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Consolidated Financial Statements, 2005-2006

Missouri Botanical Garden

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MISSOURI BOTANICAL GARDEN

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2006 and 2005



**Mayer
Hoffman
McCann P.C.**
An Independent CPA Firm



Mayer Hoffman McCann P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Missouri Botanical Garden:

We have audited the accompanying consolidated statements of financial position of the Missouri Botanical Garden (a perpetual trust established by Henry Shaw and authorized by the General Assembly of the State of Missouri) as of December 31, 2006 and 2005, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Missouri Botanical Garden's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Botanical Garden as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
March 22, 2007

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash and cash equivalents	\$ 3,767,365	\$ 3,084,735
Grants receivable	2,563,063	2,987,647
Pledges receivable	6,165,318	8,704,908
Other receivables	6,257,150	3,371,389
Inventories, prepayments and other assets	1,963,709	2,074,495
Investments	92,527,195	87,033,561
Property and equipment, net of accumulated depreciation	86,413,636	83,888,535
TOTAL ASSETS	<u>\$ 199,657,436</u>	<u>\$ 191,145,270</u>
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 4,268,681	\$ 5,317,658
Refundable advances	5,629,587	6,682,888
Liability for gift annuity payments	3,682,894	2,961,708
TOTAL LIABILITIES	<u>13,581,162</u>	<u>14,962,254</u>
NET ASSETS:		
Unrestricted-		
General operating - undesignated	5,259,955	2,893,887
Designated-		
Operating	(176,178)	(187,800)
Capital expenditures	84,115,777	64,343,701
Long-term investment	36,272,711	31,168,240
Total designated	<u>120,212,310</u>	<u>95,324,141</u>
Total unrestricted	125,472,265	98,218,028
Temporarily restricted	23,607,885	44,017,409
Permanently restricted	36,996,124	33,947,579
TOTAL NET ASSETS	<u>186,076,274</u>	<u>176,183,016</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 199,657,436</u>	<u>\$ 191,145,270</u>

The accompanying notes are an integral part of this statement.

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2006

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Designated	Total			
PUBLIC SUPPORT AND REVENUES:						
Public support-						
Services provided for Botanical Garden Subdistrict	\$ 9,300,000	\$ -	\$ 9,300,000	\$ -	\$ -	\$ 9,300,000
Contributions and memberships	6,020,349	1,342,592	7,362,941	2,396,902	3,048,545	12,808,388
Bequests	1,414,095	-	1,414,095	-	-	1,414,095
Revenues-						
Admissions	4,841,124	-	4,841,124	-	-	4,841,124
Grants and contracts	-	6,730,923	6,730,923	120,250	-	6,851,173
Retail shops	4,686,473	-	4,686,473	-	-	4,686,473
Education	329,879	-	329,879	-	-	329,879
Property rentals	537,640	-	537,640	-	-	537,640
Overhead recovered from grants and contracts	308,956	(308,956)	-	-	-	-
Interest and dividend income, net-						
Endowment	911,239	-	911,239	239,794	-	1,151,033
Other investments	80,491	292,524	373,015	-	-	373,015
Net realized investment gains (losses)-						
Endowment	-	311,491	311,491	38,807	-	350,298
Allocation of previous endowment gain to operating	2,367,564	(2,367,564)	-	-	-	-
Other investments	(4,392)	(3,786)	(8,178)	9,923	-	1,745
Net unrealized investment gains (losses)-						
Endowment	-	7,192,820	7,192,820	1,776,830	-	8,969,650
Other investments	-	37,798	37,798	-	-	37,798
Net loss on property retirements	-	(325,587)	(325,587)	-	-	(325,587)
Other	1,136,193	5,035	1,141,228	-	-	1,141,228
Net assets released from restrictions	-	21,894,543	21,894,543	(21,894,543)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 31,929,611	\$ 34,801,833	\$ 66,731,444	\$ (17,312,037)	\$ 3,048,545	\$ 52,467,952

(Continued on following page)

MISSOURI BOTANICAL GARDEN
CONSOLIDATED STATEMENT OF ACTIVITIES

(Continued from previous page)

