assets<br>for expenditure                | (491,065)                 | -                      | -  | (491,065)            |
| Endowment net assets,<br>end of year                                   | <u>\$ 1,554,949</u>       | <u>\$ 8,940,669</u>    | <u>\$ 954,969</u>  | <u>\$ 11,450,587</u> |

**14. Commitments**

*Operating Leases*

The Garden leases the land on which the garden is located from the City of Phoenix for one dollar per year. The agreement stipulates that the Garden will pay \$1 per year as rent for the property. The unique nature and location of the leased property make it impossible to determine the fair value of the donated use of this property. Accordingly, no amounts have been recorded in the accompanying consolidated financial statements for the excess of the fair value of the donated use of property over annual lease payments. The lease provides for an undetermined number of automatic successive renewals for terms of five years each. The current lease has been extended to 2017.

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The Garden also leases other equipment with terms expiring through February 2018. Monthly payments on these leases total approximately \$19,000.

The future minimum lease payments required under these non-cancelable operating leases are as follows:

| <u>Year Ending</u><br><u>September 30</u> |                   |
|---|-------------------|
| 2015                                      | \$ 220,508        |
| 2016                                      | 219,994           |
| 2017                                      | 195,543           |
| 2018                                      | <u>39,994</u>     |
| Total minimum future rental payments      | <u>\$ 676,039</u> |

In the normal course of business, operating leases are generally renewed or replaced by other leases. Lease expense totaled approximately \$194,000 for the year ended September 30, 2014.

*Other*

On November 28, 1988, the Garden signed agreements with the City of Phoenix whereby \$1,000,000 was received for the repair and refurbishment of the Webster Auditorium complex and related projects such as a new parking lot and improvements to water and sewage systems. The refurbishment of the auditorium and the other related construction projects were completed during 1990. In consideration of the amount received, the Garden committed to provide certain landscape consulting services to the City of Phoenix for a period of thirty-five years.

**15. Employee Benefit Plans**

The Garden has a 401(k) profit sharing plan (the "Plan"), which covers substantially all employees after specified periods of service and eligibility requirements have been met. The Garden's contributions are based upon a fixed percentage of the employee's base pay. Contribution percentages are established in the Plan documents and are determined annually by the Garden's Board of Trustees. The Garden's contributions were approximately \$200,000 for the year ended September 30, 2014.

The Garden also has a 457(f) non-qualified deferred compensation retirement plan (the "Non-Qualified 457(f) Plan") covering the current Executive Director and another member of senior management. The Non-Qualified 457(f) Plan provides for employer contributions at the discretion of the Board of Trustees of the Garden. Contributions by the Garden to the Non-Qualified 457(f) Plan totaled approximately \$53,000 during the year ended September 30, 2014. The Garden's accumulated contributions to the Non-Qualified 457(f) Plan totaled approximately \$168,000 at September 30, 2014, all of which has been accrued and is included in "Accounts payable and accrued liabilities" in the accompanying consolidated statement of financial position. While the Garden has set aside approximately \$203,000 in a separate account (representing accumulated contributions by the Garden, plus earnings thereon), these funds remain available to the general creditors of the Garden.

The Garden also has a 457(b) non-qualified deferred compensation retirement plan (the "Non-Qualified 457(b) Plan") covering the current Executive Director. The Non-Qualified 457(b) Plan provides for employee contributions. An employee is 100% vested in any elective contributions to the Non-Qualified 457(b) Plan, plus any investment earnings or losses. While the Garden has set aside approximately \$46,000 in a separate account (representing accumulated participant contributions, plus earnings thereon), these funds remain available to the general creditors of the Garden.

## **16. Cash Flow Information**

### *Supplemental Disclosure of Cash Flow Information*

Cash paid for interest totaled approximately \$49,000 for the year ended September 30, 2014.

### *Schedule of Non-cash Investing and Financing Activities*

During the year ended September 30, 2014, the Garden purchased property and equipment through accounts payable for approximately \$549,000.

