



**NATIONAL TROPICAL BOTANICAL GARDEN**

Financial Statements and Schedules

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
PO 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 (the Garden) as of December 31, 2007 and 2006, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2007 and 2006, 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.

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**

June 26, 2008

**NATIONAL TROPICAL BOTANICAL GARDEN**

Balance Sheets

December 31, 2007 and 2006

<b>Assets (Note 6)</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents, including restricted cash of \$326,000 (note 3)	\$ 1,374,265	882,536
Pledges receivable (note 2)	2,799,546	2,707,523
Grants receivable	75,231	64,848
Merchandise inventories	38,813	47,013
Prepaid expenses and other	305,586	310,492
Short-term investments (note 3)	4,363,164	2,858,543
Land, buildings, equipment, and library, at cost, less accumulated depreciation and amortization (note 4)	33,007,797	22,592,519
Botanical art collection	465,220	465,220
Notes receivable	—	600,000
Land held for investment (note 12)	1,335,000	1,335,000
Loy McCandless Marks Botanical Library (notes 7 and 12)	8,000,000	8,000,000
Long-term investments (note 3)	13,473,121	18,707,416
Beneficial interest in perpetual trust (note 7)	2,824,754	2,811,350
Total assets	\$ 68,062,497	61,382,460
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable, accrued expenses, and other	\$ 635,784	646,108
Liability under charitable remainder annuity trust agreements	17,105	23,805
Long-term debt (note 6)	5,920,000	1,700,000
Total liabilities	6,572,889	2,369,913
Net assets:		
Unrestricted	28,888,879	12,655,944
Temporarily restricted (note 11)	6,967,854	14,902,837
Permanently restricted (note 12)	25,632,875	31,453,766
Total net assets	61,489,608	59,012,547
Commitments (notes 2, 3, 5, 6, 7, 9, 10, and 13)		
Total liabilities and net assets	\$ 68,062,497	61,382,460

See accompanying notes to financial statements.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Statement of Activities

Year ended December 31, 2007

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Revenues, gains, and other support:				
Contributions and bequests (notes 2 and 7)	\$ 2,689,550	5,145,447	10,050	7,845,047
Reclassification of permanently restricted net realized and unrealized gain on investments (note 12)	1,693,036	4,151,310	(5,844,346)	—
Tour and visitor center sales, net of costs of goods sold of \$252,037	1,623,906	—	—	1,623,906
Income from investments, net of management, custodial, and other fees of \$203,673 (note 3)	239,804	648,782	—	888,586
Allerton fees and reimbursements (note 10)	870,919	—	—	870,919
Net realized and unrealized gain on investments (note 3)	19,041	209,902	13,405	242,348
Other (note 5)	797,568	—	—	797,568
Net assets released from restrictions (note 11):				
Satisfaction of program restrictions	7,435,660	(7,435,660)	—	—
Satisfaction of capital project restrictions	10,654,764	(10,654,764)	—	—
Total revenues, gains, and other support	26,024,248	(7,934,983)	(5,820,891)	12,268,374
Expenditures (notes 5 and 9):				
Gardens and preserves:				
McBryde	1,181,466	—	—	1,181,466
Kampong	929,080	—	—	929,080
Allerton	661,243	—	—	661,243
Limahuli	613,021	—	—	613,021
Kahanu	456,986	—	—	456,986
Research and education:				
Science and conservation	2,139,908	—	—	2,139,908
Visitor programs	670,740	—	—	670,740
Education	356,045	—	—	356,045
Administration and finance	1,643,959	—	—	1,643,959
Development	1,138,865	—	—	1,138,865
Total expenditures	9,791,313	—	—	9,791,313
Change in net assets	16,232,935	(7,934,983)	(5,820,891)	2,477,061
Net assets at beginning of year	12,655,944	14,902,837	31,453,766	59,012,547
Net assets at end of year	\$ 28,888,879	6,967,854	25,632,875	61,489,608

See accompanying notes to financial statements.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Statement of Activities

