

**BROOKLYN BOTANIC GARDEN  
CORPORATION**

**Financial Statements  
for years ended  
June 30, 2009  
and  
June 30, 2008**

**Independent Auditors' Report**

To the Board of Trustees of  
Brooklyn Botanic Garden Corporation

We have audited the accompanying statement of financial position of Brooklyn Botanic Garden Corporation (the "Garden") as of June 30, 2009 and the related statements of activities, functional expenses and cash flows for the year 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 audit. The prior year's summarized comparative financial information was derived from the Garden's 2008 financial statements and, in our report dated January 20, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Brooklyn Botanic Garden Corporation at June 30, 2009, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
Cash and cash equivalents	\$ 1,127,251	\$ 2,649,753
Investments, at market value	20,476,441	26,764,649
Accounts receivable	651,558	595,942
Pledges and grants receivable	3,906,484	3,458,887
Inventory	283,999	271,477
Prepaid expenses	62,361	33,813
Property and equipment, net	12,832,311	12,949,174
Trusts held by third parties – permanently restricted	1,992,597	2,423,477
<b>Total assets</b>	<b>\$ 41,333,002</b>	<b>\$ 49,147,172</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 1,515,101	\$ 1,647,198
Postretirement benefits	7,222,439	7,653,229
Deferred support	11,000	25,000
Total liabilities	8,748,540	9,325,427

**Net assets**

Unrestricted		
General	5,453,846	6,074,931
Board-designated endowment	12,536,608	18,842,252
Building	3,975,948	5,029,220
Capital campaign	3,712,301	2,477,540
Total unrestricted	25,678,703	32,423,943
Temporarily restricted	3,678,614	3,739,777
Permanently restricted	3,227,145	3,658,025
<b>Total net assets</b>	32,584,462	39,821,745
<b>Total liabilities and net assets</b>	<b>\$ 41,333,002</b>	<b>\$ 49,147,172</b>

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

Statement of Activities  
For Year Ended June 30, 2009  
(with Summarized Comparative Information for Year Ended June 30, 2008)

