



NATIONAL TROPICAL BOTANICAL GARDEN

Financial Statements and Schedules

December 31, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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 24, 2009

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Balance Sheets

December 31, 2008 and 2007

| Assets (Note 7) | 2008 | 2007 |
|--|---------------|-------------|
| Cash and cash equivalents | \$ 337,664 | 1,374,265 |
| Pledges receivable (note 2) | 127,412 | 2,799,546 |
| Government contracts and grants receivable | 204,463 | 75,231 |
| Merchandise inventories | 54,107 | 38,813 |
| Prepaid expenses and other | 295,721 | 305,586 |
| Short-term investments (note 3) | — | 4,363,164 |
| Land, buildings, equipment, and library, at cost net of accumulated depreciation (note 4) | 40,905,421 | 33,007,797 |
| Botanical art collection | 465,220 | 465,220 |
| Note receivable (note 5) | 78,936 | — |
| 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 and other (note 3) | 14,473,120 | 13,473,121 |
| Beneficial interest in perpetual trust (note 8) | 1,893,948 | 2,824,754 |
| Total assets | \$ 68,171,012 | 68,062,497 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable, accrued expenses, and other | \$ 551,035 | 635,784 |
| Liability under charitable remainder annuity trust agreements | 10,464 | 17,105 |
| Long-term debt (note 7) | 4,645,000 | 5,920,000 |
| Total liabilities | 5,206,499 | 6,572,889 |
| Net assets: | | |
| Unrestricted | 31,748,938 | 28,888,879 |
| Temporarily restricted (note 12) | 5,513,507 | 6,967,854 |
| Permanently restricted (notes 3 and 13) | 25,702,068 | 25,632,875 |
| Total net assets | 62,964,513 | 61,489,608 |
| Commitments (notes 6, 7, 8, 10, 11, and 14) | \$ 68,171,012 | 68,062,497 |
| Total liabilities and net assets | \$ 68,171,012 | 68,062,497 |

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year ended December 31, 2008

| | <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) | \$ 8,490,506 | 4,306,671 | 1,000,000 | 13,797,177 |
| Net realized and unrealized loss on investments (note 3) | (4,385,481) | (1,169,576) | (930,807) | (6,485,864) |
| Government contracts | 2,046,310 | — | — | 2,046,310 |
| Tour and visitor center sales, net of costs of goods sold of \$236,200 | 1,523,912 | — | — | 1,523,912 |
| Allerton fees and reimbursements (note 11) | 940,572 | — | — | 940,572 |
| Income from investments, net of management, custodial, and other fees of \$115,103 (note 3) | 31,777 | 253,786 | — | 285,563 |
| Other | 393,388 | — | — | 393,388 |
| Net assets released from restrictions (note 12): | | | | |
| Satisfaction of program restrictions | 2,238,507 | (2,238,507) | — | — |
| Satisfaction of capital project restrictions | 2,606,721 | (2,606,721) | — | — |
| Total revenues, gains, and other support | <u>13,886,212</u> | <u>(1,454,347)</u> | <u>69,193</u> | <u>12,501,058</u> |
| Expenditures (note 10): | | | | |
| Gardens and preserves: | | | | |
| McBryde | 1,167,530 | — | — | 1,167,530 |
| Kampong | 1,165,462 | — | — | 1,165,462 |
| Allerton | 729,494 | — | — | 729,494 |
| Limahuli | 654,705 | — | — | 654,705 |
| Kahanu | 462,343 | — | — | 462,343 |
| Research and education: | | | | |
| Science and conservation | 2,846,873 | — | — | 2,846,873 |
| Visitor programs | 812,013 | — | — | 812,013 |
| Education | 393,356 | — | — | 393,356 |
| Administration and finance | 1,994,751 | — | — | 1,994,751 |
| Development | 799,626 | — | — | 799,626 |
| Total expenditures | <u>11,026,153</u> | <u>—</u> | <u>—</u> | <u>11,026,153</u> |
| Change in net assets | 2,860,059 | (1,454,347) | 69,193 | 1,474,905 |
| Net assets at beginning of year | <u>28,888,879</u> | <u>6,967,854</u> | <u>25,632,875</u> | <u>61,489,608</u> |
| Net assets at end of year | <u>\$ 31,748,938</u> | <u>5,513,507</u> | <u>25,702,068</u> | <u>62,964,513</u> |

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year ended December 31, 2007

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|--|----------------------|-----------------------------------|-----------------------------------|-------------------|
| Revenues, gains, and other support: | | | | |
| Contributions and bequests (notes 2 and 8) | \$ 2,689,550 | 5,145,447 | 10,050 | 7,845,047 |
| Reclassification of permanently restricted net realized and unrealized gain on investments (note 13) | 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 11) | 870,919 | — | — | 870,919 |
| Net realized and unrealized gain on investments (note 3) | 19,041 | 209,902 | 13,405 | 242,348 |
| Other | 797,568 | — | — | 797,568 |
| Net assets released from restrictions (note 12): | | | | |
| 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 | <u>26,024,248</u> | <u>(7,934,983)</u> | <u>(5,820,891)</u> | <u>12,268,374</u> |
| Expenditures (note 10): | | | | |
| 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 | <u>9,791,313</u> | <u>—</u> | <u>—</u> | <u>9,791,313</u> |
| Change in net assets | 16,232,935 | (7,934,983) | (5,820,891) | 2,477,061 |
| Net assets at beginning of year | <u>12,655,944</u> | <u>14,902,837</u> | <u>31,453,766</u> | <u>59,012,547</u> |
| Net assets at end of year | <u>\$ 28,888,879</u> | <u>6,967,854</u> | <u>25,632,875</u> | <u>61,489,608</u> |