Year ended December 31, 2006

	<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 7)	\$ 2,189,507	6,550,490	68,100	8,808,097
Net realized and unrealized gain on investments (note 3)	22,157	742,755	1,081,863	1,846,775
Tour and visitor center sales, net of costs of goods sold of \$265,027	1,312,263	—	—	1,312,263
Allerton fees and reimbursements (note 10)	902,519	—	—	902,519
Income from investments, net of management, custodial, and other fees of \$163,437 (note 3)	173,735	435,098	—	608,833
Other (note 5)	362,916	—	—	362,916
Net assets released from restrictions (note 11):				
Satisfaction of program restrictions	3,686,245	(3,686,245)	—	—
Satisfaction of capital project restrictions	1,457,476	(1,457,476)	—	—
<b>Total revenues, gains, and other support</b>	<u>10,106,818</u>	<u>2,584,622</u>	<u>1,149,963</u>	<u>13,841,403</u>
Expenditures (notes 5 and 9):				
Gardens and preserves:				
McBryde	1,196,295	—	—	1,196,295
Kampong	813,738	—	—	813,738
Allerton	646,945	—	—	646,945
Limahuli	554,376	—	—	554,376
Kahanu	384,337	—	—	384,337
Research and education:				
Science and conservation	1,847,218	—	—	1,847,218
Visitor programs	590,930	—	—	590,930
Education	336,286	—	—	336,286
Administration and finance	1,503,964	—	—	1,503,964
Development	647,297	—	—	647,297
<b>Total expenditures</b>	<u>8,521,386</u>	<u>—</u>	<u>—</u>	<u>8,521,386</u>
<b>Change in net assets</b>	<u>1,585,432</u>	<u>2,584,622</u>	<u>1,149,963</u>	<u>5,320,017</u>
Net assets at beginning of year	<u>11,070,512</u>	<u>12,318,215</u>	<u>30,303,803</u>	<u>53,692,530</u>
Net assets at end of year	<u>\$ 12,655,944</u>	<u>14,902,837</u>	<u>31,453,766</u>	<u>59,012,547</u>

See accompanying notes to financial statements.

## NATIONAL TROPICAL BOTANICAL GARDEN

### Statements of Cash Flows

Years ended December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Change in net assets	\$ 2,477,061	5,320,017
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(242,348)	(1,846,775)
Net gain on sale of land, buildings, and equipment	(200)	—
Depreciation	700,030	639,132
Increase in pledges receivable	(92,023)	(1,190,337)
Decrease (increase) in grants receivable	(10,383)	34,993
Decrease in merchandise inventories	8,200	17,420
Decrease (increase) in prepaid expenses and other	4,906	(23,128)
Increase (decrease) in accounts payable and accrued expenses	(10,324)	56,643
Change in charitable remainder annuity trust, net	(6,700)	(8,102)
Contributions restricted for long-term investment	(3,637,505)	(4,279,055)
Contributions of marketable security investments	(2,572,953)	(2,213,326)
Net cash used in operating activities	(3,382,239)	(3,492,518)
Cash flows from investing activities:		
Purchases of land, buildings, equipment, and library	(11,115,308)	(2,003,412)
Proceeds from payment of note receivable	600,000	—
Proceeds from sale of land, buildings, and equipment	200	—
Proceeds from sale of investments	25,154,598	12,480,637
Purchases of investments	(18,623,027)	(10,513,657)
Net cash used in investing activities	(3,983,537)	(36,432)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in land, buildings, equipment, and library	3,627,455	4,210,955
Investment in endowment	10,050	68,100
Proceeds from notes payable	4,220,000	—
Principal payments on notes payable	—	(145,465)
Net cash provided by financing activities	7,857,505	4,133,590
Net increase in cash and cash equivalents	491,729	604,640
Cash and cash equivalents at beginning of year	882,536	277,896
Cash and cash equivalents at end of year	\$ 1,374,265	882,536
Supplemental information:		
Interest paid, including amounts capitalized	\$ 63,538	1,485

See accompanying notes to financial statements.

# NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2007 and 2006

## (1) Summary of Significant Accounting Policies

### (a) *General*

National Tropical Botanical Garden (the 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 the lower of cost (first-in, first-out) or market.

### (e) *Investments*

#### **Marketable Securities**

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. The fair value of securities is based on quoted market prices.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2007 and 2006

**Other Investments**

Other investments consist of limited partnership investments for which the Garden has no significant influence. Other investments are recorded at cost.

**(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, 2007 and 2006

**(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) Long-Lived Assets**

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, 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. If circumstances require a long-lived asset be tested for possible impairment, the Garden first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

**(l) Use of Estimates**

The preparation of the financial statements, in accordance with U.S. generally accepted accounting principles, requires management of the Garden to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the carrying amount of merchandise inventories; land, buildings, equipment, and library; land held for investment; receivables; and liability under charitable remainder annuity trust agreements. Actual results could differ from those estimates.

