



NATIONAL TROPICAL BOTANICAL GARDEN

Financial Statements and Schedules

December 31, 2004 and 2003

(With Independent Auditors' Report Thereon)



KPMG LLP
P.O. Box 4150
Honolulu, HI 96812-4150

Independent Auditors' Report

The Board of Trustees
National Tropical Botanical Garden:

We have audited the accompanying balance sheets of National Tropical Botanical Garden (Garden) as of December 31, 2004 and 2003, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Garden's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Garden's internal control over financial reporting. Accordingly, we express no such opinion. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of National Tropical Botanical Garden as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

March 18, 2005



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KPMG LLP

March 18, 2005

NATIONAL TROPICAL BOTANICAL GARDEN

Balance Sheets

December 31, 2004 and 2003

Assets	2004	2003
Cash and cash equivalents	\$ 687,215	448,833
Pledges receivable (note 2)	182,085	196,405
Grants receivable	200,403	—
Merchandise inventories	51,843	65,455
Prepaid expenses and other	149,987	166,543
Land, buildings, equipment, and library, at cost, less accumulated depreciation and amortization (notes 4, 6, and 7)	20,752,028	19,900,763
Botanical art collection	465,220	465,220
Assets held in charitable remainder annuity trust	73,631	76,742
Notes receivable (notes 5 and 13)	600,000	600,000
Land held for investment (note 13)	1,335,000	1,335,000
Loy McCandless Marks Botanical Library (notes 8 and 13)	8,000,000	8,000,000
Long-term investments (notes 3 and 7)	16,261,811	15,776,501
Beneficial interest in perpetual trust (note 8)	2,647,027	2,559,313
Total assets	\$ 51,406,250	49,590,775
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 617,822	708,051
Liability under charitable remainder annuity trust agreements	40,513	56,780
Capital lease obligations (note 6)	—	87,273
Notes payable (note 7)	2,234,520	2,321,880
Total liabilities	2,892,855	3,173,984
Net assets:		
Unrestricted	10,665,808	10,024,359
Temporarily restricted (note 12)	9,096,012	8,771,941
Permanently restricted (note 13)	28,751,575	27,620,491
Total net assets	48,513,395	46,416,791
Commitments (notes 3, 6, 7, 8, 10, and 11)		
Total liabilities and net assets	\$ 51,406,250	49,590,775

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions and bequests (notes 2 and 8)	\$ 2,308,707	3,990,592	—	6,299,299
Net realized and unrealized gain (loss) on investments (note 3)	(8,733)	514,449	1,131,084	1,636,800
Gain on sale of land, buildings, and equipment	24,839	—	—	24,839
Tour and visitor center sales, net of costs of goods sold of \$254,394	1,055,899	—	—	1,055,899
Allerton fees and reimbursements (note 11)	822,000	—	—	822,000
Income from investments, net of management, custodial, and other fees of \$116,685 (note 3)	61,838	288,982	—	350,820
Other	663,535	—	—	663,535
Net assets released from restrictions (note 12):				
Satisfaction of program restrictions	3,363,533	(3,363,533)	—	—
Satisfaction of capital project restrictions	1,106,419	(1,106,419)	—	—
	<u>9,398,037</u>	<u>324,071</u>	<u>1,131,084</u>	<u>10,853,192</u>
Expenditures (notes 6 and 10):				
Gardens and preserves:				
McBryde	1,374,437	—	—	1,374,437
Limahuli	745,620	—	—	745,620
Kampong	731,926	—	—	731,926
Allerton	536,846	—	—	536,846
Kahanu	396,594	—	—	396,594
Research and education:				
Science and conservation	1,825,015	—	—	1,825,015
Visitor programs	541,221	—	—	541,221
Education	512,323	—	—	512,323
Administration and finance	1,539,029	—	—	1,539,029
Development	553,577	—	—	553,577
	<u>8,756,588</u>	<u>—</u>	<u>—</u>	<u>8,756,588</u>
Change in net assets	641,449	324,071	1,131,084	2,096,604
Net assets at beginning of year	<u>10,024,359</u>	<u>8,771,941</u>	<u>27,620,491</u>	<u>46,416,791</u>
Net assets at end of year	<u>\$ 10,665,808</u>	<u>9,096,012</u>	<u>28,751,575</u>	<u>48,513,395</u>

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year ended December 31, 2003