For The Year Ended December 31, 2006

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Designated	Total			
EXPENSES:						
Operating services-						
Horticulture	\$ 2,429,028	\$ 387,482	\$ 2,816,510	\$ -	\$ -	\$ 2,816,510
Research and library	4,416,148	5,248,656	9,664,804	-	-	9,664,804
Retail shops	3,779,504	8,314	3,787,818	-	-	3,787,818
Education	1,224,841	1,143,197	2,368,038	-	-	2,368,038
Butterfly House-general	1,002,089	46,634	1,048,723	-	-	1,048,723
Shaw Nature Reserve-general	729,441	167,987	897,428	-	-	897,428
Visitor services	582,212	64,130	646,342	-	-	646,342
Public events	299,778	-	299,778	-	-	299,778
Professional services	-	1,362,559	1,362,559	-	-	1,362,559
Minimum pension liability expense	(1,482)	-	(1,482)	-	-	(1,482)
TOTAL PROGRAM SERVICES	14,461,559	8,428,959	22,890,518	-	-	22,890,518
Supporting Services-						
Administrative	5,974,523	1,010,523	6,985,046	-	-	6,985,046
Maintenance and improvements	2,799,423	1,069,421	3,868,844	-	-	3,868,844
Depreciation	-	3,875,941	3,875,941	-	-	3,875,941
Utilities	884,524	-	884,524	-	-	884,524
Security	754,250	1,139	755,389	-	-	755,389
Membership department	1,056,164	96,532	1,152,696	-	-	1,152,696
Development	1,150,360	1,012,241	2,162,601	-	-	2,162,601
Minimum pension liability expense	(865)	-	(865)	-	-	(865)
TOTAL SUPPORTING SERVICES	12,618,379	7,065,797	19,684,176	-	-	19,684,176
TOTAL EXPENSES	27,079,938	15,494,756	42,574,694	-	-	42,574,694
 CHANGE IN NET ASSETS BEFORE TRANSFERS	4,849,673	19,307,077	24,156,750	(17,312,037)	3,048,545	9,893,258
PROPERTY TRANSFERS	(906,597)	3,736,890	2,830,293	(2,830,293)	-	-
TRANSFERS OF FUNDS	(1,577,008)	1,844,202	267,194	(267,194)	-	-
CHANGE IN NET ASSETS	2,366,068	24,888,169	27,254,237	(20,409,524)	3,048,545	9,893,258
NET ASSETS - BEGINNING OF YEAR	2,893,887	95,324,141	98,218,028	44,017,409	33,947,579	176,183,016
NET ASSETS - END OF YEAR	\$ 5,259,955	\$ 120,212,310	\$ 125,472,265	\$ 23,607,885	\$ 36,996,124	\$ 186,076,274

The accompanying notes are an integral part of this statement.

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2005

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Designated	Total			
PUBLIC SUPPORT AND REVENUES:						
Public support-						
Services provided for Botanical Garden Subdistrict	\$ 8,914,240	\$ -	\$ 8,914,240	\$ -	\$ -	\$ 8,914,240
Contributions and memberships	4,499,233	482,391	4,981,624	5,650,354	1,331,273	11,963,251
Bequests	4,450,955	-	4,450,955	-	-	4,450,955
Revenues-						
Admissions	1,539,802	-	1,539,802	-	-	1,539,802
Grants and contracts	-	7,060,822	7,060,822	752,259	-	7,813,081
Retail Shops	2,306,610	-	2,306,610	-	-	2,306,610
Education	266,113	-	266,113	-	-	266,113
Property rentals	426,013	-	426,013	-	-	426,013
Overhead recovered from grants and contracts	371,757	(371,757)	-	-	-	-
Interest and dividend income, net-						
Endowment	973,751	-	973,751	223,722	-	1,197,473
Other investments	22,524	107,164	129,688	-	-	129,688
Net realized investment gains (losses) -						
Endowment	-	(83,243)	(83,243)	13,162	-	(70,081)
Allocation of previous endowment gain to operating	2,297,084	(2,297,084)	-	-	-	-
Other investments	(8,413)	10,905	2,492	-	-	2,492
Net unrealized investment gains (losses)-						
Endowment	-	3,113,981	3,113,981	665,037	-	3,779,018
Other investments	-	(26,209)	(26,209)	-	-	(26,209)
Net gain on property retirements	-	-	-	5,867	-	5,867
Other	971,655	-	971,655	-	-	971,655
Net assets released from restrictions	-	7,035,592	7,035,592	(7,035,592)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 27,031,324	\$ 15,032,562	\$ 42,063,886	\$ 274,809	\$ 1,331,273	\$ 43,669,968

(Continued on following page)

The accompanying notes are an integral part of this statement.