During the year ended September 30, 2014, certain individuals transferred shares of stock to the Garden in lieu of making cash payments on their outstanding contributions receivable balances. The transfers were recorded at the fair value of the stocks on the date of the transfers and totaled approximately \$116,000.

## **17. Concentrations**

### *Support and Revenue*

During the year ended September 30, 2014, the Garden received contributions from a donor that represented more than 10% of total contributions for the year. In addition, at September 30, 2014, contributions receivable from certain donors each represented more than 10% of outstanding contributions receivable. The representative percentage of total contributions and outstanding contributions receivable for each donor were as follows as of and for the year ended September 30, 2014:

|                                       | <u>Contributions</u> | <u>Contributions<br/>Receivable</u> |
|---------------------------------------|----------------------|-------------------------------------|
| Donor A                               | 19%                  | 21%                                 |
| Donor B (member of Board of Trustees) | < 10%                | 14%                                 |
| Donor C (member of Board of Trustees) | < 10%                | 11%                                 |

### *Uninsured Cash*

Cash deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC) are exposed to loss in the event of nonperformance by the financial institution. At times during the year, the Garden had cash in bank deposit accounts and money market accounts in excess of the FDIC and SIPC insurance coverage. Certain of the Garden's money market accounts are insured beyond FDIC and SIPC insurance limits. The Garden does not anticipate nonperformance by financial institutions. At September 30, 2014, the Garden's uninsured cash balances totaled approximately \$3,818,000.

## **18. Contingencies**

From time to time, the Garden is involved in legal proceedings which are defended and handled in the ordinary course of business. Management believes that the results of these legal proceedings will not have a material adverse effect on the Garden's financial condition.



**19. Related Party Transactions**

Related party transactions not elsewhere disclosed were as follows:

*Media Advertising Services*

During the year ended September 30, 2014, the Garden purchased media advertising services from an entity that is owned by a member of the Board of Trustees totaling approximately \$420,000. In addition, this entity provided in-kind media services totaling approximately \$74,000 for the year ended September 30, 2014.

**20. Subsequent Events**

Management has evaluated subsequent events through January 27, 2015, the date that the consolidated financial statements were available to be issued. Subsequent events not disclosed elsewhere are as follows:

Exhibition Agreement

In December 2014, DBG entered into a commitment with artist Bruce Munro to loan to DBG a certain exhibition which will require a design and creation fee totaling approximately \$634,000.

**SUPPLEMENTARY INFORMATION**

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**SCHEDULE 1 – CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
September 30, 2014