	2009						2008			
	Unrestricted			Temporarily Restricted			Total	Temporarily Restricted	Total	
	General	Board-Designated Endowment	Building	Capital Campaign	Unrestricted	General				Capital Campaign
<b>Revenue and support</b>	\$ 4,321,847	-	-	\$ 237,123	\$ 4,321,847	\$ 1,332,550	\$ 1,425,012	\$ -	\$ 4,321,847	\$ 4,581,511
Appropriations by the City of New York	3,195,880	-	-	-	3,433,003	-	-	-	6,190,565	11,738,097
Contributions and grants	537,017	-	-	-	537,017	-	-	-	537,017	364,632
Special events, net of direct costs of \$250,389 in 2009 and \$286,904 in 2008	182,663	364,872	-	-	547,535	-	-	-	547,535	1,333,934
Interest and dividend income	97,823	-	-	-	97,823	-	-	-	97,823	138,925
Plants and gardens publications	1,017,844	-	-	-	1,017,844	-	-	-	1,017,844	1,075,767
Membership dues	876,455	-	-	-	876,455	-	-	-	876,455	937,725
Sale of plants and other items	587,738	-	-	-	587,738	-	-	-	587,738	613,021
Educational programs	1,361,239	-	-	-	1,361,239	-	-	-	1,361,239	1,555,256
Special fees	1,204,720	-	-	-	1,204,720	-	-	-	1,204,720	1,226,915
Admissions	500,000	(500,000)	-	-	-	-	-	-	-	-
Investment income allocation	992,525	-	-	1,826,200	2,818,725	(992,525)	(1,826,200)	-	2,818,725	-
Net assets released from restrictions	14,875,751	(135,128)	-	2,063,323	16,803,946	340,025	(401,188)	-	16,742,783	23,365,783
Total revenue and support										
<b>Expenses</b>										
Program services										
Horticulture	2,653,904	-	490,546	-	3,144,450	-	-	-	3,144,450	2,955,464
Maintenance	2,968,752	-	33,023	-	3,001,775	-	-	-	3,001,775	2,587,897
Education	2,923,851	-	122,173	-	3,046,024	-	-	-	3,046,024	3,165,772
Security	1,294,724	-	4,753	-	1,299,477	-	-	-	1,299,477	1,198,298
Publications	464,338	-	-	-	464,338	-	-	-	464,338	316,848
Garden shop	778,011	-	52,849	-	830,860	-	-	-	830,860	825,083
Science	763,400	-	8,277	-	771,677	-	-	-	771,677	998,486
Program enhancement	1,033,339	-	-	-	1,033,339	-	-	-	1,033,339	1,092,984
Admissions	172,097	-	-	-	172,097	-	-	-	172,097	170,837
Total program services	13,052,416	-	711,621	-	13,764,037	-	-	-	13,764,037	13,311,669
Supporting services										
Administration	1,708,479	-	339,444	-	2,047,923	-	-	-	2,047,923	2,298,268
Membership	538,107	-	-	-	538,107	-	-	-	538,107	689,020
Fundraising	628,624	-	2,207	-	630,831	-	-	-	630,831	1,607,645
Total supporting services	2,875,210	-	341,651	-	3,216,861	-	-	-	3,216,861	4,594,933
Total expenses	15,927,626	-	1,053,272	-	17,809,460	-	-	-	17,809,460	17,906,602
Increase (decrease) in net assets before other additions (deductions)	(1,051,875)	(135,128)	(1,053,272)	1,234,761	(1,005,514)	340,025	(401,188)	(61,163)	(1,066,677)	5,459,181
Other additions (deductions)										
Post retirement benefits	(656,668)	-	-	-	(656,668)	-	-	-	(656,668)	(737,399)
Effect of FASB 158 adjustment	1,087,458	-	-	-	1,087,458	-	-	-	1,087,458	186,085
Realized and unrealized (loss), net	-	(6,170,516)	-	-	(6,170,516)	-	-	-	(6,170,516)	(4,569,873)
Third party trusts unrealized (loss), net	-	-	-	-	-	-	-	(430,880)	(430,880)	(175,213)
Increase (decrease) in net assets	(621,085)	(6,305,644)	(1,053,272)	1,234,761	(6,745,240)	340,025	(401,188)	(61,163)	(7,237,283)	162,781
Net assets, beginning of year	6,074,931	18,842,252	5,029,220	2,477,540	32,423,943	220,712	3,519,065	3,739,777	39,821,745	39,658,964
Net assets, end of year	\$ 5,453,846	\$ 12,536,608	\$ 3,975,948	\$ 3,712,301	\$ 25,678,703	\$ 560,737	\$ 3,117,877	\$ 3,227,145	\$ 32,584,462	\$ 39,821,745

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Functional Expenses  
For Year Ended June 30, 2009  
(With Comparative Summarized Information for the Year Ended June 30, 2008)**

	Program Services										Total
	Horticulture	Maintenance	Education	Security	Publications	Garden Shop	Science	Program Enhancement	Admissions		
Salaries	\$ 1,675,562	\$ 1,425,392	\$ 1,613,424	\$ 883,991	\$ 233,792	\$ 170,505	\$ 463,358	\$ 476,994	\$ 124,475	\$ 7,067,493	
Fringe benefits	628,905	557,540	522,863	341,918	84,061	66,138	181,393	141,684	15,564	2,540,066	
Total salaries and benefits	2,304,467	1,982,932	2,136,287	1,225,909	317,853	236,643	644,751	618,678	140,039	9,607,559	
Supplies and materials	145,058	156,215	155,565	8,065	1,618	483,642	8,190	22,087	1,495	981,935	
Equipment	18,631	20,801	21,076	9,399	1,906	1,365	5,580	40,266	2,860	121,884	
Outside services	11,906	124,175	105,855	3,695	1,074	20,353	4,547	140,086	14,889	426,580	
IT allocation	96,382	-	133,691	15,545	15,545	15,545	52,855	24,873	9,327	363,763	
Printing	411	547	56,092	3,295	59,460	340	88	29,030	1,348	150,611	
Repairs	28,057	112,347	901	4,704	-	-	231	-	-	146,240	
Accounting and legal	-	-	-	-	-	-	-	-	-	-	
Professional services	-	1,200	159,534	-	25,745	2,000	-	7,325	-	195,804	
Postage	1,723	411	23,281	264	3,445	9,381	3,238	12,429	486	54,658	
Telephone and utilities	10,407	535,903	11,063	5,461	1,393	-	3,781	4,742	-	572,750	
Insurance	26,325	27,052	29,477	11,111	4,842	8,278	8,125	11,780	1,609	128,599	
Travel	8,206	6,187	41,313	3,846	3,053	139	31,764	14,049	44	108,601	
Promotion	2,220	982	1,011	205	28,262	325	250	107,889	-	141,144	
Books and periodicals	111	-	48,705	25	142	-	-	105	-	49,088	
Depreciation	490,546	33,023	122,173	4,753	-	52,849	8,277	-	-	711,621	
Miscellaneous	-	-	-	3,200	-	-	-	-	-	3,200	
<b>Totals</b>	<b>\$ 3,144,450</b>	<b>\$ 3,001,775</b>	<b>\$ 3,046,024</b>	<b>\$ 1,299,477</b>	<b>\$ 464,338</b>	<b>\$ 850,860</b>	<b>\$ 771,677</b>	<b>\$ 1,033,339</b>	<b>\$ 172,097</b>	<b>\$ 13,764,037</b>	