MISSOURI BOTANICAL GARDEN

(Continued from previous page)

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2005

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total Activities
	General Operating	Designated	Total			
EXPENSES:						
Operating services-						
Horticulture	\$ 2,345,518	\$ 364,014	\$ 2,709,532	\$ -	\$ -	\$ 2,709,532
Research and library	4,112,757	5,110,073	9,222,830	-	-	9,222,830
Retail shops	2,080,132	6,038	2,086,170	-	-	2,086,170
Education	992,594	1,300,075	2,292,669	-	-	2,292,669
Butterfly House-general	910,841	15,000	925,841	-	-	925,841
Shaw Nature Reserve-general	651,931	307,559	959,490	-	-	959,490
Visitor services	237,316	5,460	242,776	-	-	242,776
Public events	258,211	-	258,211	-	-	258,211
Professional services	-	1,251,404	1,251,404	-	-	1,251,404
Minimum pension liability expense	33,055	-	33,055	-	-	33,055
TOTAL PROGRAM SERVICES	<u>11,622,355</u>	<u>8,359,623</u>	<u>19,981,978</u>	<u>-</u>	<u>-</u>	<u>19,981,978</u>
Supporting Services-						
Administrative	5,690,546	517,284	6,207,830	-	-	6,207,830
Maintenance and improvements	2,552,873	557,887	3,110,760	-	-	3,110,760
Depreciation	-	3,326,722	3,326,722	-	-	3,326,722
Utilities	864,035	-	864,035	-	-	864,035
Security	713,801	-	713,801	-	-	713,801
Membership department	974,282	-	974,282	-	-	974,282
Development	757,392	947,841	1,705,233	-	-	1,705,233
Minimum pension liability expense	17,521	-	17,521	-	-	17,521
TOTAL SUPPORTING SERVICES	<u>11,570,450</u>	<u>5,349,734</u>	<u>16,920,184</u>	<u>-</u>	<u>-</u>	<u>16,920,184</u>
TOTAL EXPENSES	<u>23,192,805</u>	<u>13,709,357</u>	<u>36,902,162</u>	<u>-</u>	<u>-</u>	<u>36,902,162</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	3,838,519	1,323,205	5,161,724	274,809	1,331,273	6,767,806
PROPERTY TRANSFERS	(593,135)	593,135	-	-	-	-
TRANSFERS OF FUNDS	<u>(458,117)</u>	<u>(287,284)</u>	<u>(745,401)</u>	<u>745,401</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	2,787,267	1,629,056	4,416,323	1,020,210	1,331,273	6,767,806
NET ASSETS - BEGINNING OF YEAR	<u>106,620</u>	<u>93,695,085</u>	<u>93,801,705</u>	<u>42,997,199</u>	<u>32,616,306</u>	<u>169,415,210</u>
NET ASSETS - END OF YEAR	<u>\$ 2,893,887</u>	<u>\$ 95,324,141</u>	<u>\$ 98,218,028</u>	<u>\$ 44,017,409</u>	<u>\$ 33,947,579</u>	<u>\$ 176,183,016</u>

The accompanying notes are an integral part of this statement.

MISSOURI BOTANICAL GARDEN

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATIONS:		
Change in net assets	\$ 9,893,258	\$ 6,767,806
Adjustments to reconcile change in net assets to cash-		
Depreciation	3,875,941	3,326,722
(Gain) loss on property retirements, net	325,587	(5,867)
Net realized (gains) losses on investments	(352,043)	10,196
Net unrealized gains on investments	(9,484,217)	(3,844,182)
Change in assets and liabilities-		
Receivables	78,413	343,921
Inventories, prepayments and other assets	110,786	(127,826)
Accounts payable and accrued liabilities	(1,048,977)	426,438
Refundable advances	(1,053,301)	213,681
Liability for gift annuity payments	721,186	(23,020)
Other liabilities	-	(367,189)
Contributions and investment income restricted for long-term purposes	(4,582,506)	(7,310,401)
NET CASH FROM OPERATIONS	(1,515,873)	(589,721)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	18,417,659	5,532,721
Purchases of investments	(14,075,033)	(6,767,173)
Purchases of property	(6,726,829)	(9,711,704)
Proceeds from sales of property	200	44,867
NET CASH FROM INVESTING ACTIVITIES	(2,384,003)	(10,901,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on notes payable	-	2,300,000
Repayments on notes payable	-	(2,300,000)
Contributions and investment income restricted for long-term purposes	4,582,506	7,310,401
NET CASH FROM FINANCING ACTIVITIES	4,582,506	7,310,401
NET CHANGE IN CASH AND CASH EQUIVALENTS	682,630	(4,180,609)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,084,735	7,265,344
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,767,365	\$ 3,084,735

The accompanying notes are an integral part of this statement.