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Contributions and bequests (notes 2 and 8)	\$ 2,989,629	3,265,327	2,975	6,257,931
Net realized and unrealized gain on investments (note 3)	71,092	1,144,882	1,658,872	2,874,846
Gain on sale of land, buildings, and equipment	222,344	—	—	222,344
Tour and visitor center sales, net of costs of goods sold of \$239,772	1,007,844	—	—	1,007,844
Allerton fees and reimbursements (note 11)	935,764	—	—	935,764
Income from investments, net of management, custodial, and other fees of \$62,557 (note 3)	39,920	266,008	—	305,928
Other	237,127	—	—	237,127
Net assets released from restrictions (note 12):				
Satisfaction of program restrictions	3,401,336	(3,401,336)	—	—
Satisfaction of capital project restrictions	873,312	(873,312)	—	—
Total revenues, gains, and other support	9,778,368	401,569	1,661,847	11,841,784
Expenditures (notes 6 and 10):				
Gardens and preserves:				
McBryde	1,181,000	—	—	1,181,000
Limahuli	894,530	—	—	894,530
Kampong	730,867	—	—	730,867
Allerton	615,969	—	—	615,969
Kahanu	336,895	—	—	336,895
Research and education:				
Science and conservation	1,624,968	—	—	1,624,968
Education	664,060	—	—	664,060
Visitor	507,959	—	—	507,959
Administration and finance	1,887,549	—	—	1,887,549
Development	526,224	—	—	526,224
Total expenditures	8,970,021	—	—	8,970,021
Change in net assets	808,347	401,569	1,661,847	2,871,763
Net assets at beginning of year	9,216,012	8,370,372	25,958,644	43,545,028
Net assets at end of year	\$ 10,024,359	8,771,941	27,620,491	46,416,791

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 2,096,604	2,871,763
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	505,176	525,643
Decrease (increase) in pledges receivable	14,320	(196,405)
Increase in grants receivable	(200,403)	—
Decrease in merchandise inventories	13,612	89,923
Decrease in prepaid expenses and other	16,556	132,995
Increase (decrease) in accounts payable and accrued expenses	(90,229)	128,133
Change in charitable remainder annuity trust, net	(13,156)	(12,906)
Contributions restricted for long-term investment	(787,408)	(503,688)
Gain on sale of land, buildings, and equipment	(24,839)	(222,344)
Net realized and unrealized gain on investments	(1,636,800)	(2,874,846)
Net cash used in operating activities	(106,567)	(61,732)
Cash flows from investing activities:		
Purchases of land, buildings, equipment, and library	(1,371,931)	(644,946)
Proceeds from sale of land, buildings, equipment, and library	40,329	—
Proceeds from sale of investments	14,421,302	5,828,153
Purchases of investments	(13,357,526)	(7,214,903)
Proceeds from sale of real property	—	479,000
Net cash used in investing activities	(267,826)	(1,552,696)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in land, buildings, equipment, and library	787,408	500,713
Investment in endowment	—	2,975
Principal payments on notes payable	(87,360)	(523,335)
Payments on capital lease obligations	(87,273)	(49,169)
Net cash provided by (used in) financing activities	612,775	(68,816)
Net increase (decrease) in cash and cash equivalents	238,382	(1,683,244)
Cash and cash equivalents at beginning of year	448,833	2,132,077
Cash and cash equivalents at end of year	\$ 687,215	448,833
Supplemental information:		
Interest paid	\$ 51,561	80,896

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies

(a) *General*

National Tropical Botanical Garden (Garden) was chartered by the 88th Congress on August 19, 1964 under Public Law 88-449. Its purpose is to establish and operate, for the benefit of the people of the United States, a tropical botanical garden, together with such related facilities as are appropriate and necessary for encouraging and conducting research in basic and applied tropical botany. The majority of the Garden's operations are conducted in the state of Hawaii. The Garden also operates a botanical garden in the state of Florida. The Garden has no power to issue shares of stock or to pay dividends.

(b) *Financial Statement Presentation*

Net assets and revenues, gains and other support, and expenditures are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Garden and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Garden and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Garden. The donors of these assets permit the Garden to use the income earned on related investments for general or specific purposes.

(c) *Cash Equivalents*

For purposes of the statements of cash flows, the Garden considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) *Merchandise Inventories*

Merchandise inventories consist of books and other botanically-related items and are recorded at lower of cost (first-in, first-out) or market.

(e) *Investments*

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with unrealized gains and losses included in the statements of activities.

Gains and losses on investments are reported in the accompanying statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(f) Land, Buildings, Equipment, and Library

Land, buildings, equipment, and library are capitalized at cost, if purchased, or at fair market value at the date of the donation. Assets contributed for which the fair value is not determinable at the date of donation are recorded as support if and when such values are determined.

The Garden reports gifts of land, buildings, equipment, and library 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 acquired long-lived assets are placed in service.