|  | DBG                  | Foundation           | Eliminations           | Consolidated         |
|--|----------------------|----------------------|------------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |                        |                      |
| <b>CURRENT ASSETS</b>  |                      |                      |                        |                      |
| Cash and cash equivalents  | \$ 3,287,127         | \$ 606,982           | \$ -                   | \$ 3,894,109         |
| Investments  | 249,591              | 1,172,111            | -                      | 1,421,702            |
| Contributions receivable, net  | 1,262,195            | -                    | -                      | 1,262,195            |
| Other current assets   | 281,792              | -                    | -                      | 281,792              |
| Intercompany receivable / (payable)                                      | 4,227                | (4,227)              | -                      | -                    |
| Total current assets   | 5,084,932            | 1,774,866            | -                      | 6,859,798            |
| CONTRIBUTIONS RECEIVABLE, net, less<br>current and restricted portions   | 1,247,969            | -                    | -                      | 1,247,969            |
| PROPERTY AND EQUIPMENT, net  | 19,699,785           | -                    | -                      | 19,699,785           |
| OTHER ASSETS   | 73,858               | -                    | -                      | 73,858               |
| BENEFICIAL INTEREST IN NET ASSETS<br>OF DBG FOUNDATION                   | 10,973,699           | -                    | (10,973,699)           | -                    |
| ASSETS RESTRICTED TO INVESTMENT IN<br>LONG-LIVED ASSETS AND IMPROVEMENTS |                      |                      |                        |                      |
| Cash and cash equivalents  | 203,901              | -                    | -                      | 203,901              |
| Contributions receivable, net  | 369,726              | -                    | -                      | 369,726              |
| ASSETS RESTRICTED FOR ENDOWMENT  |                      |                      |                        |                      |
| Cash and cash equivalents  | 97,343               | -                    | -                      | 97,343               |
| Investments  | -                    | 8,843,326            | -                      | 8,843,326            |
| Contributions receivable, net  | 548,662              | 97,478               | -                      | 646,140              |
| Beneficial interest in remainder trust                                   | -                    | 238,000              | -                      | 238,000              |
| Cash surrender value of life insurance policies                          | -                    | 70,829               | -                      | 70,829               |
|  | <u>\$ 38,299,875</u> | <u>\$ 11,024,499</u> | <u>\$ (10,973,699)</u> | <u>\$ 38,350,675</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                      |                      |                        |                      |
| <b>CURRENT LIABILITIES</b>   |                      |                      |                        |                      |
| Note payable - Bank line of credit                                       | \$ -                 | \$ -                 | \$ -                   | \$ -                 |
| Current portion of long-term debt  | 75,000               | -                    | -                      | 75,000               |
| Accounts payable and accrued liabilities                                 | 1,726,262            | -                    | -                      | 1,726,262            |
| Deferred revenue   | 2,168,290            | -                    | -                      | 2,168,290            |
| Annuity payment liability  | -                    | 5,600                | -                      | 5,600                |
| Trustee notes payable  | 175,000              | -                    | -                      | 175,000              |
| Total current liabilities  | 4,144,552            | 5,600                | -                      | 4,150,152            |
| DEFERRED REVENUE, less current portion                                   | 69,506               | -                    | -                      | 69,506               |
| ANNUITY PAYMENT LIABILITY, less current portion                          | -                    | 45,200               | -                      | 45,200               |
| LONG-TERM DEBT, less current portion                                     | 200,000              | -                    | -                      | 200,000              |
| BONDS PAYABLE  | 600,000              | -                    | -                      | 600,000              |
| OTHER LIABILITIES  | 75,000               | -                    | -                      | 75,000               |
| Total liabilities  | 5,089,058            | 50,800               | -                      | 5,139,858            |
| <b>NET ASSETS</b>  |                      |                      |                        |                      |
| Unrestricted   |                      |                      |                        |                      |
| Designated by the Board of Trustees:                                     |                      |                      |                        |                      |
| Asset replacement  | 18,612               | -                    | -                      | 18,612               |
| Huizingh Working Capital Fund  | 1,000,000            | -                    | -                      | 1,000,000            |
| Total designated   | 1,018,612            | -                    | -                      | 1,018,612            |
| Nondesignated  | 16,572,952           | 169,117              | (169,117)              | 16,572,952           |
| Total unrestricted net assets  | 17,591,564           | 169,117              | (169,117)              | 17,591,564           |
| Temporarily restricted   | 5,723,615            | 1,554,949            | (1,554,949)            | 5,723,615            |
| Permanently restricted   | 9,895,638            | 9,249,633            | (9,249,633)            | 9,895,638            |
| Total net assets   | <u>33,210,817</u>    | <u>10,973,699</u>    | <u>(10,973,699)</u>    | <u>33,210,817</u>    |
|  | <u>\$ 38,299,875</u> | <u>\$ 11,024,499</u> | <u>\$ (10,973,699)</u> | <u>\$ 38,350,675</u> |