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statements of Cash Flows

Years ended December 31, 2008 and 2007

| | 2008 | 2007 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,474,905 | 2,477,061 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Net realized and unrealized loss (gain) on investments | 6,485,864 | (242,348) |
| Net loss (gain) on sale of land, buildings, and equipment | 33,745 | (200) |
| Depreciation | 1,046,764 | 700,030 |
| Decrease (increase) in pledges receivable | 482,977 | (92,023) |
| Increase in government contracts and grants receivable | (129,232) | (10,383) |
| Decrease (increase) in merchandise inventories | (15,294) | 8,200 |
| Decrease in prepaid expenses and other | 9,865 | 4,906 |
| Decrease in accounts payable and accrued expenses | (84,749) | (10,324) |
| Change in charitable remainder annuity trust, net | (6,641) | (6,700) |
| Contribution of land | (5,400,000) | — |
| Contributions restricted for long-term investment | (5,054,567) | (3,637,505) |
| Contributions of marketable security investments | (1,855,423) | (2,572,953) |
| Net cash used in operating activities | (3,011,786) | (3,382,239) |
| Cash flows from investing activities: | | |
| Purchases of land, buildings, equipment, and library | (4,105,358) | (11,115,308) |
| Proceeds from note receivable | 1,064 | 600,000 |
| Proceeds from sale of land, buildings, and equipment | 447,225 | 200 |
| Proceeds from sale of investments | 9,381,067 | 25,154,598 |
| Purchases of investments | (7,528,380) | (18,623,027) |
| Net cash used in investing activities | (1,804,382) | (3,983,537) |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for: | | |
| Investment in land, buildings, equipment, and library | 4,054,567 | 3,627,455 |
| Investment in endowment | 1,000,000 | 10,050 |
| Proceeds from long-term debt | 925,000 | 4,220,000 |
| Principal payments on long-term debt | (2,200,000) | — |
| Net cash provided by financing activities | 3,779,567 | 7,857,505 |
| Net increase (decrease) in cash and cash equivalents | (1,036,601) | 491,729 |
| Cash and cash equivalents at beginning of year | 1,374,265 | 882,536 |
| Cash and cash equivalents at end of year | \$ 337,664 | 1,374,265 |
| Supplemental information: | | |
| Interest paid, including amounts capitalized | \$ 239,404 | 63,538 |
| Promissory note received as consideration on sale of land, buildings, equipment, and library | 80,000 | — |

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

(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 the price that would be received to sell the security in an orderly transaction between market participants at the measurement date.

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Notes to Financial Statements

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Other Investments

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

(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 |
| Computer group | 3 |
| 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

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Notes to Financial Statements

December 31, 2008 and 2007

assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

(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) ***Fair Value Measurements***

On January 1, 2008, the Garden adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (Statement 157), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Statement 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Financial Accounting Standards Board (FASB) Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157*, delays the effective date of Statement 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. In accordance with FSP FAS 157-2, the Garden has not applied the provisions of Statement 157 to nonfinancial assets and nonfinancial liabilities for the year ended December 31, 2008.

On January 1, 2009, the Garden will be required to apply the provisions of Statement 157 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Garden is in the process of evaluating the impact, if any, of applying these provisions on its financial position and change in net assets.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, which was effective immediately. FSP FAS 157-3 clarifies the application of Statement 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. The Garden has considered the guidance provided by FSP FAS 157-3 in its

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determination of estimated fair values during 2008. The implementation of this standard did not have any impact on the Garden's financial position, change in net assets, or cash flows.

(l) Long-Lived Assets

In accordance with SFAS 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.

(m) 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. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

(n) Recently Issued Accounting Standards

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Options for Financial Assets and Financial Liabilities—including an Amendment of FASB Statement No. 115* (Statement 159). Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of Statement 159 are effective for the fiscal year beginning January 1, 2008. The Garden has chosen not to adopt Statement 159.

In June 2008, the FASB issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*. FIN 48 required that the Garden determine whether a tax position is more likely than not to be sustained upon examination by the applicable tax authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured to determine the amount of tax benefit or expense to be recognized in the financial statements.

On December 30, 2008, the FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which deferred the effective date of FIN 48. The Garden has elected to take advantage of this deferral and will accrue for liabilities relating to uncertain tax positions, if any should exist, only when such liabilities are probable and reasonably estimable. Therefore, FIN 48 is currently effective for the Garden for the year ending December 31, 2009. The

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Garden is evaluating the impact of FIN 48 and currently believes that the adoption of FIN 48 will not have a material impact on the Garden's financial statements.