**(m) Reclassifications**

Certain reclassifications were made to 2006 amounts to conform to 2007 presentations. Such reclassifications did not impact the previously reported change in net assets.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2007 and 2006

**(2) Pledges Receivable**

Pledges receivable consisted of the following at December 31, 2007 and 2006:

	<b>2007</b>	<b>2006</b>
Contributions to be received within one year	\$ 1,659,708	1,059,973
Contributions to be received in one to five years	1,344,977	1,944,666
	3,004,685	3,004,639
Less discount to present value (4.25% and 4.69%)	(205,139)	(297,116)
	\$ 2,799,546	2,707,523

As of December 31, 2007, the Garden had a conditional pledge of \$900,000 for the construction of its botanical research center. The pledge requires the Garden to raise funds to complete its campaign goal by February 1, 2008. As of December 31, 2007, the Garden had not met all the conditions of the pledge, as such the gift is not recorded in the accompanying financial statements.

**(3) Investments**

As of December 31, 2007 and 2006, investments are classified as short-term and long-term as follows:

	<b>2007</b>	<b>2006</b>
Short-term:		
Unrestricted and temporarily restricted	\$ 4,363,164	2,858,543
Long-term:		
Permanently restricted	13,473,121	18,707,416
Total investments	\$ 17,836,285	21,565,959

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2007 and 2006

A summary of investments at December 31, 2007 and 2006 is as follows:

	<b>2007</b>	<b>2006</b>
Marketable securities:		
Cash and cash equivalents	\$ 1,374,908	4,938,252
Mutual funds	5,336,728	2,138,347
Common stocks	10,908,277	12,361,621
Mortgage-backed securities	44,772	486,231
Government securities	—	150,541
Corporate bonds	—	637,629
Convertible securities	—	1,628
	17,664,685	20,714,249
Investment in limited partnerships	171,600	851,710
	\$ 17,836,285	21,565,959

Investments with a carrying value of \$5,497,315 at December 31, 2007 are held as security on a letter-of-credit facility issued by a bank (see note 6).

**(4) Land, Buildings, Equipment, and Library**

A summary of land, buildings, equipment, and library as of December 31, 2007 and 2006 is as follows:

	<b>2007</b>	<b>2006</b>
Kampong:		
Land	\$ 5,765,496	5,661,095
Buildings	2,123,432	966,012
Furniture, fixtures, and equipment	239,021	184,115
Total Kampong	8,127,949	6,811,222
Hawaii:		
Land and land improvements	12,606,034	12,523,775
Building and building improvements	6,226,868	6,039,523
Furniture, fixtures, and equipment	3,620,863	3,444,229
Library	286,894	286,894
Construction in progress	11,248,428	1,921,508
Total Hawaii	33,989,087	24,215,929
	42,117,036	31,027,151
Less accumulated depreciation	9,109,239	8,434,632
	\$ 33,007,797	22,592,519

## NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2007 and 2006

### (5) Leases

In 2002, the Garden entered into a lease agreement as lessor for real property located in Maui, Hawaii with a member of the board of trustees, as tenant. The lease provides for no rent payments to be received from the tenant and terminates on the earlier of July 2, 2008, 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, 2008. Rental income for this lease amounted to \$30,000 for 2007 and 2006. Future minimum rent receipts under the lease are \$30,000 for the year ending December 31, 2008.

### (6) Long-Term Debt

Long-term debt at December 31, 2007 and 2006 consists of the following:

	2007	2006
Mortgage note payable to a member of the board of trustees, noninterest-bearing until termination of the lease agreement (see note 5), at which time interest accrues at 6% per annum, due in 2008, secured by real property in Maui, Hawaii and a letter-of-credit facility with a bank for \$1,800,000 (secured by certain investments) (see note 3)	\$ 1,700,000	1,700,000
Borrowings under nonrevolving credit agreement with a bank, monthly payments of interest only at 7.5% per annum; principal payment of \$1,000,000, due in May 2010; remaining principal and interest due on May 14, 2011; secured by substantially all assets of the Garden	4,220,000	—
Total long-term debt	\$ 5,920,000	1,700,000

The aggregate maturities of long-term debt are as follows:

Year ending December 31:	
2008	\$ 1,700,000
2009	—
2010	1,000,000
2011	3,220,000

In 2007, the Garden entered into a nonrevolving credit agreement with a bank, which permits the Garden to borrow up to \$6,497,000 with interest at 7.5% per annum. The agreement expires in 2011. At December 31, 2007, the Garden had \$2,277,000 available under this facility.