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**SCHEDULE 2 – CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
September 30, 2013

|  | DBG                  | Foundation           | Eliminations           | Consolidated         |
|--|----------------------|----------------------|------------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |                        |                      |
| <b>CURRENT ASSETS</b>  |                      |                      |                        |                      |
| Cash and cash equivalents  | \$ 2,204,993         | \$ 377,638           | \$ -                   | \$ 2,582,631         |
| Investments  | 157,617              | 1,118,443            | -                      | 1,276,060            |
| Contributions receivable, net  | 630,878              | -                    | -                      | 630,878              |
| Other current assets   | 423,846              | -                    | -                      | 423,846              |
| Intercompany receivable / (payable)                                      | (19,351)             | 19,351               | -                      | -                    |
| Total current assets   | 3,397,983            | 1,515,432            | -                      | 4,913,415            |
| CONTRIBUTIONS RECEIVABLE, net, less<br>current and restricted portions   | 626,992              | -                    | -                      | 626,992              |
| PROPERTY AND EQUIPMENT, net  | 18,068,303           | -                    | -                      | 18,068,303           |
| OTHER ASSETS   | 73,858               | -                    | -                      | 73,858               |
| BENEFICIAL INTEREST IN NET ASSETS<br>OF DBG FOUNDATION                   | 10,390,901           | -                    | (10,390,901)           | -                    |
| ASSETS RESTRICTED TO INVESTMENT IN<br>LONG-LIVED ASSETS AND IMPROVEMENTS |                      |                      |                        |                      |
| Cash and cash equivalents  | 384,764              | -                    | -                      | 384,764              |
| Contributions receivable, net  | 876,678              | -                    | -                      | 876,678              |
| ASSETS RESTRICTED FOR ENDOWMENT  |                      |                      |                        |                      |
| Cash and cash equivalents  | 134,752              | -                    | -                      | 134,752              |
| Investments  | -                    | 8,620,493            | -                      | 8,620,493            |
| Contributions receivable, net  | 95,087               | 105,572              | -                      | 200,659              |
| Beneficial interest in remainder trust                                   | -                    | 151,000              | -                      | 151,000              |
| Cash surrender value of life insurance policies                          | -                    | 57,304               | -                      | 57,304               |
|  | <u>\$ 34,049,318</u> | <u>\$ 10,449,801</u> | <u>\$ (10,390,901)</u> | <u>\$ 34,108,218</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                      |                      |                        |                      |
| <b>CURRENT LIABILITIES</b>   |                      |                      |                        |                      |
| Note payable - Bank line of credit                                       | \$ 750,000           | \$ -                 | \$ -                   | \$ 750,000           |
| Current portion of long-term debt  | 125,000              | -                    | -                      | 125,000              |
| Accounts payable and accrued liabilities                                 | 1,260,660            | -                    | -                      | 1,260,660            |
| Deferred revenue   | 1,830,591            | -                    | -                      | 1,830,591            |
| Annuity payment liability  | -                    | 5,600                | -                      | 5,600                |
| Total current liabilities  | 3,966,251            | 5,600                | -                      | 3,971,851            |
| DEFERRED REVENUE, less current portion                                   | 343,471              | -                    | -                      | 343,471              |
| ANNUITY PAYMENT LIABILITY, less current portion                          | -                    | 53,300               | -                      | 53,300               |
| LONG-TERM DEBT, less current portion                                     | 360,000              | -                    | -                      | 360,000              |
| BONDS PAYABLE  | 600,000              | -                    | -                      | 600,000              |
| TRUSTEE NOTES PAYABLE  | 570,000              | -                    | -                      | 570,000              |
| Total liabilities  | 5,839,722            | 58,900               | -                      | 5,898,622            |
| <b>NET ASSETS</b>  |                      |                      |                        |                      |
| Unrestricted   |                      |                      |                        |                      |
| Designated by the Board of Trustees:                                     |                      |                      |                        |                      |
| Asset replacement  | 123,863              | -                    | -                      | 123,863              |
| Operating reserve  | 1,000                | -                    | -                      | 1,000                |
| Total designated   | 124,863              | -                    | -                      | 124,863              |
| Nondesignated  | 12,957,692           | 169,117              | (169,117)              | 12,957,692           |
| Total unrestricted net assets  | 13,082,555           | 169,117              | (169,117)              | 13,082,555           |
| Temporarily restricted   | 5,962,833            | 1,287,415            | (1,287,415)            | 5,962,833            |
| Permanently restricted   | 9,164,208            | 8,934,369            | (8,934,369)            | 9,164,208            |
| Total net assets   | 28,209,596           | 10,390,901           | (10,390,901)           | 28,209,596           |
|  | <u>\$ 34,049,318</u> | <u>\$ 10,449,801</u> | <u>\$ (10,390,901)</u> | <u>\$ 34,108,218</u> |