In August 2008, FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of FSP FAS 117-1 is a requirement for expanded disclosures for all endowment funds. The Garden adopted FSP FAS 117-1 for the year ended December 31, 2008, and there was no financial statement impact as a result of the adoption.

The Garden is subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's concept of historic dollar value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending.

During 2009, UPMIFA was introduced into the State of Hawaii but has not yet been enacted.

(2) Pledges Receivable

Pledges receivable consisted of the following at December 31, 2008 and 2007:

| | 2008 | 2007 |
|---|--------------|-------------|
| Contributions to be received within one year | \$ 1,356,516 | 1,659,708 |
| Contributions to be received in one to five years | 1,066,365 | 1,344,977 |
| | 2,422,881 | 3,004,685 |
| Less discount to present value (at varying rates of 2.69% to 4.69%) | (106,312) | (205,139) |
| | \$ 2,316,569 | 2,799,546 |

As of December 31, 2008 and 2007, pledges receivable are classified as follows in the accompanying balance sheets:

| | 2008 | 2007 |
|--|--------------|-------------|
| Pledges receivable | \$ 127,412 | 2,799,546 |
| Long-term investments and other (see note 3) | 2,189,157 | — |
| Total pledges receivable, net | \$ 2,316,569 | 2,799,546 |

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Notes to Financial Statements

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(3) Investments

(a) Summary of Investments and Other Assets

As of December 31, 2008 and 2007, investments are classified as short-term and long-term as follows:

| | 2008 | 2007 |
|---|---------------|-------------|
| Short-term: | | |
| Unrestricted and temporarily restricted | \$ — | 4,363,164 |
| Long-term: | | |
| Permanently restricted | 14,473,120 | 13,473,121 |
| Total investments and other assets | \$ 14,473,120 | 17,836,285 |

A summary of investments and other assets at December 31, 2008 and 2007 is as follows:

| | 2008 | 2007 |
|------------------------------------|---------------|-------------|
| Marketable securities: | | |
| Cash and cash equivalents | \$ 1,640,564 | 1,374,908 |
| Mutual funds | 3,434,177 | 5,336,728 |
| Common stocks | 7,094,745 | 10,908,277 |
| Mortgage-backed securities | — | 44,772 |
| Marketable securities | 12,169,486 | 17,664,685 |
| Pledges receivable | 2,189,157 | — |
| Investment in limited partnerships | 114,477 | 171,600 |
| | \$ 14,473,120 | 17,836,285 |

At December 31, 2008, operating cash of \$1,000,000 was reclassified as long-term investments for purposes of financial statement presentation.

Investments with a carrying value of \$3,854,078 at December 31, 2008 are held as security on a letter-of-credit facility issued by a bank (see note 7).

(b) Fair Value Measurements

On January 1, 2008, the Garden adopted the provisions under Statement 157 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Garden grouped its financial assets measured at fair value in three levels outlined in Statement 157 as follows:

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Notes to Financial Statements

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- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. As of December 31, 2008, the Garden's assets measured at fair value on a recurring basis were all classified as level 1 investments.

(c) Interpretation of Relevant Law

The Board of Trustees of the Garden has interpreted the Hawaii's Uniform Management of Institutional Funds Act (HUMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Garden classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

(d) Description of Amounts Classified as Permanently Restricted Net Assets

i) Return Objectives and Risk Parameters

The Garden has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Garden must hold in perpetuity.

ii) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Garden targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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December 31, 2008 and 2007

iii) Spending Policy and How the Investment Objectives Relate to Spending Policy

Under the terms of the endowment fund, the Garden has a policy of appropriating, for financial aid use, amounts not to exceed 5.5% of the investment portfolio, provided that such withdrawal does not erode the principal balance. In establishing this policy, the Garden considered the long-term expected return on its endowment. Accordingly, over the long term, the Garden expects the current spending policy to allow its endowment to grow at a rate that exceeds the spending rate. This is consistent with the Garden's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(4) Land, Buildings, Equipment, and Library

A summary of land, buildings, equipment, and library as of December 31, 2008 and 2007 is as follows:

| | 2008 | 2007 |
|------------------------------------|---------------|-------------|
| Kampong: | | |
| Land | \$ 5,754,427 | 5,765,496 |
| Buildings | 2,168,145 | 2,123,432 |
| Furniture, fixtures, and equipment | 239,020 | 239,021 |
| Total Kampong | 8,161,592 | 8,127,949 |
| Hawaii: | | |
| Land and land improvements | 19,715,730 | 12,606,034 |
| Building and building improvements | 18,434,580 | 6,226,868 |
| Furniture, fixtures, and equipment | 4,009,058 | 3,620,863 |
| Library | 286,894 | 286,894 |
| Construction in progress | 440,859 | 11,248,428 |
| Total Hawaii | 42,887,121 | 33,989,087 |
| | 51,048,713 | 42,117,036 |
| Less accumulated depreciation | 10,143,292 | 9,109,239 |
| | \$ 40,905,421 | 33,007,797 |