## NATIONAL TROPICAL BOTANICAL GARDEN

### Notes to Financial Statements

December 31, 2007 and 2006

At December 31, 2007, 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, 2008. 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 2007 and 2006.

#### (7) Contributions

##### (a) *Waterhouse Trust*

During 2007 and 2006, 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 \$463,266 and \$486,682, 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 2007 and 2006, the Garden received distributions from the trusts amounting to \$133,947 and \$128,508, 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.

##### (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.

## NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2007 and 2006

(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 2007 and 2006, the Garden received distributions from the trust of \$130,960 and \$136,518, 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 accompanying financial statements.

(8) **Income Taxes**

The Company is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes. However, the Company is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

(9) **Pension Plan**

The Garden has a defined contribution retirement plan that is contributory and available to all qualified employees. Benefits are funded through life insurance annuity contracts. Pension expense for the years ended December 31, 2007 and 2006 totaled \$197,602 and \$170,003, respectively.

(10) **Allerton Gardens**

In 1991, the Garden entered into a management agreement with the trustee of the Allerton Gardens Trust (Trust) that 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 2005, 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 \$215,000. 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

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2007 and 2006

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, 2028. The Garden received management fees of \$215,000 per year for 2007 and 2006.

**(11) Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2007 and 2006 are available for the following purposes:

	<b>2007</b>	<b>2006</b>
Gardens and preserves:		
Kampong Garden	\$ 3,893,940	3,924,658
Conservation, science, and education	1,321,160	1,494,889
Capital projects	1,079,577	8,290,267
Limahuli	159,550	337,653
Kahanu	123,340	146,903
McBryde	5,092	5,092
Other	385,195	703,375
	\$ 6,967,854	14,902,837

Net assets in the amount of \$18,090,424 and \$5,143,721 in 2007 and 2006, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<b>2007</b>	<b>2006</b>
Garden and preserves:		
McBryde	\$ 3,613,446	276,943
Kampong Garden	1,399,656	967,028
Conservation, science, and education	1,213,356	1,168,637
Limahuli	300,091	285,624
Kahanu	198,315	219,018
Other	710,796	768,995
	7,435,660	3,686,245
Capital projects	10,654,764	1,457,476
	\$ 18,090,424	5,143,721

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2007 and 2006

**(12) Permanently Restricted Net Assets**

At December 31, 2007 and 2006, permanently restricted net assets (e.g., endowment funds) consist of the following:

	<b>2007</b>	<b>2006</b>
Loy McCandless Marks Botanical Library (note 7)	\$ 8,000,000	8,000,000
Any activities of the Garden	3,748,363	5,797,200
Land – Limahuli Garden	1,335,000	1,335,000
Restricted for:		
McBryde operations	3,570,263	6,728,130
Research personnel	2,903,359	2,963,672
Education and memorials	2,544,775	2,165,519
Kampong operations (note 7)	2,500,000	3,194,234
Limahuli garden operations (note 4)	600,000	600,000
Landscaping personnel	403,615	640,193
Botanical research center	20,000	22,318
Kampong director	7,500	7,500
	\$ 25,632,875	31,453,766

Effective on January 1, 2007, the board of trustees effectively obtained donor documentation through a board resolution to reclassify the accumulated net realized and unrealized gain on investments as of December 31, 2006 on certain permanently restricted contributions from permanently restricted net assets, as previously stipulated by the donor, to unrestricted and temporarily restricted net assets, consistent with the classification of investment income for those contributions. Furthermore, the resolution is effective for the classification of any realized and unrealized gains for 2007 and thereafter. The impact of the resolution is the reclassification or decrease of accumulated net realized and unrealized gain on investments of permanently restricted net assets of \$5,844,346 and an increase in temporarily restricted net assets of \$4,151,310 and an increase in unrestricted net assets of \$1,693,036 for the year ended December 31, 2007.