MISSOURI BOTANICAL GARDEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Garden operations – The Missouri Botanical Garden (Garden) is a not-for-profit charitable trust whose three primary functions are research, education and horticultural display. Its mission is to discover and share knowledge about plants and their environment in order to preserve and enrich life. The Garden is funded through public contributions, local and federal grants, investment income, membership and admission fees, retail shop revenue and revenue for botanical services provided to the Botanical Garden Subdistrict.

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

Basis of presentation – The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Garden is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Grants receivable – Grants receivable consists of amounts due to the Garden related to the work performed under grant agreements. Management writes off receivables when it determines that an amount will not be collected and considers all receivables at December 31, 2006 and 2005 to be collectible. Accordingly, no allowance for uncollectible amounts has been reflected in the consolidated financial statements.

Pledges receivable – Legally enforceable pledges are recorded as receivables in the year made. Pledges for support of current operations are recorded as unrestricted-general operating support. Pledges made and received beyond one year are discounted to the present value of estimated future cash flows using a discount rate equal to the 30-year Treasury Bond rate at the pledge date (ranging from 4.55% to 5.12% at December 31, 2006 and 2005). For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. Amortization of the discounts is included in contribution revenue. Conditional pledges receivable are not included as support until the conditions are substantially met. Management considered all of the amounts at December 31, 2006 and 2005 to be collectible.

Other receivables – Other receivables consist primarily of accrued interest, a bequest receivable, and a note receivable. With respect to the note receivable, stock was contributed to the Garden as part of a bequest to the benefit of the Garden. The Garden sold the stock back to the Company in exchange for a note receivable. The balance at December 31, 2006 was

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

\$4,262,195. Interest is recorded as earned at a rate of prime plus 1%. The maturity date of the note is February 2015.

Inventory – Inventory is stated at the lower of cost or market and consists of items held for sale at the retail centers of the Garden. Cost is determined using the average cost method.

Investments – Investments are carried at market value, and net realized and unrealized gains (losses) are reflected in the consolidated statements of activities. Contributed securities are stated at their fair market value on the date of receipt. It is the policy of the Garden to sell all contributed securities as soon as they are received.

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

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

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

Refundable advances – Refundable advances represent cash received from grants prior to performance by the Garden.

Gift annuities – The Garden has certain arrangements with donors in which the donor contributes assets in exchange for a promise of fixed payment for a specified period of time to a designated party. At the time of the donation, the assets received are held by the Garden as part of its general assets; a liability is recorded and measured at the present value of the expected future payments to be made to other beneficiaries; any difference is recognized as contribution revenue.

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

Public support and revenues – The Garden reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or

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

purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted-designated net assets in the consolidated statements of activities.

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

Admissions – Admissions revenue consists of ticket sales and is recognized when the tickets are sold.

Donated services – A number of volunteers contribute services to the Garden in a variety of ways such as gardening and various clerical services that did not meet the requirements of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, and are not reflected in the accompanying consolidated financial statements.

Advertising expenses – Advertising costs are expensed as incurred.

Income taxes – The Garden qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and therefore, there is no provision for income taxes. In addition, the Garden qualifies for the charitable contribution deduction under Section 170 of the Code and has been deemed not to be a private foundation. Income determined to be unrelated business income would be taxable.

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

Reclassification – Certain items in the 2005 consolidated financial statements have been reclassified to conform to the 2006 presentation.

(2) **Pledges receivable**

Pledges receivable are due as follows:

	December 31,	
	<u>2006</u>	<u>2005</u>
Less than one year	\$ 2,072,596	\$ 2,776,771
One to five years	3,213,803	3,027,675
More than five years	1,702,350	4,011,897
Pledge Discounts	(823,431)	(1,111,435)
	<u>\$ 6,165,318</u>	<u>\$ 8,704,908</u>

(3) **Investments**

Investment income on the consolidated statements of activities is shown net of investment, advisory and management fees of \$416,802 and \$424,973 for the years ended December 31, 2006 and 2005, respectively. Included in these fees are amounts paid to the asset custodian of the investments. The asset custodian is a financial institution for which a Trustee is a director. The amounts paid to the asset custodian during the years ended December 31, 2006 and 2005 are \$119,814 and \$102,641, respectively.

Investments are recorded at fair value in the accompanying consolidated statements of financial position in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. The fair values of investments with readily determinable fair values are based on quoted market prices.