(5) Note Receivable

At December 31, 2008, the Garden had a promissory note receivable from Double Green, LLC for \$78,936, which bears interest at 6.0% per annum with principal and interest payments of \$1,724 due quarterly and final payment due in 2028. Certain members of Double Green, LLC are also members of the Garden's board of trustees.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

The following summarizes the maturities of the note receivable as of December 31, 2008:

| Year ending December 31: | | |
|--------------------------|----|---------------|
| 2009 | \$ | 2,100 |
| 2010 | | 2,300 |
| 2011 | | 2,400 |
| 2012 | | 2,600 |
| 2013 | | 2,700 |
| Thereafter | | 66,836 |
| | \$ | <u>78,936</u> |

(6) 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, 2009, one year after the death of the tenant, or under an early termination provision as defined in the lease agreement.

(7) Long-Term Debt

Long-term debt at December 31, 2008 and 2007 consists of the following:

| | <u>2008</u> | <u>2007</u> |
|--|---------------------|------------------|
| Mortgage note payable to a member of the board of trustees, noninterest-bearing until termination of the lease agreement (see note 6), at which time interest accrues at 6.00% 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 7.50% 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 | 2,520,000 | 4,220,000 |
| Unsecured borrowings under a line of credit with a bank for working capital, with interest at 0.25% over the bank's prime lending rate per annum (4.25% at December 31, 2008) with an expiration of June 1, 2010. A portion of the line of credit in the amount of \$325,000 is encumbered by a standby letter of credit securing the loan from Kauai Island Utility Cooperative | 125,000 | — |
| Non-interest bearing note payable to Kauai Island Utility Cooperative with monthly payments of principal of \$3,125, commencing on March 17, 2010. The note matures on March 17, 2018 | 300,000 | — |
| Total long-term debt | \$ <u>4,645,000</u> | <u>5,920,000</u> |

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

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

| Year ending December 31: | |
|--------------------------|---------------------|
| 2009 | \$ 1,825,000 |
| 2010 | 1,031,250 |
| 2011 | 1,557,500 |
| 2012 | 37,500 |
| 2013 | 37,500 |
| Thereafter | <u>156,250</u> |
| | <u>\$ 4,645,000</u> |

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, 2008, the Garden had \$1,777,000 available under this facility.

At December 31, 2008, the Garden had an unsecured \$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, 2010. As of December 31, 2008 and 2007, the Garden had \$125,000 and \$0 outstanding on this line of credit.

(8) Contributions

(a) *Waterhouse Trust*

During 2008 and 2007, 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 \$480,229 and \$463,266, 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 2008 and 2007, the Garden received distributions from the trusts amounting to \$137,191 and \$133,947, 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

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

passing away 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 2008 and 2007, the Garden received distributions from the trust of \$137,321 and \$130,960, 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.

(9) *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.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

(10) 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, 2008 and 2007 totaled \$191,926 and \$197,602, respectively.

(11) 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 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 2008 and 2007.

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007 are available for the following purposes:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------------|---------------------|------------------|
| Gardens and preserves: | | |
| Kampong Garden | \$ 3,902,187 | 3,893,940 |
| Capital projects | 980,408 | 1,079,577 |
| Conservation, science, and education | 332,151 | 1,321,160 |
| Kahanu | 59,556 | 123,340 |
| Limahuli | 45,354 | 159,550 |
| McBryde | 5,092 | 5,092 |
| Other | 188,759 | 385,195 |
| | <u>\$ 5,513,507</u> | <u>6,967,854</u> |

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

Net assets in the amount of \$4,845,228 and \$18,090,424 in 2008 and 2007, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

| | 2008 | 2007 |
|--------------------------------------|--------------|-------------|
| Garden and preserves: | | |
| Conservation, science, and education | \$ 897,127 | 1,213,356 |
| Other | 501,525 | 710,796 |
| Kampong Garden | 416,530 | 1,399,656 |
| Limahuli | 234,336 | 300,091 |
| Kahanu | 188,989 | 198,315 |
| McBryde | — | 3,613,446 |
| | 2,238,507 | 7,435,660 |
| Capital projects | 2,606,721 | 10,654,764 |
| | \$ 4,845,228 | 18,090,424 |

(13) Permanently Restricted Net Assets

At December 31, 2008 and 2007, permanently restricted net assets (e.g., endowment funds) consist of the following:

| | 2008 | 2007 |
|---|---------------|-------------|
| Loy McCandless Marks Botanical Library (note 8) | \$ 8,000,000 | 8,000,000 |
| Any activities of the Garden | 2,817,556 | 3,748,363 |
| Land – Limahuli Garden | 1,335,000 | 1,335,000 |
| Restricted for: | | |
| McBryde operations | 3,570,263 | 3,570,263 |
| Research personnel | 2,903,359 | 2,903,359 |
| Education and memorials | 2,544,775 | 2,544,775 |
| Kampong operations (note 8) | 2,500,000 | 2,500,000 |
| Conservation | 1,000,000 | — |
| Limahuli garden operations | 600,000 | 600,000 |
| Landscaping personnel | 403,615 | 403,615 |
| Botanical research center | 20,000 | 20,000 |
| Kampong director | 7,500 | 7,500 |
| | \$ 25,702,068 | 25,632,875 |

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2008 and 2007

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.