Depreciation of long-lived assets is calculated on the straight-line basis over estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	20
Furniture, fixtures, and equipment	8
Library	10

(g) Botanical Art Collection

Art objects are capitalized at cost, if purchased, or at fair value, if determinable, at the date of donation.

(h) Contributions

Contributions are recorded in the period received. Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The 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 and bequests. Conditional contributions are recorded at their estimated fair value in the period the conditions are met or in the period received if there is only a remote likelihood that those conditions will not be met.

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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(i) ***Charitable Remainder Trusts***

The Garden reports charitable remainder trust arrangements, where a donor establishes and funds a trust with specified distributions to be made to designated beneficiaries over the trust's term, as contributions in the period in which the trust is established. The assets held in the trust are recorded at fair value and the obligations to beneficiaries are recorded as liabilities at the present value of the estimated future payments to be distributed.

(j) ***Perpetual Trusts***

The Garden is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment return and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

(k) ***Impairment of Long-Lived Assets***

The Garden accounts for long-lived assets under the provisions of Statement of Financial Accounting Standards No. 144 (Statement 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with Statement 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed 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 estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheets.

(l) ***Use of Estimates***

The preparation of the financial statements requires management of the Garden to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and other support and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of land, buildings, equipment, and library; merchandise inventories; liability under charitable remainder trust agreements and land held for investment. Actual results could differ from those estimates.

(m) ***Reclassifications***

Certain reclassifications were made to 2003 amounts to conform to 2004 presentations. Such reclassifications did not impact previously reported change in net assets.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(2) Pledges Receivable

Pledges receivable consisted of the following at December 31, 2004 and 2003:

	2004	2003
Contributions to be received within one year	\$ 128,685	196,405
Contributions to be received in one to five years	60,000	—
	188,685	196,405
Less discount to present value (3.5%)	(6,600)	—
	\$ 182,085	196,405

(3) Investments

A summary of investments at December 31, 2004 and 2003 is as follows:

	2004		2003	
	Cost	Carrying value	Cost	Carrying value
Cash and cash equivalents	\$ 2,381,162	2,381,162	1,974,543	1,974,543
Mutual funds	2,122,118	2,283,619	1,790,585	1,832,737
Common stocks	7,705,594	10,402,077	8,323,823	10,421,385
Mortgage-backed securities	250,875	268,122	499,538	529,470
Corporate bonds	849,895	926,831	849,895	966,346
Convertible securities	—	—	37,103	52,020
	\$ 13,309,644	16,261,811	13,475,487	15,776,501

Fair market value of marketable securities is based on quoted market prices.

Investments with a carrying value of \$4,476,831 at December 31, 2004 are held as security in the event of default on a letter of credit facility issued by a bank (see note 7).

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(4) Land, Buildings, Equipment, and Library

A summary of land, buildings, equipment, and library as of December 31, 2004 and 2003 is as follows:

	2004	2003
Kampong:		
Land	\$ 5,661,095	5,661,095
Buildings	879,500	879,500
Furniture, fixtures, and equipment	105,530	105,530
Total Kampong	6,646,125	6,646,125
Hawaii:		
Land and land improvements	11,450,817	11,450,817
Building and building improvements	4,421,335	4,295,196
Furniture, fixtures, and equipment	2,853,640	2,696,703
Library	260,894	260,894
Construction in progress	2,391,691	1,369,230
Total Hawaii	21,378,377	20,072,840
	28,024,502	26,718,965
Less accumulated depreciation and amortization	7,272,474	6,818,202
	\$ 20,752,028	19,900,763

(5) Notes Receivable

Notes receivable consists of six promissory notes which bear interest at 9.4% per annum with interest due monthly and principal due on December 1, 2016. The notes are due from a trust for which a trustee is also a member of the Garden's board of trustees.

(6) Leases

(a) As Lessee

At December 31, 2003, plant and equipment with a cost basis of \$230,216 and related accumulated amortization of \$125,918 were recorded under capital leases. As of December 31, 2004, the Garden had no assets were recorded under capital lease. Amortization of assets held under capital leases is included with depreciation and amortization expense.

In December 2003, the Garden entered into an operating lease for real property in Kalaheo, Kauai for staff housing. The lease provides for monthly rent of \$1,700 and expires in August 2005. Rent expense for this lease was \$20,400 and nil for 2004 and 2003, respectively. The future minimum rental for 2005 is \$13,600.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(b) As Lessor

In 2002, the Garden entered into a lease agreement as lessor for real property located in Maui, Hawaii. The lease provides for no rent payments to be received from the tenant and terminates on the earlier of July 2, 2007, one year after the death of the tenant or under an early termination provision as defined in the lease agreement.