Investments consist of the following at:

	December 31,	
	<u>2006</u>	<u>2005</u>
Equities	\$ 24,839,261	\$ 30,893,081
Bonds	21,857,589	22,391,347
Equity Mutual Funds	37,795,773	33,058,812
Commercial Paper	3,034,572	690,321
Real Estate	5,000,000	-
	<u>\$ 92,527,195</u>	<u>\$ 87,033,561</u>

(4) **Property and equipment**

Property and equipment, consists of the following at:

	December 31,	
	<u>2006</u>	<u>2005</u>
Land	\$ 4,342,868	\$ 4,342,868
Buildings, gardens and other structures	115,266,986	99,448,135
Furniture, office and data processing equipment	5,099,883	7,985,184
Construction in progress	2,329,056	13,054,191
Other	3,784,356	4,532,594
Less - accumulated depreciation	(44,409,513)	(45,474,437)
	<u>\$ 86,413,636</u>	<u>\$ 83,888,535</u>

Depreciation expense for the years ended December 31, 2006 and 2005 was \$3,875,941 and \$3,326,722, respectively.

(5) **Lines of credit**

The Garden maintains an unsecured line of credit at December 31, 2006 for \$5,000,000 which expires on April 29, 2007. The line of credit bears interest of 1.15% in excess of the effective rate for federal funds transactions. As of December 31, 2006 and 2005, no balances were outstanding under the line of credit.

(6) **Operating leases**

The Garden leases copiers and an automobile under noncancelable operating lease agreements having an initial term of greater than one year. The expected minimum lease payments are as follows:

Year ending December 31:	
2007	\$ 107,923
2008	102,356
2009	71,891
2010	53,112
2011 and thereafter	9,049
	<u>\$ 344,331</u>

Rental expense was \$107,923 and \$92,602 for the years ended December 31, 2006 and 2005, respectively.

(7) **Restricted net assets**

Temporarily restricted net assets are available for the following purposes at:

	December 31,	
	<u>2006</u>	<u>2005</u>
Property and equipment	\$ 9,229,572	\$ 30,865,029
Research and education	13,534,654	12,136,953
Gift annuity payments	843,659	1,015,427
	<u>\$ 23,607,885</u>	<u>\$ 44,017,409</u>

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

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

	Years Ended December 31,	
	<u>2006</u>	<u>2005</u>
Research and education projects	1,644,664	1,722,118
Capital projects	20,249,879	5,313,474
	<u>\$ 21,894,543</u>	<u>\$ 7,035,592</u>

(8) **Retirement plan**

The Garden has a defined benefit pension plan covering substantially all of its employees (the Plan). The Garden follows revised SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, with respect to required disclosures. The benefits are based on years of service and an employee's compensation during the last five years of employment. The Garden uses a December 31 measurement date for the Plan. The following tables provide further information about the Plan:

(8) Retirement plan (continued)

Obligations and Funded Status

	Pension Benefits	
	2006	2005
Fair value plan assets at December 31	\$ 5,329,024	\$ 4,228,694
Benefit obligation at December 31	6,105,703	5,725,912
Funded status	(776,679)	(1,497,218)
Accrued benefit cost recognized in the cons. Statements of Financial Position	36,438	(681,754)
Benefit cost	(2,347)	50,576
Employer contributions	753,281	-
Plan participants' contributions	-	-
Benefits paid	143,620	152,145

The accumulated benefit obligation for the Plan was \$6,105,703 and \$5,725,912 at December 31, 2006 and 2005, respectively.

Assumptions

	Pension Benefits	
	2005	2005
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	6.25%	6.25%
Rate of compensation increase	5.00%	5.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	6.25%	6.25%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%

(8) **Retirement plan (continued)**

The Garden's expected rate of return on Plan assets is determined by the Plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class, as follows:

<u>Asset Class</u>	<u>Expected Long-Term Return on Class</u>	<u>X</u>	<u>Allocation</u>	<u>=</u>	<u>Contribution to Assumption</u>
Equity	8 - 10 %		60%		4.8% - 6%
Fixed Income	5 - 7%		40%		2% - 2.8%
					<u>6.8% - 8.8%</u>

The 8% expected return on Plan assets assumption falls within the expected range.