(14) Commitments

In 2008, the Garden entered into a Power Sale Agreement with Double Green, LLC to purchase 100% of the electricity generated from the photo-voltaic roof on its Botanical Research Center at a kilowatt hour rate equal to 90% of the average rate from the Kauai Island Utility Cooperative. Payments are due quarterly for a term of 20 years. Certain members of Double Green, LLC are also members of the Garden's board of trustees.

As of December 31, 2008, the Garden has outstanding commitments of approximately \$75,000 under contract for architectural services for the retrofit of its administrative complex.

NATIONAL TROPICAL BOTANICAL GARDEN

Expenditures

Year ended December 31, 2008

Gardens and preserves

| | <u>Total</u> | <u>McBryde</u> | <u>Kampong</u> | <u>Allerton</u> | <u>Limahuli</u> | <u>Kahanu</u> |
|---|----------------------|------------------|------------------|-----------------|-----------------|----------------|
| Salaries and related employee costs | \$ 6,300,765 | 670,440 | 620,039 | 616,276 | 496,600 | 345,828 |
| Depreciation | 1,046,764 | 167,099 | 128,740 | 3,910 | 45,250 | 47,960 |
| Professional fees | 762,271 | — | 28,249 | 35,587 | 6,895 | 6,886 |
| Telephone and utilities | 400,810 | 136,438 | 34,335 | 25,836 | 8,691 | 9,314 |
| Insurance | 400,000 | — | 34,793 | — | — | — |
| Bank fees | 300,479 | 46 | 1,124 | — | 6,536 | 82 |
| Events and conferences | 265,875 | 1,068 | 143,522 | 203 | 3,600 | 840 |
| Meetings and travel | 258,352 | 1,766 | 5,540 | 145 | 4,160 | 2,565 |
| Repair maintenance – property and equipment | 184,928 | 93,111 | 40,462 | 8,436 | 8,889 | 5,884 |
| Contract labor | 154,029 | 12,461 | 9,808 | 17,873 | 14,602 | 8,704 |
| Gas and oil | 98,285 | 39,517 | 2,968 | 11,108 | 5,881 | 7,533 |
| Awards and honoraria | 89,883 | — | 6,634 | — | — | — |
| Printing and reproduction | 78,697 | — | 7,537 | — | 24,853 | 481 |
| Horticultural supplies | 70,748 | 9,756 | 22,513 | 3,486 | 3,165 | 2,476 |
| Office supplies | 53,855 | 1,199 | 4,562 | 25 | 1,846 | 747 |
| Real property taxes | 48,079 | — | 38,805 | 225 | 225 | 8,380 |
| Other maintenance and supplies | 43,011 | 4,370 | 6,991 | 1,142 | 6,042 | 2,911 |
| Rent/lease property and equipment | 37,870 | 7,638 | 4,548 | 2,652 | 336 | 630 |
| Dues and subscriptions | 34,284 | 60 | 859 | 46 | 42 | 281 |
| Postage and delivery | 34,262 | 122 | 3,890 | — | 404 | 496 |
| Programs and events | 33,586 | — | 4,265 | — | — | 180 |
| Interns sundry course expenditures | 31,375 | — | 155 | — | — | — |
| Helicopter rental | 31,196 | — | — | — | — | — |
| Minor equipment | 30,224 | 5,043 | 3,107 | 1,574 | 5,964 | 1,487 |
| Curriculum development | 28,405 | — | 6,916 | — | 338 | — |
| Irrigation supplies | 27,968 | 9,701 | 31 | 672 | 2,924 | 155 |
| Computer software maintenance | 25,557 | — | 864 | — | 985 | 238 |
| Licenses and permits | 25,502 | 3,026 | 1,094 | 232 | 245 | 534 |
| Advertising and promotions | 22,014 | — | 696 | — | 827 | 335 |
| Restoration supplies and equipment | 15,701 | — | — | — | — | — |
| Curation and herbarium supplies | 11,510 | — | — | — | — | — |
| Maintenance supplies | 10,170 | 4,475 | 90 | 66 | 3,082 | 624 |
| Use tax | 9,356 | — | — | — | — | — |
| Land and building improvements | 7,490 | — | — | — | — | 5,245 |
| Shop supplies | 7,072 | 194 | — | — | — | 1,344 |
| Collecting supplies | 5,851 | — | — | — | — | — |
| Furniture and fixtures | 5,117 | — | 1,789 | — | — | — |
| Equipment | 5,095 | — | — | — | 1,530 | — |
| Volunteer program | 5,080 | — | — | — | 180 | — |
| Laboratory supplies | 4,926 | — | — | — | — | — |
| Publications/books | 4,914 | — | 80 | — | — | — |
| Research supplies | 4,349 | — | — | — | — | — |
| Library books and supplies | 3,879 | — | 305 | — | 188 | 203 |
| Mapping supplies and equipment | 3,020 | — | — | — | — | — |
| Visitor's program interpretation | 1,546 | — | 151 | — | 425 | — |
| Donations | 1,529 | — | — | — | — | — |
| Photo and processing supplies | 459 | — | — | — | — | — |
| Page costs | 15 | — | — | — | — | — |
| | <u>\$ 11,026,153</u> | <u>1,167,530</u> | <u>1,165,462</u> | <u>729,494</u> | <u>654,705</u> | <u>462,343</u> |