In 2000, the Garden entered into an operating lease for real property located in Miami-Dade County, Florida. The lease provides for monthly rent of \$2,500 and expires on December 31, 2005. Rental income for this lease amounted to \$30,000 for 2004 and 2003. Future minimum rent receipts under the lease is \$30,000 for 2005.

(7) Notes Payable

Notes payable at December 31, 2004 and 2003 consisted of the following:

	2004	2003
Mortgage note payable, non-interest bearing until termination of the lease agreement (see note 6), at which time interest accrues at 6% per annum, due one year after termination of the lease, secured by real property in Maui, Hawaii and a letter of credit facility with a bank for \$1,800,000 (secured by certain marketable securities) (see note 3)	\$ 1,700,000	1,700,000
Mortgage note payable, 9% per annum through 2008, quarterly principal and interest payments of \$6,473, due March 2008, secured by a parcel of land in Florida	72,267	90,614
Mortgage note payable, 9% per annum, monthly principal and interest payments of \$2,802, due June 2011, secured by a parcel of land in Florida	165,035	182,927
Mortgage note payable, 7% per annum, quarterly principal and interest payments of \$13,988, due September 2011, secured by real property in Florida	297,218	330,881
8.25% note payable; paid in full in 2004	—	4,792
Non-interest bearing note payable; paid in full in 2004	—	12,666
	\$ 2,234,520	2,321,880

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

Annual maturities of the notes payable are as follows:

Year ending December 31:	
2005	\$ 75,706
2006	82,002
2007	88,829
2008	1,776,374
2009	75,639
Thereafter	<u>135,970</u>
	<u>\$ 2,234,520</u>

At December 31, 2004, the Garden had a \$500,000 line of credit facility with a bank for working capital. The agreement provides for interest at 0.25% over the bank's prime lending rate per annum and expires on June 1, 2005. Drawings on the line of credit are secured by certain assets of the Garden. There were no borrowings under the line of credit facility in 2004 and 2003.

(8) Contributions

(a) *Waterhouse Trust*

During 2004 and 2003, the Garden, as an income beneficiary of the Waterhouse Trust which was funded in 1985 by approximately \$5,300,000 of marketable securities and a partial interest in land from the Waterhouse estate, received distributions from the trust amounting to \$455,517 and \$464,607, respectively, which are recorded as unrestricted contributions in the accompanying statements of activities. Distributions from the trust continue until the death of the last of the grantor's nieces and nephews, at which time certain revisions will be made relating to distributions to income beneficiaries. As the financial impact of such revisions cannot be determined at this time, the present value of the estimated future cash receipts from the trust's assets has not been recorded in the financial statements.

(b) *Allerton Trusts*

The Garden has a beneficial interest in two perpetual trusts that were created by Mr. John Wyatt Gregg Allerton in 1969 and 1974. In 2004 and 2003, the Garden received distributions from the trusts amounting to \$138,491 and \$183,213, respectively, which are recorded as unrestricted contributions in the accompanying statements of activities. Distributions from the trusts, which continue in perpetuity, are to be used by the Garden for the promotion and advancement of botanical research and education on the island of Kauai.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

(c) *The Kampong*

In 1984, the Kampong Fund (Fund), a state of Washington corporation, was organized to manage and financially support the Kampong estate during the lifetime of Mrs. Edward Sweeney. With the passing of Mrs. Sweeney, the Fund was liquidated and dissolved. Assets with a fair value of \$3,174,234 were transferred to and became the property of the Garden to be used for the maintenance and upkeep of the Kampong estate. The provisions of the asset transfer require that should the Garden sell the Kampong estate, the proceeds from the sale and any remaining assets be held in perpetuity with investment income used to advance the study of botanical science in the mainland United States.

(d) *Loy McCandless Marks Botanical Library*

On August 1, 1998, the botanical library of the Loy McCandless Marks Revocable Living Trust was distributed to the Garden. The terms of the distribution require that, among other items, the Garden repair and maintain the library assets and that the library assets be housed in the Garden's library at its headquarters in Lawai, Kauai. Further, the terms of the distribution stipulate that the Garden's library be reconfigured for various upgrades to ensure preservation of the library assets and that sales or exchanges of the library assets are prohibited, except under unusual circumstances. The library assets were appraised by a third party at a collective value of approximately \$8,000,000.