Plan Assets

The Garden's pension plan weighted-average asset allocations at December 31, 2006 and 2005, by asset category are as follows:

	<u>Plan Assets at December 31,</u>	
	<u>2006</u>	<u>2005</u>
Equity securities	61%	63%
Fixed income	24%	30%
Cash equivalents	15%	7%
Total	<u>100%</u>	<u>100%</u>

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

- Domestic equity securities – 45%-55%
- International equity securities – 5%-15%
- Debt securities – 35%-45%

The Garden attempts to mitigate investment risk by rebalancing the portfolio back to target allocations as the Garden's contributions and monthly benefit payments are made. If an event

(8) Retirement plan (continued)

causes the portfolio weightings to change significantly, the portfolios are rebalanced immediately following the change.

Cash Flows

Contributions

The Garden expects to contribute \$389,255 to the Plan in 2007, because the estimated 2006 remaining minimum required contribution and the estimated 2007 required quarterly contributions are \$72,170 and \$317,085, respectively.

Estimated Future Benefit Payments

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

	<u>Pension Benefits</u>
2007	\$ 210,072
2008	250,544
2009	272,711
2010	308,994
2011	321,562
Years 2012-2016	<u>2,091,813</u>
Total	<u>\$ 3,455,696</u>

(9) Concentrations of credit risk

Financial instruments that potentially subject the Garden to concentrations of credit risk consist principally of cash deposits in banks and other financial institutions, investment securities, and pledge receivables. The Garden maintains cash and cash equivalents and short and long-term investments with major banks and financial institutions. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Corporation (SIPC) up to \$100,000 at each institution, as applicable. At times, the Garden may have cash balances with banks in excess of the FDIC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number of donors comprising the Garden's donor base.

(10) Related party transactions

During the years ended December 31, 2006 and 2005, the Garden received \$1,706,932 and \$1,315,006, respectively, in contributions for operating, research, and capital purposes from various members of the Board of Trustees (Trustees). In addition, during the years ended December 31, and 2005, \$811,156 and \$2,183,910, respectively, were received from immediate family members of the Trustees, or from companies in which Trustees serve as a director or officer. At December 31, 2006 and 2005, pledges receivable of \$2,419,734 and

(10) **Related party transactions (continued)**

\$2,580,212, respectively, were due from Trustees, immediate family members of the Trustees and companies in which Trustees serve as a director or officer, and consisted of multiple year pledges to the Garden for operating, research, and capital funds.

(11) **Botanical Garden Subdistrict**

The Botanical Garden Subdistrict (Subdistrict) is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Subdistrict was established to receive tax revenues from the tax collectors' offices and to pay for botanical services provided to benefit the public. Pursuant to legal requirements, the Subdistrict and the Garden enter into an annually renewable contract for botanical services. The contract provides for botanical facilities and services to be provided to the public by the Garden in exchange for compensation from the Subdistrict. In accordance with the contract, the Garden records revenue based on services provided. Amounts available to the Subdistrict are based on a maximum rate of 3.73¢ and 3.76¢ on each \$100 of assessed valuation at December 31, 2006 and 2005, respectively.

(12) **Related entities**

The Garden leases employees to and/or provides accounting services pursuant to written contracts for three other entities. In accordance with Statement of Position 94-3, *Reporting of Related Entities By Not-For-Profit Organization*, the accounts of the Garden District Commission, Center for Plant Conservation, Inc. and Gateway Greening, Inc. have not been included in the accompanying consolidated financial statements as the criteria of control does not exist. As required, the following information regarding transactions between the Garden and these entities is provided:

Garden District Commission – The Garden District Commission (GDC) is a not-for-profit corporation established to help stabilize and strengthen the Shaw, McRee Town, Tiffany, and Southwest Garden neighborhoods. It is also intended to provide services to organizations and institutions within these neighborhoods as part of a planned approach to neighborhood stabilization and improvement. In addition to providing accounting services, the Garden lends money to the GDC from time to time primarily for property purchases and other related expenses. As of December 31, 2006 and 2005, the Garden has a contract receivable of \$1,573,266 and \$1,374,820, respectively.

Center for Plant Conservation, Inc. – The Center for Plant Conservation, Inc. (CPC) is a not-for-profit corporation established for the purpose of promoting the conservation and preservation of endangered species in the United States. As of December 31, 2006 and 2005, the Garden has a contract receivable of \$55,071 and \$199,719, respectively, relating to salaries and other operational support funded by the Garden on a reimbursement basis.

Gateway Greening, Inc. – Gateway Greening, Inc. (GG) is a not-for-profit organization dedicated to community development through community gardening. GG's mission is to provide resources and training to neighborhood groups who believe in their communities and want to reclaim them from urban decay. As of December 31, 2006 and 2005, the Garden has a

(12) **Related entities (continued)**

contract receivable of \$61,054 and \$21,660, respectively, relating to salaries and other operational support funded by the Garden on a reimbursement basis.