NATIONAL TROPICAL BOTANICAL GARDEN

Expenditures

Year ended December 31, 2008

| | Research and education | | | Administration and finance | Development |
|--|-----------------------------|---------------------|----------------|-------------------------------|----------------|
| | Science and conservation | Visitor programs | Education | | |
| Salaries and related employee costs | \$ 1,563,726 | 496,660 | 221,012 | 794,792 | 475,392 |
| Depreciation | 411,018 | 102,090 | 14,563 | 126,134 | — |
| Professional fees | 289,670 | — | — | 283,455 | 111,529 |
| Telephone and utilities | 140,257 | 22,254 | 1,848 | 18,121 | 3,716 |
| Insurance | 27,031 | 34,647 | 2,494 | 301,035 | — |
| Bank fees | 286 | 23,044 | 130 | 269,112 | 119 |
| Events and conferences | 20,772 | 2,432 | 7,450 | 17,446 | 68,542 |
| Meetings and travel | 137,598 | 460 | 27,594 | 53,799 | 24,725 |
| Repair maintenance – property and equipment | 14,308 | 7,416 | 305 | 5,809 | 308 |
| Contract labor | 35,660 | 46,767 | 2,484 | 288 | 5,382 |
| Gas and oil | 10,567 | 13,908 | 2,706 | 3,047 | 1,050 |
| Awards and honoraria | — | — | 73,193 | 10,056 | — |
| Printing and reproduction | 458 | 7,633 | 2 | 328 | 37,405 |
| Horticultural supplies | 27,451 | 1,831 | 70 | — | — |
| Office supplies | 12,508 | 2,508 | 1,294 | 25,807 | 3,359 |
| Real property taxes | 104 | — | — | 340 | — |
| Other maintenance and supplies | 10,591 | 4,688 | 975 | 5,088 | 213 |
| Rent/lease property and equipment | — | 7,427 | — | 11,636 | 3,003 |
| Dues and subscriptions | 5,363 | 25 | 155 | 22,496 | 4,957 |
| Postage and delivery | 4,129 | 1,846 | 1,316 | 7,634 | 14,425 |
| Programs and events | 750 | 2,117 | 5,487 | 2,349 | 18,438 |
| Interns sundry course expenditures | 23,361 | 1,275 | 6,584 | — | — |
| Helicopter rental | 31,196 | — | — | — | — |
| Minor equipment | 7,089 | — | 344 | 5,042 | 574 |
| Curriculum development | — | — | 21,151 | — | — |
| Irrigation supplies | 12,766 | 1,719 | — | — | — |
| Computer software maintenance | 1,873 | 98 | 123 | 14,086 | 7,290 |
| Licenses and permits | 438 | 19,873 | — | 60 | — |
| Advertising and promotions | — | 5,437 | 80 | 8,925 | 5,714 |
| Restoration supplies and equipment | 15,701 | — | — | — | — |
| Curation and herbarium supplies | 11,510 | — | — | — | — |
| Maintenance supplies | 653 | 732 | 274 | 174 | — |
| Use tax | — | — | — | — | 9,356 |
| Land and building improvements | — | 1,109 | — | 1,136 | — |
| Shop supplies | — | 4,017 | 1,517 | — | — |
| Collecting supplies | 5,851 | — | — | — | — |
| Furniture and fixtures | 2,745 | — | — | — | 583 |
| Equipment | 3,565 | — | — | — | — |
| Volunteer program | — | — | — | 4,900 | — |
| Laboratory supplies | 4,926 | — | — | — | — |
| Publications/books | 1,053 | — | 205 | 127 | 3,449 |
| Research supplies | 4,349 | — | — | — | — |
| Library books and supplies | 3,109 | — | — | — | 74 |
| Mapping supplies and equipment | 3,020 | — | — | — | — |
| Visitor's program interpretation | 970 | — | — | — | — |
| Donations | — | — | — | 1,529 | — |
| Photo and processing supplies | 436 | — | — | — | 23 |
| Page costs | 15 | — | — | — | — |
| | <u>\$ 2,846,873</u> | <u>812,013</u> | <u>393,356</u> | <u>1,994,751</u> | <u>799,626</u> |