(e) *Eleanor Evans Crum Trust*

In March 2001, the Garden learned it was named as beneficiary of the Eleanor Evans Crum Trust. Another charitable organization and the two surviving nieces of Eleanor Evans Crum were also named as beneficiaries. The trust did not meet certain requirements for exemption from federal estate tax and, accordingly, a petition was filed in the respective court to divide the trust into four separate trusts, each with an equal share of the residual assets. In July 2002, the court entered a final order approving the division of the residual assets into four trusts, with each of the beneficiaries as being named beneficiary of one of the four separate trusts. Before and during the process of restructuring, the net income of the trust was payable in equal annual installments to the named beneficiaries. During 2004 and 2003, the Garden received distributions from the trust of \$107,342 and \$56,127, respectively, which are recorded as unrestricted contributions in the accompanying statements of activities. Distributions from the trusts continue until the death of the last of the two individual beneficiaries, at which time each trust will terminate and the balance of the remaining residual assets will be distributed to the Garden and the named charitable organization. As the financial information relating to the trust and the balance of the remaining residual assets cannot be determined at this time, the present value of the estimated future cash receipts from the trust assets has not been recorded in the financial statements.

(9) **Federal Income Taxes**

The Garden is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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Notes to Financial Statements

December 31, 2004 and 2003

(10) Pension Plan

The Garden has a defined contribution retirement plan which is contributory and available to all qualified employees. Benefits are funded through life insurance annuity contracts. Pension expense for the years ended December 31, 2004 and 2003 totaled \$301,801 and \$289,760, respectively.

(11) Allerton Gardens

In 1991, the Garden entered into a management agreement with the trustee of the Allerton Gardens Trust (Trust) which requires the Garden to operate and maintain Allerton Gardens in accordance with written plans established by the Garden and Allerton Gardens Trust's trustee (Trustee). The initial plan included the repair and restoration, installation of new plantings, and construction of improvements to Allerton Gardens.

Effective January 1998, the original management agreement was amended wherein the Garden is obligated to pay \$1,500 monthly to the Trustee with an annual management fee to be paid to the Garden of \$200,000. Further, the Trust reimburses the Garden for all reasonable costs and expenses to operate Allerton Gardens. These costs include payments to contractors and suppliers; charges for utility services; premiums for insurance policies; maintenance; repair and operating costs; costs of improvements; costs of materials; equipment, supplies, and tools; costs of plantings; travel expenses; professional expenses approved by the Trustee; and the salaries and fringe benefits of Garden employees assigned full time to carry out the responsibilities under the management agreement. The amended agreement expires on December 31, 2008. The Garden received management fees of \$200,000 in 2004 and 2003.

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2004 and 2003 are available for the following purposes:

	2004	2003
Gardens and preserves:		
Kampong	\$ 3,898,606	3,842,453
Capital projects	2,360,966	2,447,178
Conservation, science, and education	1,715,078	1,329,559
Limahuli	268,514	315,470
Kahanu	96,666	177,865
McBryde	10,092	9,441
Other	746,090	649,975
	\$ 9,096,012	8,771,941

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2004 and 2003

Net assets in the amount of \$4,469,952 and \$4,274,648 in 2004 and 2003, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2004	2003
Garden and preserves:		
Conservation, science, and education	\$ 1,528,435	1,549,934
Kampong	501,369	656,393
Limahuli	367,522	531,026
Kahanu	183,306	127,511
McBryde	63,477	300,374
Other	719,424	236,098
	3,363,533	3,401,336
Capital projects	1,106,419	873,312
	\$ 4,469,952	4,274,648

(13) Permanently Restricted Net Assets

At December 31, 2004 and 2003, permanently restricted net assets (e.g., endowment funds) consist of the following:

	2004	2003
Loy McCandless Marks Botanical Library	\$ 8,000,000	8,000,000
Any activities of the Garden	5,568,827	5,447,931
Land – Limahuli Garden	1,335,000	1,335,000
Restricted for:		
McBryde operations	5,171,526	4,333,187
Kampong operations	3,194,234	3,194,234
Research personnel	2,200,924	2,062,256
Education and memorials	2,104,919	2,104,919
Limahuli garden operations	600,000	600,000
Landscaping personnel	576,145	542,964
	\$ 28,751,575	27,620,491