**(13) Commitments**

As of December 31, 2007, the Garden has outstanding commitments of approximately \$2,073,000 under contracts for construction and architectural services for its botanical research center and Kampong education center.

## NATIONAL TROPICAL BOTANICAL GARDEN

## Expenditures

Year ended December 31, 2007

	<b>Gardens and preserves</b>					
	<b>Total</b>	<b>McBryde</b>	<b>Kampong</b>	<b>Allerton</b>	<b>Limahuli</b>	<b>Kahanu</b>
Salaries and related employee costs	\$ 5,728,893	656,758	464,612	503,492	457,070	303,196
Professional fees	999,445	—	160	77,391	8,838	16,435
Depreciation	700,030	167,531	94,492	3,592	44,255	44,604
Insurance	345,840	—	36,073	—	—	—
Meetings and travel	283,531	418	9,290	591	16,082	10,449
Telephone and utilities	253,373	133,930	29,219	15,294	8,829	8,999
Events and conferences	213,989	—	115,945	—	677	198
Repair maintenance – property and equipment	206,149	125,072	43,183	14,922	4,051	5,446
Contract labor	110,070	17,752	19,528	20,177	1,161	4,140
Awards and honoraria	107,521	—	20,325	—	—	—
Gas and oil	91,540	30,823	2,151	11,190	4,190	13,170
Printing and reproduction	86,706	—	6,356	—	37,005	10,760
Horticultural supplies	64,119	9,017	15,378	2,630	2,012	2,710
Office supplies	55,308	922	4,844	585	2,205	1,917
Bank fees	49,978	30	3,097	—	4,803	139
Other maintenance and supplies	46,880	3,539	4,031	1,646	7,923	3,416
Real property taxes	42,024	—	38,322	236	225	2,762
Rent/lease property and equipment	41,578	5,066	3,770	5,306	735	215
Postage and delivery	36,234	223	3,409	—	480	436
Dues and subscriptions	33,543	755	455	—	135	289
Interns sundry course expenditures	30,297	—	74	—	—	—
Minor equipment	29,825	6,849	5,448	208	3,325	1,141
Licenses and permits	25,892	2,876	499	232	595	678
Advertising and promotions	22,608	—	500	—	565	11,259
Computer software maintenance	19,959	—	30	—	47	32
Visitor's program interpretation	18,501	—	216	—	1,357	1,676
Irrigation supplies	17,100	11,715	—	1,529	554	—
Helicopter rental	16,368	—	—	—	—	—
Programs and events	15,242	—	96	—	204	750
Maintenance supplies	10,122	1,343	1,343	62	1,497	2,851
Furniture and fixtures	8,495	—	4,529	—	1,097	—
Land and building improvements	8,413	—	—	—	—	8,328
Research supplies	8,356	—	—	—	11	—
Equipment	8,250	6,845	—	—	—	364
Library books and supplies	7,497	—	—	—	—	42
Curation and herbarium supplies	7,383	—	—	—	—	—
Restoration supplies and equipment	6,712	—	—	—	—	—
Mapping supplies and equipment	6,125	—	—	—	2,800	—
Collecting supplies	5,336	—	—	—	—	—
Laboratory supplies	4,424	—	—	—	—	—
Shop supplies	3,948	2	—	—	—	577
Volunteer program	3,845	—	119	—	228	—
Publications/books	2,623	—	6	—	—	—
Large repairs and flood damage	2,134	—	—	2,134	—	—
Donations	1,924	—	394	—	—	—
Curriculum development	1,057	—	1,050	—	—	7
Page costs	806	—	—	—	65	—
Photo and processing supplies	651	—	136	26	—	—
Network	636	—	—	—	—	—
Use tax	33	—	—	—	—	—
	\$ 9,791,313	1,181,466	929,080	661,243	613,021	456,986