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2008

| | Balance at December 31, 2007 | Contributions | Income from investments and net depreciation | Total | Net assets released from restrictions | Balance at December 31, 2008 |
|---|------------------------------------|---------------|---|-----------|---|------------------------------------|
| Kampong Garden: | | | | | | |
| Kampong Estate | \$ 3,778,986 | — | — | 3,778,986 | — | 3,778,986 |
| Kampong Database Project | 29,996 | — | — | 29,996 | — | 29,996 |
| Kampong Education Programs | 24,310 | 53,069 | (4,332) | 73,047 | 38,172 | 34,875 |
| Kampong Bali Hai | 21,984 | 134,628 | — | 156,612 | 149,637 | 6,975 |
| Kampong Anonymous/Library/Oak Foundation | 16,397 | — | — | 16,397 | 600 | 15,797 |
| Kampong Operations | 8,741 | 174,827 | — | 183,568 | 183,568 | — |
| Kampong Grotto | 7,931 | 15,000 | — | 22,931 | 10,113 | 12,818 |
| Larry and Colleen Schokman Scholarship | 3,725 | — | — | 3,725 | 1,175 | 2,550 |
| Director of Large Gardens | 1,600 | 19,885 | — | 21,485 | 10,765 | 10,720 |
| Kampong Plant Labeling Project | 270 | 5,000 | — | 5,270 | — | 5,270 |
| Kampong Agua Fund CFCC | — | 12,500 | — | 12,500 | 12,500 | — |
| Kampong David Fairchild Medal | — | 5,000 | (5,000) | — | — | — |
| Brd of Govn Painting Purchase-F. Carosio | — | 4,200 | — | 4,200 | — | 4,200 |
| Director's Discretionary | — | 10,000 | — | 10,000 | 10,000 | — |
| Total Kampong Garden | 3,893,940 | 434,109 | (9,332) | 4,318,717 | 416,530 | 3,902,187 |
| Capital Projects: | | | | | | |
| BRC/BRC Additional/BRC Furniture & Fixtures | 19,425 | 2,362,243 | (8,719) | 2,372,949 | 2,354,979 | 17,970 |
| Intern Housing | 227,741 | 112,198 | — | 339,939 | 32,627 | 307,312 |
| Kahanu Fuel Cell System | 102,997 | — | — | 102,997 | 33,056 | 69,941 |
| Plant Site | 39,876 | — | — | 39,876 | — | 39,876 |
| Lawai Valley Water Resource | 16,556 | — | — | 16,556 | — | 16,556 |
| Scarborough House | 10,344 | — | — | 10,344 | 5,000 | 5,344 |
| Kampong Conference Facility | 5,412 | 30,126 | — | 35,538 | 35,538 | — |
| Kahanu Land Acquisition | 1,515 | — | — | 1,515 | 1,515 | — |
| Land Acquisition | 655,711 | — | — | 655,711 | 142,302 | 513,409 |
| KIUC Power Lines Lawai Valley Litigation | — | 10,000 | — | 10,000 | — | 10,000 |
| Capital Fund | — | — | 1,704 | 1,704 | 1,704 | — |
| Total Capital Projects | 1,079,577 | 2,514,567 | (7,015) | 3,587,129 | 2,606,721 | 980,408 |
| Conservation, Science, and Education: | | | | | | |
| Internship Program | 494,233 | 5,625 | (499,858) | — | — | — |
| McBryde Chair (HTCO #3) | 386,477 | — | (386,477) | — | — | — |
| Kahanu Breadfruit Collection/Breadfruit Institute | 162,881 | 212,910 | — | 375,791 | 340,788 | 35,003 |
| Makauwahi Cave Composting Toilet | — | 100 | — | 100 | 100 | — |
| UH Archeological Field Study | — | 27,090 | — | 27,090 | 27,090 | — |
| Journalism Course | 92,117 | 1,880 | — | 93,997 | 52,000 | 41,997 |
| Flora of the Marquesas Project | 33,485 | — | — | 33,485 | 6,348 | 27,137 |
| Conservation Lennox Grant | 31,344 | — | — | 31,344 | 31,344 | — |
| Publications | 30,343 | — | — | 30,343 | 3,607 | 26,736 |