  

	Supporting Services			Total	Total 2008 Expenses
	Administration	Membership	Development		
Salaries	\$ 1,079,516	\$ 179,016	\$ 379,744	\$ 592,478	\$ 8,959,090
Fringe benefits	413,233	64,397	126,558	78,063	3,160,943
Total salaries and benefits	1,492,749	243,413	506,302	670,541	12,120,033
Supplies and materials	25,988	8,664	5,307	1,164	1,105,188
Equipment	99,062	203	405	9,690	173,293
Outside services	163,291	54,414	26,250	6,067	666,526
IT allocation	(407,290)	9,327	24,873	9,327	-
Printing	16,797	129,133	16,853	501	338,015
Repairs	4,230	180	320	-	211,616
Accounting and legal	98,849	-	-	-	106,204
Professional services	107,314	4,000	2,948	45,267	497,591
Postage	9,212	60,809	8,470	221	187,262
Telephone and utilities	11,557	836	3,264	15,657	610,122
Insurance	24,947	7,002	10,653	-	180,445
Travel	39,620	9,324	20,257	5,807	259,767
Promotion	10,503	10,752	354	-	225,781
Books and periodicals	1,163	50	2,368	-	62,310
Depreciation	339,444	-	2,207	-	1,044,910
Miscellaneous	10,487	-	-	79,977	117,537
<b>Totals</b>	<b>\$ 2,047,923</b>	<b>\$ 538,107</b>	<b>\$ 630,831</b>	<b>\$ 828,562</b>	<b>\$ 17,906,602</b>

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Functional Expenses  
For Year Ended June 30, 2008**