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**SCHEDULE 3 – CONSOLIDATING STATEMENT OF REVENUES, SUPPORT AND EXPENSES**  
For the year ended September 30, 2014

|   | DBG           | DBG<br>Foundation | Eliminations    | Consolidated  |
|---|---------------|-------------------|-----------------|---------------|
| <b>SUPPORT AND REVENUE</b>                                    |               |                   |                 |               |
| Retail sales  | \$ 1,864,786  | \$ -              | \$ -            | \$ 1,864,786  |
| Cost of retail sales  | (257,008)     | -                 | -               | (257,008)     |
| Gross profit on retail sales                                  | 1,607,778     | -                 | -               | 1,607,778     |
| Beverage sales  | 839,555       | -                 | -               | 839,555       |
| Cost of beverage sales  | (141,690)     | -                 | -               | (141,690)     |
| Gross profit on beverage sales                                | 697,865       | -                 | -               | 697,865       |
| Total gross profit on retail and beverage sales               | 2,305,643     | -                 | -               | 2,305,643     |
| Contributions   | 5,166,705     | 22,954            | -               | 5,189,659     |
| Admissions  | 8,145,608     | -                 | -               | 8,145,608     |
| Memberships   | 3,128,866     | -                 | -               | 3,128,866     |
| Governmental contracts  | 313,859       | -                 | -               | 313,859       |
| Educational classes   | 306,078       | -                 | -               | 306,078       |
| Facility rental and concessions                               | 532,714       | -                 | -               | 532,714       |
| Investment income   | -             | 665,089           | -               | 665,089       |
| Net realized and unrealized gain / (loss) on investments      | 126           | 93,510            | -               | 93,636        |
| Change in value of split interest agreements                  | -             | 103,025           | -               | 103,025       |
| Change in beneficial interest in net assets of DBG Foundation | 813,447       | -                 | (813,447)       | -             |
| Loss on disposal of assets                                    | (916)         | -                 | -               | (916)         |
| Other revenues and gains                                      | 167,056       | -                 | -               | 167,056       |
| Total support and revenue before special events               | 20,879,186    | 884,578           | (813,447)       | 20,950,317    |
| Special events revenue  | 2,856,085     | -                 | -               | 2,856,085     |
| Less costs of direct donor benefits                           | (989,213)     | -                 | -               | (989,213)     |
| Gross profit on special events                                | 1,866,872     | -                 | -               | 1,866,872     |
| Total support and revenue                                     | 22,746,058    | 884,578           | (813,447)       | 22,817,189    |
| <b>EXPENSES</b>   |               |                   |                 |               |
| Program   | 8,742,742     | -                 | -               | 8,742,742     |
| Retail, marketing, and visitor services                       | 4,987,160     | -                 | -               | 4,987,160     |
| Administration  | 1,827,877     | 71,131            | -               | 1,899,008     |
| Fundraising and membership                                    | 2,187,058     | -                 | -               | 2,187,058     |
| Total expenses  | 17,744,837    | 71,131            | -               | 17,815,968    |
| CHANGE IN NET ASSETS  | 5,001,221     | 813,447           | (813,447)       | 5,001,221     |
| NET ASSETS - Beginning of year                                | 28,209,596    | 10,390,901        | (10,390,901)    | 28,209,596    |
| Transfer of assets from DBG to DBG Foundation                 | -             | 191,785           | (191,785)       | -             |
| Transfer of assets from DBG Foundation to DBG                 | -             | (422,434)         | 422,434         | -             |
| NET ASSETS - End of year                                      | \$ 33,210,817 | \$ 10,973,699     | \$ (10,973,699) | \$ 33,210,817 |