NATIONAL TROPICAL BOTANICAL GARDEN

Expenditures

Year ended December 31, 2004

	Gardens and preserves					
	Total	McBryde	Limahuli	Kampong	Allerton	Kahanu
Salaries and related employee costs	\$ 5,095,455	956,167	583,442	285,823	384,069	243,372
Professional fees	775,618	5	19,316	8,000	50,073	67,938
Depreciation	505,176	117,563	43,183	40,196	223	18,413
Meetings and travel	324,677	2,263	5,530	5,043	—	9,806
Repair maintenance – property and equipment	238,978	94,509	9,468	58,458	12,284	12,937
Telephone and utilities	228,918	95,163	5,854	26,119	23,654	4,543
Insurance	216,727	—	—	29,805	—	—
Events and conferences	161,764	—	416	110,547	—	707
Contract labor	96,102	28,817	16,949	6,178	18,417	1,170
Rent/lease property and equipment	91,211	10,348	—	25,343	873	1,330
Printing and reproduction	85,293	—	10,122	900	—	2,774
Curriculum development	75,697	—	516	—	—	13
Gas and oil	61,855	29,283	3,952	1,471	9,019	5,018
Horticultural supplies	58,922	20,303	2,618	9,082	8,691	882
Postage and delivery	54,169	145	464	2,848	130	736
Real property taxes	53,758	—	275	49,603	225	2,269
Bank fees	53,286	60	3,391	760	17	968
Interest expense	51,561	—	—	45,576	—	—
Laboratory supplies	50,191	—	—	—	—	—
Equipment	42,312	4,472	864	2,405	—	9,860
Office supplies	37,341	1,578	1,438	4,577	51	2,783
Computer software maintenance	33,858	—	3,343	150	—	568
Allerton projects	27,739	—	—	—	27,739	—
Licenses and permits	23,668	2,227	245	233	96	489
Page costs	21,602	—	—	—	—	—
Programs and events	21,048	—	—	—	—	1,354
Dues and subscriptions	16,547	50	—	467	—	133
Maintenance supplies	14,838	1,913	5,557	2,004	78	4,598
Land and building improvements	13,585	—	11,611	—	—	1,543
Research supplies	13,417	24	—	—	—	—
Minor equipment	12,701	2,518	887	1,249	—	658
Library books and supplies	12,588	—	127	1,370	—	—
Mapping supplies and equipment	10,456	—	10,456	—	—	—
Advertising and promotions	8,922	—	—	—	—	1,622
Volunteer program	8,276	—	1,377	6,402	—	—
Irrigation supplies	8,132	6,832	150	—	659	36
Collecting supplies	7,914	—	79	—	—	—
Helicopter rental	7,650	—	3,600	—	—	—
Curation and herbarium supplies	7,096	—	—	—	—	—
Awards and honoraria	4,880	—	—	3,880	—	—
Shop supplies	3,743	—	—	—	—	—
Photo and processing supplies	3,584	—	248	856	412	—
Other maintenance and supplies	2,704	33	—	—	—	—
Restoration supplies and equipment	1,681	—	142	—	—	—
Furniture and fixtures	1,645	—	—	781	136	—
Network	1,500	164	—	—	—	—
Publications	584	—	—	383	—	—
Director's discretionary	348	—	—	—	—	74
Director's research	257	—	—	—	—	—
Gardeners' classroom supplies	46	—	—	—	—	—
Special tours and events	33	—	—	—	—	—
Miscellaneous	106,535	—	—	1,417	—	—
	\$ 8,756,588	1,374,437	745,620	731,926	536,846	396,594

NATIONAL TROPICAL BOTANICAL GARDEN

Expenditures
Year ended December 31, 2004

	Research and education			Administration and finance	Development
	Science and conservation	Visitor programs	Education		
Salaries and related employee costs	\$ 1,033,922	330,632	173,069	729,802	375,157
Professional fees	227,823	1,454	91,943	240,763	68,303
Depreciation	100,332	76,348	17,273	89,809	1,836
Meetings and travel	194,820	471	18,051	40,211	48,482
Repair maintenance – property and equipment	13,175	16,614	1,457	18,885	1,191
Telephone and utilities	12,237	13,895	4,405	39,696	3,352
Insurance	15,500	12,892	—	158,530	—
Events and conferences	13,786	—	8,726	918	26,664
Contract labor	15,250	7,112	1,993	216	—
Rent/lease property and equipment	26,054	2,883	10,676	13,704	—
Printing and reproduction	2,270	10,770	38,683	4,608	15,166
Curriculum development	—	—	75,168	—	—
Gas and oil	2,482	8,381	193	1,882	174
Horticultural supplies	16,246	1,100	—	—	—
Postage and delivery	8,548	802	26,703	12,363	1,430
Real property taxes	100	25	—	1,261	—
Bank fees	378	21,191	90	26,371	60
Interest expense	—	—	—	5,985	—
Laboratory supplies	50,191	—	—	—	—
Equipment	14,162	1,350	3,339	2,446	3,414
Office supplies	5,632	2,756	3,497	13,503	1,526
Computer software maintenance	7,445	2,758	33	15,345	4,216
Allerton projects	—	—	—	—	—
Licenses and permits	88	18,656	—	1,634	—
Page costs	5,671	—	15,931	—	—
Programs and events	—	784	18,910	—	—
Dues and subscriptions	4,111	413	619	9,051	1,703
Maintenance supplies	—	428	—	260	—
Land and building improvement	—	43	—	388	—
Research supplies	13,393	—	—	—	—
Minor equipment	5,086	128	145	2,030	—
Library books and supplies	10,607	—	85	243	156
Mapping supplies and equipment	—	—	—	—	—
Advertising and promotions	80	6,471	—	2	747
Volunteer program	103	—	368	26	—
Irrigation supplies	455	—	—	—	—
Collecting supplies	7,835	—	—	—	—
Helicopter rental	4,050	—	—	—	—
Curation and herbarium supplies	7,096	—	—	—	—
Awards and honoraria	1,000	—	—	—	—
Shop supplies	—	2,864	879	—	—
Photo and processing supplies	2,060	—	8	—	—
Other maintenance and supplies	627	—	—	2,044	—
Restoration supplies and equipment	1,539	—	—	—	—
Furniture and fixtures	—	—	—	728	—
Network	—	—	—	1,336	—
Publications	150	—	—	51	—
Director's discretionary	274	—	—	—	—
Director's research	257	—	—	—	—
Gardeners' classroom supplies	—	—	46	—	—
Special tours and events	—	—	33	—	—
Miscellaneous	180	—	—	104,938	—
	\$ <u>1,825,015</u>	<u>541,221</u>	<u>512,323</u>	<u>1,539,029</u>	<u>553,577</u>