	Program Services										Total
	Horticulture	Maintenance	Education	Security	Publications	Garden Shop	Science	Program Enhancement	Admissions		
Salaries	\$ 1,508,873	\$ 1,035,606	\$ 1,620,864	\$ 830,216	\$ 152,793	\$ 173,031	\$ 587,444	\$ 502,690	\$ 124,213	\$ 6,535,730	
Fringe benefits	565,899	495,911	483,610	306,679	61,183	68,288	233,071	123,556	11,839	2,350,036	
Total salaries and benefits	2,074,772	1,531,517	2,104,474	1,136,895	213,976	241,319	820,515	626,246	136,052	8,885,766	
Supplies and materials	167,214	148,269	204,594	8,958	957	466,338	25,914	18,916	3,244	1,044,404	
Equipment	20,855	12,286	12,241	4,732	4,030	4,787	9,782	41,664	3,047	111,424	
Outside services	13,314	115,458	105,839	4,308	20,864	22,150	15,117	125,984	14,189	437,223	
IT allocation	96,381	-	133,691	15,545	15,545	15,545	52,855	24,873	9,328	363,763	
Printing	630	-	97,035	1,832	3,463	851	6,573	30,269	1,349	142,002	
Repairs	30,582	159,224	2,998	4,643	-	-	1,547	-	503	199,497	
Accounting and legal	-	-	-	-	-	-	-	-	-	-	
Professional services	-	-	191,630	-	8,040	3,653	-	11,984	-	215,307	
Postage	1,017	387	27,962	174	3,217	8,396	4,581	16,462	1,322	63,518	
Telephone and utilities	9,046	555,468	12,770	706	1,026	-	3,709	4,347	-	587,072	
Insurance	25,743	27,767	33,614	10,268	5,458	8,377	9,674	13,340	1,732	135,973	
Travel	17,540	5,263	54,755	4,158	3,930	518	39,890	23,682	71	149,807	
Promotion	1,355	-	1,439	390	35,940	300	1,135	154,979	-	195,543	
Books and periodicals	131	-	56,303	136	397	-	1,110	238	-	58,315	
Depreciation	496,884	32,258	126,427	4,753	-	52,849	6,084	-	-	719,255	
Miscellaneous	-	-	-	2,800	-	-	-	-	-	2,800	
<b>Totals</b>	<b>\$ 2,955,464</b>	<b>\$ 2,587,897</b>	<b>\$ 3,165,772</b>	<b>\$ 1,198,298</b>	<b>\$ 316,848</b>	<b>\$ 825,083</b>	<b>\$ 998,486</b>	<b>\$ 1,092,984</b>	<b>\$ 170,837</b>	<b>\$ 13,311,669</b>	

  

	Supporting Services			Total Expenses
	Administration	Membership	Development	
Salaries	\$ 1,272,256	\$ 184,282	\$ 381,060	\$ 2,423,360
Fringe benefits	464,498	63,867	85,399	810,907
Total salaries and benefits	1,736,754	248,149	466,459	3,234,267
Supplies and materials	48,731	4,701	7,118	60,784
Equipment	59,567	199	2,103	61,869
Outside services	62,685	122,876	31,259	229,303
IT allocation	(407,290)	-	43,527	(363,763)
Printing	14,112	165,675	16,226	196,013
Repairs	12,119	-	-	12,119
Accounting and legal	92,520	-	-	92,520
Professional services	209,678	11,400	975	222,053
Postage	14,483	100,545	8,716	123,744
Telephone and utilities	19,829	616	2,605	23,050
Insurance	25,135	7,048	12,289	44,472
Travel	71,845	11,840	26,093	109,960
Promotion	12,988	15,971	1,279	30,238
Books and periodicals	1,664	-	2,333	3,997
Depreciation	323,448	-	2,207	325,655
Miscellaneous	-	-	-	114,737
<b>Totals</b>	<b>\$ 2,298,268</b>	<b>\$ 689,020</b>	<b>\$ 623,189</b>	<b>\$ 4,594,933</b>

  

	Capital Campaign	Total Expenses
Salaries	\$ 585,762	\$ 8,959,090
Fringe benefits	197,143	3,160,943
Total salaries and benefits	782,905	12,120,033
Supplies and materials	234	1,105,188
Equipment	-	173,293
Outside services	12,483	666,526
IT allocation	-	-
Printing	-	338,015
Repairs	-	211,616
Accounting and legal	-	106,204
Professional services	13,684	497,591
Postage	60,231	187,262
Telephone and utilities	-	610,122
Insurance	-	180,445
Travel	182	259,767
Promotion	-	225,781
Books and periodicals	-	62,312
Depreciation	-	1,044,910
Miscellaneous	114,737	117,537
<b>Totals</b>	<b>\$ 984,456</b>	<b>\$ 17,906,602</b>