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2008

| | Balance at December 31, 2007 | Contributions | Income from investments and net depreciation | Total | Net assets released from restrictions | Balance at December 31, 2008 |
|--|------------------------------------|----------------|---|------------------|---|------------------------------------|
| Conservation Program | \$ 27,190 | 1,120 | — | 28,310 | 28,310 | — |
| HCF Youth Matters Network | 25,470 | 530 | — | 26,000 | 20,532 | 5,468 |
| Midler Trust-Property Restoration | 14,847 | — | — | 14,847 | 14,847 | — |
| Wilcox Foundation Keiki O Ka Aina Camp | 10,000 | 15,000 | — | 25,000 | 15,000 | 10,000 |
| SW Wilcox GAC & JRT | — | 5,000 | — | 5,000 | — | 5,000 |
| NTBG Website | 7,772 | 15,310 | — | 23,082 | 11,459 | 11,623 |
| NYBG Palau Collecting | 2,339 | — | — | 2,339 | 2,339 | — |
| Volunteer Facility at VC Garden | 850 | — | — | 850 | — | 850 |
| Na Lima Kokua | 807 | — | — | 807 | — | 807 |
| HCF Kokua Aina Youth Initiative | — | 30,000 | — | 30,000 | 9,763 | 20,237 |
| Seed Atlas | 304 | 2,750 | — | 3,054 | 445 | 2,609 |
| Fellows Project – Herbarium Amboense Translation | 193 | 239,500 | — | 239,693 | 142,700 | 96,993 |
| US Botanical Garden Terrace Exhibit | 508 | — | — | 508 | 508 | — |
| Physicians Course | — | 58,150 | — | 58,150 | 30,575 | 27,575 |
| NYBG Pohnpei Collecting | — | 15,116 | — | 15,116 | — | 15,116 |
| Science General Ops | — | 5,000 | — | 5,000 | — | 5,000 |
| Conservation General Operations | — | 153,000 | — | 153,000 | 153,000 | — |
| Hort & Living Coll Fellows Project | — | 200 | — | 200 | 200 | — |
| Education General operations/Loy marks | — | 5,000 | (5,000) | — | — | — |
| TNC Alakai-Wainiha Flora Survey | — | 5,307 | — | 5,307 | 5,307 | — |
| Conservation Endowment | — | — | 865 | 865 | 865 | — |
| Total Conservation, Science, and Education | <u>1,321,160</u> | <u>798,588</u> | <u>(890,470)</u> | <u>1,229,278</u> | <u>897,127</u> | <u>332,151</u> |
| Kahanu Garden: | | | | | | |
| Kahanu Giest Grant | 68,417 | 50,000 | — | 118,417 | 68,417 | 50,000 |
| Kahanu Piilanihale Heiau | 27,547 | — | — | 27,547 | 23,013 | 4,534 |
| Kahanu Road Improvements | 14,496 | 5,000 | — | 19,496 | 19,496 | — |
| Kahanu Visitor Center | 5,000 | — | — | 5,000 | — | 5,000 |
| Kahanu Capital Improvement | 4,880 | — | — | 4,880 | 4,880 | — |
| Kahanu Mini Internship | 3,000 | — | — | 3,000 | 3,000 | — |
| Kahanu Operations | — | 70,205 | — | 70,205 | 70,183 | 22 |
| Total Kahanu Garden | <u>123,340</u> | <u>125,205</u> | <u>—</u> | <u>248,545</u> | <u>188,989</u> | <u>59,556</u> |

NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2008

| | Balance at December 31, 2007 | Contributions | Income from investments and net depreciation | Total | Net assets released from restrictions | Balance at December 31, 2008 |
|---|------------------------------------|------------------|---|-------------------|---|------------------------------------|
| Limahuli Garden and Preserve: | | | | | | |
| Limahuli Operations | \$ 77,942 | 120,140 | — | 198,082 | 198,082 | — |
| Limahuli Living Collections Asst | 32,000 | — | — | 32,000 | 20,708 | 11,292 |
| Limahuli Land Acquisition Fund | 20,133 | — | — | 20,133 | 158 | 19,975 |
| HTA Limahuli Integrated Plan | 10,750 | — | — | 10,750 | 10,750 | — |
| Limahuli Capital Improvements | 8,038 | — | — | 8,038 | 638 | 7,400 |
| Limahuli Irrigation Piping (SFP) | 5,000 | — | — | 5,000 | — | 5,000 |
| Limahuli Staff Development | 4,000 | — | — | 4,000 | 4,000 | — |
| Limahuli Ahupuaa Program | 1,687 | — | — | 1,687 | — | 1,687 |
| Total Limahuli Garden and Preserve | <u>159,550</u> | <u>120,140</u> | <u>—</u> | <u>279,690</u> | <u>234,336</u> | <u>45,354</u> |
| McBryde Garden: | | | | | | |
| Garden Master Planning | 5,092 | — | — | 5,092 | — | 5,092 |
| Other: | | | | | | |
| Sundry TRF Contributions | 270,064 | 91,500 | — | 361,564 | 270,064 | 91,500 |
| Charitable Remainder Annuity Trust | 67,871 | — | — | 67,871 | — | 67,871 |
| Tour Vehicles | 18,870 | — | — | 18,870 | 18,870 | — |
| Hawaii Community Foundation Volunteer Coordinator | 10,000 | — | — | 10,000 | 10,000 | — |
| Knopp Trail Malott Garden Improvements | 8,973 | — | (8,973) | — | — | — |
| Staff Development | 7,345 | 34,094 | — | 41,439 | 33,639 | 7,800 |
| BRC Gala Event | 2,072 | 148,618 | — | 150,690 | 145,690 | 5,000 |
| Moonlight & Music Fundraiser | — | 12,450 | — | 12,450 | 12,450 | — |
| Ama the Crab/Conrad Schmidt Public Announcement | — | 13,000 | — | 13,000 | 10,812 | 2,188 |
| Interpretive Signage in McBryde Garden | — | 14,400 | — | 14,400 | — | 14,400 |
| Total Other | <u>385,195</u> | <u>314,062</u> | <u>(8,973)</u> | <u>690,284</u> | <u>501,525</u> | <u>188,759</u> |
| | <u>\$ 6,967,854</u> | <u>4,306,671</u> | <u>(915,790)</u> | <u>10,358,735</u> | <u>4,845,228</u> | <u>5,513,507</u> |

See accompanying independent auditors' report.