**DESERT BOTANICAL GARDEN, INC. AND AFFILIATES**  
**SCHEDULE 4 – CONSOLIDATING STATEMENT OF REVENUES, SUPPORT AND EXPENSES**  
For the year ended September 30, 2013

|   | DBG           | DBG<br>Foundation | Eliminations    | Consolidated  |
|---|---------------|-------------------|-----------------|---------------|
| <b>SUPPORT AND REVENUE</b>                                    |               |                   |                 |               |
| Retail sales  | \$ 1,055,849  | \$ -              | \$ -            | \$ 1,055,849  |
| Cost of retail sales  | (273,587)     | -                 | -               | (273,587)     |
| Gross profit on retail sales                                  | 782,262       | -                 | -               | 782,262       |
| Beverage sales  | 582,379       | -                 | -               | 582,379       |
| Cost of beverage sales  | (119,357)     | -                 | -               | (119,357)     |
| Gross profit on beverage sales                                | 463,022       | -                 | -               | 463,022       |
| Total gross profit on retail and beverage sales               | 1,245,284     | -                 | -               | 1,245,284     |
| Contributions   | 5,746,080     | 59,168            | -               | 5,805,248     |
| Admissions  | 2,734,900     | -                 | -               | 2,734,900     |
| Memberships   | 2,259,130     | -                 | -               | 2,259,130     |
| Governmental contracts  | 137,647       | -                 | -               | 137,647       |
| Educational classes   | 294,570       | -                 | -               | 294,570       |
| Facility rental and concessions                               | 431,977       | -                 | -               | 431,977       |
| Investment income   | 218           | 417,104           | -               | 417,322       |
| Net realized and unrealized gain / (loss) on investments      | 1,055         | 608,961           | -               | 610,016       |
| Change in value of split interest agreements                  | -             | (48,981)          | -               | (48,981)      |
| Change in beneficial interest in net assets of DBG Foundation | 991,157       | -                 | (991,157)       | -             |
| Other revenues and gains                                      | 86,667        | -                 | -               | 86,667        |
| Total support and revenue before special events               | 13,928,685    | 1,036,252         | (991,157)       | 13,973,780    |
| Special events revenue  | 1,988,574     | -                 | -               | 1,988,574     |
| Less costs of direct donor benefits                           | (783,392)     | -                 | -               | (783,392)     |
| Gross profit on special events                                | 1,205,182     | -                 | -               | 1,205,182     |
| Total support and revenue                                     | 15,133,867    | 1,036,252         | (991,157)       | 15,178,962    |
| <b>EXPENSES</b>   |               |                   |                 |               |
| Program   | 7,112,255     | -                 | -               | 7,112,255     |
| Retail, marketing, and visitor services                       | 2,717,848     | -                 | -               | 2,717,848     |
| Administration  | 1,673,392     | 45,095            | -               | 1,718,487     |
| Fundraising and membership                                    | 1,697,878     | -                 | -               | 1,697,878     |
| Total expenses  | 13,201,373    | 45,095            | -               | 13,246,468    |
| CHANGE IN NET ASSETS  | 1,932,494     | 991,157           | (991,157)       | 1,932,494     |
| NET ASSETS - Beginning of year                                | 26,277,102    | 9,849,991         | (9,849,991)     | 26,277,102    |
| Transfer of assets from DBG to DBG Foundation                 | -             | 0                 | -               | -             |
| Transfer of assets from DBG Foundation to DBG                 | -             | (450,247)         | 450,247         | -             |
| NET ASSETS - End of year                                      | \$ 28,209,596 | \$ 10,390,901     | \$ (10,390,901) | \$ 28,209,596 |