(13) **Functional classification of expenses**

The Garden provides research, education, and horticultural display to the public. The functional classification of the expenses related to fulfilling these functions consist of for the years ended:

	Years Ending December 31,	
	<u>2006</u>	<u>2005</u>
Program services:		
Horticulture	\$ 3,977,643	\$ 3,823,340
Research	13,581,007	12,951,748
Education	6,092,754	6,355,941
Other programs	8,675,946	5,064,945
Support services:		
Management and general support	8,281,357	7,173,308
Fundraising	1,965,987	1,532,880
	<u>\$ 42,574,694</u>	<u>\$ 36,902,162</u>



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Missouri Botanical Garden:

Our report on our audits of the consolidated financial statements as of and for the years ended December 31, 2006 and 2005 appears on page 2. Those audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules on pages 20 through 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mayer Hoffman McCann P.C.
St. Louis, Missouri
March 22, 2007

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY FUND

As of December 31, 2006

	Unrestricted Operating	Restricted Operating	Endowment	Land, Building, and Equipment	Capital	Gift Annuities	Total
ASSETS:							
Cash and cash equivalents	\$ 3,767,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,767,365
Grants receivable	-	2,563,063	-	-	-	-	2,563,063
Pledges receivable	178,713	-	2,476,251	419,168	3,091,186	-	6,165,318
Other receivables	1,417,189	34,171	304,757	1,005	4,392,760	107,268	6,257,150
Inventories, prepayments and other assets	1,956,582	7,027	-	100	-	-	1,963,709
Investments	18	1,724,574	85,739,213	-	628,747	4,434,643	92,527,195
Property and equipment, net of accumulated depreciation	-	-	-	86,413,636	-	-	86,413,636
Interfund receivables (payables)	2,196,487	874,574	(1,851,666)	(140,442)	(1,185,362)	106,409	-
TOTAL ASSETS	\$ 9,516,354	\$ 5,203,409	\$ 86,668,555	\$ 86,693,467	\$ 6,927,331	\$ 4,648,320	\$ 199,657,436
LIABILITIES:							
Accounts payable and accrued liabilities	\$ 4,256,399	\$ -	\$ -	\$ 749	\$ -	\$ 11,533	\$ 4,268,681
Refundable advances	-	5,379,587	250,000	-	-	-	5,629,587
Liability for gift annuity payments	-	-	-	-	-	3,682,894	3,682,894
TOTAL LIABILITIES	4,256,399	5,379,587	250,000	749	-	3,694,427	13,581,162
NET ASSETS:							
Unrestricted-							
General operating - undesignated	5,259,955	-	-	-	-	-	5,259,955
Designated-							
Operating	-	(176,178)	-	-	-	-	(176,178)
Capital expenditures	-	-	-	84,122,063	(6,286)	-	84,115,777
Long-term investment	-	-	36,162,477	-	-	110,234	36,272,711
Total designated	-	(176,178)	36,162,477	84,122,063	(6,286)	110,234	120,212,310
Total unrestricted	5,259,955	(176,178)	36,162,477	84,122,063	(6,286)	110,234	125,472,265
Temporarily restricted	-	-	13,534,654	2,295,955	6,933,617	843,659	23,607,885
Permanently restricted	-	-	36,721,424	274,700	-	-	36,996,124
TOTAL NET ASSETS	5,259,955	(176,178)	86,418,555	86,692,718	6,927,331	953,893	186,076,274
TOTAL LIABILITIES AND NET ASSETS	\$ 9,516,354	\$ 5,203,409	\$ 86,668,555	\$ 86,693,467	\$ 6,927,331	\$ 4,648,320	\$ 199,657,436

See Accountant's Report on Supplemental Information

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND
For the Year Ended December 31, 2006