## NATIONAL TROPICAL BOTANICAL GARDEN

## Expenditures

Year ended December 31, 2007

	Research and education			Administration and finance	Development
	Science and conservation	Visitor programs	Education		
Salaries and related employee costs	\$ 1,436,365	400,305	210,509	749,572	547,014
Professional fees	177,903	—	—	276,906	441,812
Depreciation	93,817	103,249	16,479	132,011	—
Insurance	16,838	22,968	6,486	263,475	—
Meetings and travel	118,198	674	27,952	57,026	42,851
Telephone and utilities	8,688	24,626	2,021	17,712	4,055
Events and conferences	42,053	115	412	20,971	33,618
Repair maintenance – property and equipment	4,163	7,846	923	438	105
Contract labor	29,885	11,259	548	4,322	1,298
Awards and honoraria	34,043	—	52,937	216	—
Gas and oil	8,460	15,036	2,962	2,709	849
Printing and reproduction	2,404	6,048	386	794	22,953
Horticultural supplies	31,941	431	—	—	—
Office supplies	5,626	1,479	1,553	31,640	4,537
Bank fees	243	23,419	130	18,052	65
Other maintenance and supplies	10,957	3,636	678	8,839	2,215
Real property taxes	104	—	—	375	—
Rent/lease property and equipment	9,506	6,456	—	10,524	—
Postage and delivery	7,345	1,223	602	8,176	14,340
Dues and subscriptions	6,780	130	—	17,146	7,853
Interns sundry course expenditures	8,258	—	21,965	—	—
Minor equipment	10,068	422	241	1,585	538
Licenses and permits	243	19,687	—	907	175
Advertising and promotions	—	2,070	—	1,008	7,206
Computer software maintenance	1,152	—	1,731	9,827	7,140
Visitor's program interpretation	94	13,146	1,375	637	—
Irrigation supplies	3,095	207	—	—	—
Helicopter rental	16,368	—	—	—	—
Programs and events	9,037	1,602	501	2,936	116
Maintenance supplies	604	2,232	—	190	—
Furniture and fixtures	—	584	—	2,285	—
Land and building improvements	85	—	—	—	—
Research supplies	8,345	—	—	—	—
Equipment	1,041	—	—	—	—
Library books and supplies	6,767	—	—	571	117
Curation and herbarium supplies	7,383	—	—	—	—
Restoration supplies and equipment	5,374	—	1,338	—	—
Mapping supplies and equipment	3,325	—	—	—	—
Collecting supplies	5,336	—	—	—	—
Laboratory supplies	4,424	—	—	—	—
Shop supplies	—	1,830	1,539	—	—
Volunteer program	119	—	2,777	602	—
Publications/books	2,249	—	—	368	—
Large repairs and flood damage	—	—	—	—	—
Donations	—	60	—	1,470	—
Curriculum development	—	—	—	—	—
Page costs	741	—	—	—	—
Photo and processing supplies	481	—	—	—	8
Network	—	—	—	636	—
Use tax	—	—	—	33	—
	<u>\$ 2,139,908</u>	<u>670,740</u>	<u>356,045</u>	<u>1,643,959</u>	<u>1,138,865</u>

See accompanying independent auditors' report.

## NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2007

	Balance at December 31, 2006	Contributions	Income from investments, net appreciation and reclassifications	Total	Net assets released from restrictions	Balance at December 31, 2007
Kampong Garden:						
Kampong Estate	\$ 3,778,986	—	—	3,778,986	—	3,778,986
Kampong Database Project	30,013	—	—	30,013	17	29,996
Kampong Education Programs	—	55,110	(811)	54,299	29,989	24,310
Kampong Bali Hai	11,350	130,840	—	142,190	120,206	21,984
Kampong Anonymous/Library/Oak Foundation	23,639	5,000	—	28,639	12,242	16,397
Kampong Operations	12,583	236,436	—	249,019	240,278	8,741
Kampong Grotto	6,102	9,000	—	15,102	7,171	7,931
Larry and Colleen Schokman Scholarship	—	6,000	—	6,000	2,275	3,725
Director of Large Gardens	—	1,600	—	1,600	—	1,600
Kampong Plant Labeling Project	270	—	—	270	—	270
Kampong Sweeney Endowment	—	—	873,087	873,087	873,087	—
Kampong Kenan Science Lab	32,846	—	—	32,846	32,846	—
Kampong Rainwater Collection Project	27,218	—	—	27,218	27,218	—
Electric Gate-Hissar	—	25,000	—	25,000	25,000	—
Kampong Agua Fund CFCC	—	12,500	—	12,500	12,500	—
Kampong David Fairchild Medal	—	4,000	7,145	11,145	11,145	—
Solar Panels	—	2,500	—	2,500	2,500	—
Kampong Electric/Internet Upgrade	1,651	—	—	1,651	1,651	—
Kampong Hurricane Recovery Gifts	—	1,531	—	1,531	1,531	—
Total Kampong Garden	3,924,658	489,517	879,421	5,293,596	1,399,656	3,893,940
Conservation, Science, and Education:						
Internship Program	469,860	20,385	120,227	610,472	116,239	494,233
McBryde Chair (HTCO #3)	375,465	—	106,831	482,296	95,819	386,477
Kahanu Breadfruit Collection/Breadfruit Institute	115,916	376,108	—	492,024	329,143	162,881
Journalism Course	125,044	19,104	—	144,148	52,031	92,117
Flora of the Marquesas Project	53,600	—	—	53,600	20,115	33,485
Conservation Lennox Grant	58,656	1,344	—	60,000	28,656	31,344
Publications	30,538	879	—	31,417	1,074	30,343
Conservation Program	76,954	2,240	—	79,194	52,004	27,190
HCF Youth Matters Network	—	25,470	—	25,470	—	25,470
Midler Trust-Property Restoration	—	14,900	—	14,900	53	14,847
Wilcox Foundation Keiki O Ka Aina Camp	—	10,000	—	10,000	—	10,000
NTBG Website	11,771	10,000	—	21,771	13,999	7,772
NYBG Palau Collecting	—	8,000	—	8,000	5,661	2,339
Volunteer Facility at VC Garden	850	—	—	850	—	850
Na Lima Kokua	807	—	—	807	—	807
U.S. Botanical Garden Terrace Exhibit	6,824	13,000	—	19,824	19,316	508