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$(7,237,283)	\$ 162,781
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	1,053,272	1,044,910
Realized and unrealized losses	6,170,516	4,569,873
Change in assets and liabilities		
Decrease (increase) in accounts receivable	(55,616)	512,845
(Increase) in pledges and grants receivable	(447,597)	(2,840,577)
(Increase) in inventory	(12,522)	(3,001)
(Increase) decrease in prepaid expenses	(28,548)	1,200
Increase (decrease) in accounts payable and accrued expenses	(132,097)	96,202
Increase (decrease) in postretirement benefits	(430,790)	551,314
(Decrease) in deferred support	(14,000)	(92,455)
Net cash provided by (used in) operating activities	<u>(1,134,665)</u>	<u>4,003,092</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(45,195,465)	(7,740,092)
Proceeds from sale of investments	45,313,157	6,958,576
Purchases of property and equipment	(936,409)	(1,596,637)
Net cash (used in) investing activities	<u>(818,717)</u>	<u>(2,378,153)</u>
<b>Cash flows from financing activities</b>		
Third party trusts unrealized losses	430,880	175,213
<b>Net increase (decrease) in cash         and cash equivalents</b>	<b>(1,522,502)</b>	<b>1,800,152</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>2,649,753</b></u>	<u><b>849,601</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 1,127,251</b></u>	<u><b>\$ 2,649,753</b></u>

See notes to financial statements.

## BROOKLYN BOTANIC GARDEN CORPORATION

### Notes to Financial Statements

June 30, 2009

#### Note 1 – Nature of organization

Brooklyn Botanic Garden Corporation (the “Garden”) was originally created in 1910 through private enterprise and individual generosity on grounds belonging to New York City. The Garden was incorporated in 1977 as a separate entity apart from the Brooklyn Institute of Arts and Sciences. The Garden’s mission is to serve all the people in its community and throughout the world by displaying plants, practicing the art of horticulture, engaging in research in plant sciences and offering various educational programs to children and adults.

#### Note 2 – Summary of significant accounting policies

##### Basis of presentation

The financial statements of the Garden have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The following comprise the significant accounting policies of the Garden.

Under accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Garden are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Garden. These include general, board-designated endowment, building and capital campaign net assets.

Temporarily restricted net assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Garden and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets that are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or removed by actions of the Garden.

##### Cash and cash equivalents

Cash and cash equivalents consists of cash held in banks and money market funds, with the exception of money market funds included in investments, as it is management’s intent to reinvest these funds for long term investment purposes (Note 4).

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)  
June 30, 2009****Note 2 – Summary of significant accounting policies (continued)****Investments**

The Garden's investments in equity securities with readily determinable fair values and all debt securities are reported at fair values with gains and losses (unrealized and realized) included in the accompanying statement of activities. Securities transactions are recorded on a trade-date basis.

**Investment income allocation**

The Board of the Garden adopted a policy whereby interest, dividends and net realized and unrealized gains and losses are all considered part of the Garden's total investment return. The Garden's long-term spending rate, designated by the Board, permits the Garden to use up to 5.5% of the rolling twelve-quarter average of the total investment portfolio's market value to support its operations annually.

**Property and equipment**

Machinery, equipment, Garden-owned buildings and leasehold improvements to City-owned buildings are capitalized and are depreciated or amortized over their estimated useful lives on a straight-line basis, which range from 5 to 31.5 years.

**Land and building**

During July 2009, the Garden entered into a license agreement (the "license") with the City of New York (the "City") for the exclusive use of the premises located at 1000 Washington Avenue, Brooklyn, New York. The license is for a period of twenty-five years with a one-time option to extend the license for an additional twenty-five years and requires that the Garden pay an annual license fee of \$1.

**Inventory**

The Garden maintains an inventory of plants, books and other items for general sale. The inventory is valued at the lower of cost (first-in, first-out) or market value.

**Collections**

The Garden's collections, which consist of rare books and artwork, are not capitalized in the statement of financial position. Purchases of items are expensed in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)****June 30, 2009****Note 2 – Summary of significant accounting policies (continued)****Annuities**

The Garden accepts charitable gift annuities from donors, which obligate the Garden to pay beneficiaries an annuity for life.

Charitable gift annuities are unrestricted irrevocable gifts under which the Garden agrees in turn to pay a life annuity to the donor, or designated beneficiary. The contributed funds and related liabilities are reflected in the accompanying statements of financial position in accounts payable and accrued expenses.