	Unrestricted Operating	Restricted Operating	Endowment	Land, Building, and Equipment	Capital	Gift Annuities	Total
PUBLIC SUPPORT AND REVENUES:							
Public support-							
Services provided for Botanical Garden Subdistrict	\$ 9,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,300,000
Contributions and memberships	6,020,349	1,342,592	3,048,545	771,198	1,536,392	89,312	12,808,388
Bequests	1,414,095	-	-	-	-	-	1,414,095
Revenues-							
Admissions	4,841,124	-	-	-	-	-	4,841,124
Grants and contracts	-	6,730,923	-	120,250	-	-	6,851,173
Retail shops	4,686,473	-	-	-	-	-	4,686,473
Education	329,879	-	-	-	-	-	329,879
Property rentals	537,640	-	-	-	-	-	537,640
Overhead recovered from grants and contracts	308,956	(308,956)	-	-	-	-	-
Interest and dividend income, net							
Endowment	911,239	233,427	6,367	-	-	-	1,151,033
Other investments	80,491	37,143	-	-	255,381	-	373,015
Net realized investment gains (losses)-							
Endowment	-	350,298	-	-	-	-	350,298
Allocation of previous endowment gain to operating	2,367,564	83,928	(2,451,492)	-	-	-	-
Other investments	(4,392)	9,129	9,923	(1,161)	(11,754)	-	1,745
Net unrealized investment gains (losses)-							
Endowment	-	-	8,969,650	-	-	-	8,969,650
Other investments	-	30,476	-	-	7,322	-	37,798
Net loss on property retirements	-	-	-	(325,587)	-	-	(325,587)
Other	1,136,193	-	-	-	-	5,035	1,141,228
TOTAL PUBLIC SUPPORT AND REVENUES	\$ 31,929,611	\$ 8,508,960	\$ 9,582,993	\$ 564,700	\$ 1,787,341	\$ 94,347	\$ 52,467,952

(Continued on following page)

See Accountant's Report on Supplemental Information

(Continued from previous page)

MISSOURI BOTANICAL GARDEN
CONSOLIDATING STATEMENT OF ACTIVITIES BY FUND
For the Year Ended December 31, 2006

	Unrestricted Operating	Restricted Operating	Endowment	Land, Building, and Equipment	Capital	Gift Annuities	Total
EXPENSES							
Program services-							
Horticulture	\$ 2,429,028	\$ 311,222	\$ -	\$ 64,446	\$ 11,814	\$ -	\$ 2,816,510
Research and library	4,416,148	5,248,656	-	-	-	-	9,664,804
Retail shops	3,779,504	-	-	8,314	-	-	3,787,818
Education	1,224,841	1,095,202	-	-	47,995	-	2,368,038
Butterfly House-general	1,002,089	-	-	46,634	-	-	1,048,723
Shaw Nature Reserve-general	729,441	144,593	-	220	23,174	-	897,428
Visitor services	582,212	325	-	63,805	-	-	646,342
Public events	299,778	-	-	-	-	-	299,778
Professional services	-	1,362,559	-	-	-	-	1,362,559
Minimum pension liability expense	(1,482)	-	-	-	-	-	(1,482)
TOTAL PROGRAM SERVICES	14,461,559	8,162,557	-	183,419	82,983	-	22,890,518
Supporting services-							
Administrative	5,974,523	964,935	-	-	45,588	-	6,985,046
Maintenance and improvements	2,799,423	711,393	-	35,684	322,344	-	3,868,844
Depreciation	-	-	-	3,875,941	-	-	3,875,941
Utilities	884,524	-	-	-	-	-	884,524
Security	754,250	1,139	-	-	-	-	755,389
Membership department	1,056,164	96,532	-	-	-	-	1,152,696
Development	1,150,360	580,211	-	-	432,030	-	2,162,601
Minimum pension liability expense	(865)	-	-	-	-	-	(865)
TOTAL SUPPORTING SERVICES	12,618,379	2,354,210	-	3,911,625	799,962	-	19,684,176
TOTAL EXPENSES	27,079,938	10,516,767	-	4,095,044	882,945	-	42,574,694
CHANGE IN NET ASSETS BEFORE TRANSFERS	4,849,673	(2,007,807)	9,582,993	(3,530,344)	904,396	94,347	9,893,258
PROPERTY TRANSFERS	(906,597)	(256,479)	-	4,786,212	(3,623,136)	-	-
TRANSFER OF FUNDS	(1,577,008)	2,275,908	(13,423)	623,628	(1,024,136)	(284,969)	-
CHANGE IN NET ASSETS	2,366,068	11,622	9,569,570	1,879,496	(3,742,876)	(190,622)	9,893,258
NET ASSETS - BEGINNING OF YEAR	2,893,887	(187,800)	76,848,985	84,813,222	10,670,207	1,144,515	176,183,016
NET ASSETS - END OF YEAR	\$ 5,259,955	\$ (176,178)	\$ 86,418,555	\$ 86,692,718	\$ 6,927,331	\$ 953,893	\$ 186,076,274

See Accountant's Report on Supplemental Information