## NATIONAL TROPICAL BOTANICAL GARDEN

## Changes in Temporarily Restricted Net Assets

Year ended December 31, 2007

	Balance at December 31, 2006	Contributions	Income from investments, net appreciation and reclassifications	Total	Net assets released from restrictions	Balance at December 31, 2007
Conservation, Science, and Education, continued:						
Seed Atlas	\$ —	4,728	—	4,728	4,424	304
Fellows Project – Herbarium Amboense Translation	93	49,500	—	49,593	49,400	193
B. Evans Chair (HTCO #1)	1	—	131,333	131,334	131,334	—
Research Botanist (HTCO #2)	—	—	62,575	62,575	62,575	—
Genetic Safety Net	47,879	2,240	—	50,119	50,119	—
Strong Foundation Education Grant	42,110	3,300	—	45,410	45,410	—
Horticultural Internship	35,841	—	—	35,841	35,841	—
Physicians Course	27,762	4,875	—	32,637	32,637	—
College Professors Course	14,724	10,090	—	24,814	24,814	—
Conservation Program	—	12,650	—	12,650	12,650	—
NYBG Pohnpei Collecting	—	8,000	—	8,000	8,000	—
Collection equipment and gear	—	5,000	—	5,000	5,000	—
Midler Trust-Property Survey	—	4,000	—	4,000	4,000	—
Student Awards	—	—	1,891	1,891	1,891	—
Public Lectures	—	—	1,717	1,717	1,717	—
Longwood Garden Grad Program	—	1,539	—	1,539	1,539	—
Chandler Education Program	—	—	789	789	789	—
Horticulture Training Program	—	—	672	672	672	—
Education General operations	—	500	5,490	5,990	5,990	—
Horticulture & Living Collections Fellows Project	—	250	—	250	250	—
GPS Equipment	194	—	—	194	194	—
Total Conservation, Science, and Education	1,494,889	608,102	431,525	2,534,516	1,213,356	1,321,160
Capital Projects:						
Land Acquisition Fund	622,711	33,000	—	655,711	—	655,711
Intern Housing	171,077	101,500	—	272,577	44,836	227,741
Kahanu Fuel Cell System	102,997	—	—	102,997	—	102,997
Plant Site	39,876	—	—	39,876	—	39,876
BRC Library/Herbarium/Furniture, Fixtures, and Equipment	7,203,716	2,852,972	96,176	10,152,864	10,133,439	19,425
Lawai Valley Water Resource	16,556	—	—	16,556	—	16,556
Scarborough House	12,828	—	—	12,828	2,484	10,344
Kampong Conference Facility	67,041	305,308	—	372,349	366,937	5,412
Kahanu Land Acquisition	12,997	—	—	12,997	11,482	1,515
Kampong Facility Improvements	4,328	49,750	—	54,078	54,078	—
McBryde Restrooms	36,140	—	—	36,140	36,140	—
Capital Fund	—	—	5,368	5,368	5,368	—
Total Capital Projects	8,290,267	3,342,530	101,544	11,734,341	10,654,764	1,079,577

## NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets  
Year ended December 31, 2007

	Balance at December 31, 2006	Contributions	Income from investments, net appreciation and reclassifications	Total	Net assets released from restrictions	Balance at December 31, 2007
Limahuli Garden and Preserve:						
Limahuli Operations	\$ 155,906	73,802	(20,814)	208,894	130,952	77,942
Limahuli Living Collections Asst	—	32,000	—	32,000	—	32,000
Limahuli Land Acquisition Fund	20,133	—	—	20,133	—	20,133
HTA Limahuli Integrated Plan	—	17,000	—	17,000	6,250	10,750
Limahuli Capital Improvements	22,175	16,000	—	38,175	30,137	8,038
Limahuli Irrigation Piping (SFP)	5,000	—	—	5,000	—	5,000
Limahuli Staff Development	—	4,000	—	4,000	—	4,000
Limahuli Ahupuaa Program	16,088	—	—	16,088	14,401	1,687
Limahuli Lannon Mapping	115,181	—	—	115,181	115,181	—
Onipa'a Na Hui Kalo	3,170	—	—	3,170	3,170	—
Total Limahuli Garden and Preserve	337,653	142,802	(20,814)	459,641	300,091	159,550
Kahanu Garden:						
Kahanu Giest Grant	71,236	2,240	—	73,476	5,059	68,417
Kahanu Piilanihale Heiau	44,320	—	—	44,320	16,773	27,547
Kahanu Road Improvements	14,496	—	—	14,496	—	14,496
Kahanu Visitor Center	5,000	—	—	5,000	—	5,000
Kahanu Capital Improvement	6,026	—	—	6,026	1,146	4,880
Kahanu Mini Internship	3,000	3,000	—	6,000	3,000	3,000
Kahanu Operations	—	150,512	—	150,512	150,512	—
HTA Kahanu Garden Design Charette	—	15,000	—	15,000	15,000	—
Kahanu Brochures – Eclipse Fdn	—	4,000	—	4,000	4,000	—
Kahanu Equipment	2,002	—	—	2,002	2,002	—
Kahanu Hale	823	—	—	823	823	—
Total Kahanu Garden	146,903	174,752	—	321,655	198,315	123,340
McBryde Garden:						
Garden Master Planning	5,092	—	—	5,092	—	5,092
Gardeners (HTCO #2)	—	—	268,996	268,996	268,996	—
Dillingham Memorial	—	—	25,538	25,538	25,538	—
McBryde Operations (HTCO #4)	—	—	3,318,512	3,318,512	3,318,512	—
McBryde Storm Damage	—	400	—	400	400	—
Total McBryde Garden	5,092	400	3,613,046	3,618,538	3,613,446	5,092

## NATIONAL TROPICAL BOTANICAL GARDEN

## Changes in Temporarily Restricted Net Assets

Year ended December 31, 2007

	<b>Balance at December 31, 2006</b>	<b>Contributions</b>	<b>Income from investments, net appreciation and reclassifications</b>	<b>Total</b>	<b>Net assets released from restrictions</b>	<b>Balance at December 31, 2007</b>
Other:						
Sundry TRF Contributions	\$ 582,899	270,062	—	852,961	582,897	270,064
Charitable Remainder Annuity Trust	67,871	—	—	67,871	—	67,871
Tour Vehicles	6,478	93,078	—	99,556	80,686	18,870
Hawaii Community Foundation Volunteer Coordinator	29,104	896	—	30,000	20,000	10,000
KnoppTrail Malott Garden Improvements	5,000	—	5,272	10,272	1,299	8,973
Staff Development	—	20,000	—	20,000	12,655	7,345
BRC Gala Event	—	2,908	—	2,908	836	2,072
Interpretive Sinage in McBryde Garden	12,023	—	—	12,023	12,023	—
Program and events	—	400	—	400	400	—
Total Other	<u>703,375</u>	<u>387,344</u>	<u>5,272</u>	<u>1,095,991</u>	<u>710,796</u>	<u>385,195</u>
	<u>\$ 14,902,837</u>	<u>5,145,447</u>	<u>5,009,994</u>	<u>25,058,278</u>	<u>18,090,424</u>	<u>6,967,854</u>

See accompanying independent auditors' report.