**Trusts held by third parties**

The Garden is the beneficiary of the income from certain trusts that are administered by independent third party trustees. Distributions are made to the Garden in accordance with the trust agreement for each trust. These trusts are invested in cash and cash equivalents, fixed income funds, mutual funds, convertible securities and equities. The Garden records its interest in these trusts at fair market value. Interest and dividends earned on these trusts for the years ended June 30, 2009 and June 30, 2008 were \$182,663 and \$109,569, respectively, and are classified as unrestricted support in the accompanying statement of activities. Unrealized gains (losses) on these trusts are classified as permanently restricted assets in the accompanying statement of activities. These trusts exist in perpetuity and they have been accounted for at fair market value.

**Revenue recognition**

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 statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue when the promise is received.

The Garden receives a substantial amount of its operating support from state and local governments. Any significant reduction in the level of this support could have an adverse effect on the Garden's programs.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)****June 30, 2009****Note 2 – Summary of significant accounting policies (continued)**Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Comparative financial information

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Garden's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Concentration of credit risk

The Garden's financial assets that are potentially exposed to concentration of credit risk consist of cash, cash equivalents, investments and receivables. The Garden places its cash and cash equivalents with what it believes to be quality financial institutions and invests primarily in mutual stock and bond funds. At times, cash balances exceeded the FDIC insurance limit. The Garden has not experienced any losses in these accounts to date. Investments are exposed to various risks such as interest rate, market liquidity, and credit. Due to the level of uncertainty related to changes in the foregoing, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position as of June 30, 2009. The Garden's management monitors the collectability of the pledges and grants receivable. The Garden routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, concentrations of credit risk are limited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

Subsequent events have been evaluated through the date of this report, which is the date these financial statements were available to be issued.

Reclassifications

Certain items in the 2008 financial statements have been reclassified for comparative purposes only.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2009**

**Note 3 – Composition of net assets**

Unrestricted net assets as of June 30, 2009 and June 30, 2008 have been designated by the Board of Trustees for use as follows:

	<u>2009</u>	<u>2008</u>
General	\$ 5,453,846	\$ 6,074,931
Board-designated endowment	12,536,608	18,842,252
Building	3,975,948	5,029,220
Capital Campaign	<u>3,712,301</u>	<u>2,477,540</u>
Total	<u>\$ 25,678,703</u>	<u>\$ 32,423,943</u>

Effective June 30, 2009, the Garden adopted Financial Accounting Standards Board (FASB) Staff Position 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 Disclosure for All Endowment Funds.”*

This FASB Staff Position (FSP) provides guidance on the net asset classification of *donor-restricted endowment funds* for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization’s *endowment funds* (both *donor-restricted endowment funds* and *board-designated endowment funds*), whether or not the organization is subject to UPMIFA.

The Garden’s endowments consist of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Garden to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation**

The Garden follows the New York State Not-For-Profit Corporation Law (N-PCL) when adhering to donor-restricted contributions. The Garden preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Garden classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2009**

**Note 3 – Composition of net assets**

Interpretation (continued)

The Garden considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Garden and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The expected total return from income and the appreciation of investments
- (5) The investment policies of the Garden.

The following is a summary of the activity of the board-designated and temporarily restricted net assets for the year ended June 30, 2009:

	<u>Balance at June 30, 2008</u>	<u>Support</u>	<u>Investment Income (Loss)</u>	<u>Released from Restrictions</u>	<u>Balance at June 30, 2009</u>
Board-designated endowment	\$18,842,252	\$ -	\$ (6,305,644)	\$ -	\$12,536,608
Temporarily restricted					
Purpose restrictions:					
General operating support	-	150,000	-	-	150,000
Garden apprentice program	40,000	190,000	-	(127,500)	102,500
Brooklyn Academy of Science and the Environment	26,641	20,000	-	(36,641)	10,000
Composting	38,297	554,243	-	(463,717)	128,823
Children's education	50,000	48,000	-	(37,083)	60,917
Children's garden	18,534	10,000	-	(28,534)	-
Horticulture	17,240	79,065	-	(82,555)	13,750
Other programs	30,000	281,242	-	(216,495)	94,747
Sub-total	220,712	1,332,550	-	(992,525)	560,737
Capital campaign	3,519,065	1,425,012	-	(1,826,200)	3,117,877
Total temporarily restricted	<u>3,739,777</u>	<u>2,757,562</u>	<u>-</u>	<u>(2,818,725)</u>	<u>3,678,614</u>
Total endowment funds	<u>\$22,582,029</u>	<u>\$ 2,757,562</u>	<u>\$ (6,305,644)</u>	<u>\$ (2,818,725)</u>	<u>\$16,215,222</u>