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2004

	Balance at December 31, 2003	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2004
Kampong Garden:						
Kampong Estate	\$ 3,778,986	—	—	3,778,986	—	3,778,986
Kampong Database Project	37,573	—	—	37,573	—	37,573
Kampong Anonymous/Library/Oak Foundation	21,894	6,500	—	28,394	3,169	25,225
Kampong David Fairchild Medal	—	25,000	8,120	33,120	8,120	25,000
Kampong Education Summit	—	25,000	—	25,000	—	25,000
Kampong Bali Hai	—	71,692	—	71,692	68,142	3,550
Kampong Rainwater Collection Project	4,000	8,000	—	12,000	8,728	3,272
Kampong Operations	—	228,733	—	228,733	228,733	—
Kampong Sweeney Endowment	—	—	184,477	184,477	184,477	—
Total Kampong Garden	3,842,453	364,925	192,597	4,399,975	501,369	3,898,606
Limahuli Garden and Preserve:						
Limahuli Operations	73,450	66,745	56,400	196,595	92,212	104,383
Limahuli Lannon Mapping	—	100,000	—	100,000	15,204	84,796
Limahuli Ahupuaa Program	—	30,000	—	30,000	—	30,000
Limahuli Capital Improvements	17,437	19,500	—	36,937	7,735	29,202
Limahuli Land Acquisition Fund	20,133	—	—	20,133	—	20,133
Limahuli ICM Grant	175,383	—	—	175,383	175,383	—
Limahuli Preserve and Forest Service	26,642	11,525	—	38,167	38,167	—
Limahuli Hale	—	36,396	—	36,396	36,396	—
Limahuli Fencing Project	2,425	—	—	2,425	2,425	—
Total Limahuli Garden and Preserve	315,470	264,166	56,400	636,036	367,522	268,514
McBryde Garden:						
Garden Master Planning	9,441	—	—	9,441	4,349	5,092
Davis Memorial Repair	—	5,000	—	5,000	—	5,000
Dillingham Memorial	—	—	29,062	29,062	29,062	—
McBryde Operations (HTCO #4)	—	—	24,140	24,140	24,140	—
Gardeners (HTCO #2)	—	—	5,926	5,926	5,926	—
Total McBryde Garden	9,441	5,000	59,128	73,569	63,477	10,092

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2004

	Balance at December 31, 2003	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2004
Kahanu Garden:						
Kahanu Road Improvements	\$ 43,924	—	—	43,924	1,483	42,441
Kahanu Capital Improvement	33,884	1,500	—	35,384	11,742	23,642
Kahanu Piilanihale Heiau	21,930	—	—	21,930	—	21,930
Kahanu Visitor Center	5,000	—	—	5,000	—	5,000
Kahanu Equipment	520	2,310	—	2,830	—	2,830
Kahanu Hale	823	—	—	823	—	823
Kahanu Operations	—	98,297	—	98,297	98,297	—
Kahanu Getty Grant	71,784	—	—	71,784	71,784	—
Total Kahanu Garden	177,865	102,107	—	279,972	183,306	96,666
Capital Projects:						
Library/Herbarium	1,330,148	17,000	226,690	1,573,838	110,561	1,463,277
Land Acquisition Fund	570,721	—	—	570,721	—	570,721
Kahanu Fuel Cell System	129,754	4,141	—	133,895	30,645	103,250
Kampong Conference Facility	5,000	76,000	—	81,000	4,046	76,954
Plant Site	39,876	—	—	39,876	—	39,876
Kahanu Land Acquisition	27,901	—	—	27,901	—	27,901
Lawai Valley Water Resource	12,122	20,000	—	32,122	5,516	26,606
Kampong Facility Improvements	7,507	25,000	—	32,507	7,507	25,000
Scarborough House	22,244	—	—	22,244	5,803	16,441
Crum Cottage Repairs	—	10,000	—	10,000	—	10,000
Visitor Center Interpretation	3,218	—	—	3,218	2,551	667
Nursery Center	290,589	635,267	—	925,856	925,583	273
Research Laboratory	8,098	—	—	8,098	8,098	—
Capital Fund	—	—	6,109	6,109	6,109	—
Total Capital Projects	2,447,178	787,408	232,799	3,467,385	1,106,419	2,360,966

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2004

	Balance at December 31, 2003	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2004
Conservation, Science, and Education:						
Plant Medicine	\$ 132,905	767,928	—	900,833	571,393	329,440
Internship Program	280,144	19,950	141,925	442,019	167,654	274,365
Kahanu Breadfruit Collection / Breadfruit Institute	69,993	347,041		417,034	222,311	194,723
McBryde Chair (HTCO #3)	192,128	—	89,660	281,788	90,283	191,505
Conservation Program	103,650	111,100	—	214,750	62,982	151,768
Flora of the Marquesas Project	229,655	—	—	229,655	111,189	118,466
Genetic Safety Net	37,004	80,000	—	117,004	17,872	99,132
College Professors Course	36,896	75,180	—	112,076	46,709	65,367
Horticultural Internship	54,474	—	—	54,474	—	54,474
Conservation Projects	12,808	40,000	—	52,808	870	51,938
Publications	43,192	982	—	44,174	84	44,090
Conservation Lennox Grant	—	40,000	—	40,000	—	40,000
Restoration Biologist	72,199	500	—	72,699	36,600	36,099
Physicians Course	24,810	29,400	—	54,210	24,431	29,779
Journalism Course	—	10,000	—	10,000	—	10,000
NTBG Website	6,189	10,031	—	16,220	7,157	9,063
K-12 Science Teachers Course	—	36,390	—	36,390	28,300	8,090
Fellows Project – Herbarium Amboense Translation	12,694	37,500	—	50,194	44,672	5,522
Na Lima Kokua	807	—	—	807	—	807
Volunteer Facility at VC Garden	50	300	—	350	—	350
Public Lectures	—	145	1,954	2,099	1,999	100
Plant Talk Operations	—	45,000	—	45,000	45,000	—
B. Evans Chair (HTCO #1)	—	—	19,226	19,226	19,226	—
Ime'Ike Educational Program	9,400	—	—	9,400	9,400	—
Curatorial Internship	6,768	—	—	6,768	6,768	—
Research Botanist (HTCO #2)	—	—	5,926	5,926	5,926	—
Ethnobotany Courses	2,440	—	—	2,440	2,440	—
Student Awards	—	—	2,155	2,155	2,155	—
Research Projects	1,353	—	—	1,353	1,353	—
Chandler Education Program	—	—	897	897	897	—
Horticulture Training Program	—	—	764	764	764	—
	<u>1,329,559</u>	<u>1,651,447</u>	<u>262,507</u>	<u>3,243,513</u>	<u>1,528,435</u>	<u>1,715,078</u>
Total Conservation, Science, and Education						

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2004

	Balance at December 31, 2003	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2004
Other:						
Sundry TRF Contributions	\$ 510,436	620,484	—	1,130,920	507,152	623,768
Charitable Remainder Annuity Trust	67,871	—	—	67,871	—	67,871
Tour Vehicles	70,000	62,399	—	132,399	82,948	49,451
Lettunich Trustee History Project	—	5,000	—	5,000	—	5,000
Eleanor Crum Trust	—	107,342	—	107,342	107,342	—
Garden Equipment	1,668	20,314	—	21,982	21,982	—
Total Other	<u>649,975</u>	<u>815,539</u>	<u>—</u>	<u>1,465,514</u>	<u>719,424</u>	<u>746,090</u>
	<u>\$ 8,771,941</u>	<u>3,990,592</u>	<u>803,431</u>	<u>13,565,964</u>	<u>4,469,952</u>	<u>9,096,012</u>

See accompanying independent auditors' report.