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**

**June 30, 2009**

**Note 3 – Composition of net assets (continued)**

Permanently restricted net assets are restricted as follows as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Investments in perpetuity, income to support general operations	\$ 1,234,548	\$ 1,234,548
Third party trusts	<u>1,992,597</u>	<u>2,423,477</u>
Total	<u>\$ 3,227,145</u>	<u>\$ 3,658,025</u>

**Note 4 – Investments**

The following is a summary of the fair market values of the investments held by the Garden as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 442,883	\$ 5,036
Russell dividends receivable	-	110,267
Equities	14,400,296	134,963
Fixed income	4,555,198	143,182
Russell Funds	<u>1,078,064</u>	<u>26,371,201</u>
Total	<u>\$ 20,476,441</u>	<u>\$ 26,764,649</u>

In fiscal 2009 and 2008, custodial and investment management fees amounted to \$94,824 and \$101,305, respectively.

**Fair value measurement**

Effective June 30, 2009, the Garden adopted Statement of Financial Accounting Standard (“SFAS”) No. 157. The adoption of this standard was limited to financial assets and did not have a material effect on the Garden’s financial statements other than additional disclosure. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. SFAS No. 157 requires fair value measurements to be separately disclosed by level within the fair value hierarchy and establishes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Observable inputs other than level 1 prices such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less than active markets).

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2009**

**Note 4 – Investments (continued)**

Fair value measurement (continued)

For assets measured at fair value on a recurring basis as of June 30, 2009, SFAS No. 157 requires quantitative disclosures about the fair value measurements separately for each major category of assets as follows:

<u>Description</u>	<u>Fair value measurements at June 30, 2009</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 20,476,441	\$ 19,398,377	\$ -	\$ 1,078,064
Trusts held by third parties	\$ 1,992,597	\$ 1,992,597	\$ -	\$ -

The following is a summary of changes in the fair value of the Garden's Level 3 investments for the year ended June 30, 2009:

Balance, beginning of year	\$ 4,294,157
Net unrealized (losses)	(823,184)
Net realized gain	143,021
Net sales	(2,535,930)
Balance, end of year	\$ 1,078,064

**Note 5 – Property and equipment**

Property and equipment consisted of the following as of June 30, 2009 and June 30, 2008:

	<u>2009</u>	<u>2008</u>
Machinery and equipment	\$ 1,283,020	\$ 1,235,349
Leasehold improvements	23,247,957	22,896,513
Building	899,639	899,639
Improvements in progress	<u>4,002,862</u>	<u>3,465,568</u>
Total	29,433,478	28,497,069
Less: accumulated depreciation and amortization	<u>16,601,167</u>	<u>15,547,895</u>
Net property and equipment	\$ <u>12,832,311</u>	\$ <u>12,949,174</u>

In addition, capital expenditures to the Garden's facilities, in the amounts of \$15,442 were made by the City of New York during the year ended June 30, 2009. The City of New York has spent \$5,538,680 on capital expenditures from the 2002 fiscal year through the 2009 fiscal year. The City has entered into contracts for a capital expansion of the Garden. In accordance with a directive from the City of New York, all capital expenditures paid for by the City belong to the City of New York and are not included in these financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**

**June 30, 2009**

**Note 6 – Pledges and grants receivable**

Pledges and grants receivable are unconditional promises from external organizations to donate cash to the Garden. For the years ended June 30, 2009 and June 30, 2008, the Garden used discount rates of 2.54% and 3.89%, respectively, to reduce the contributions receivable to their present value. The contributions receivable at June 30, 2009 and June 30, 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Due within one year	\$ 2,432,508	\$ 1,659,709
Due within one to five years	<u>1,658,184</u>	<u>2,164,850</u>
Sub-total	4,090,692	3,824,559
Less amount to reduce the pledges receivable to their present value	114,494	250,935
Less allowance for doubtful accounts	<u>69,714</u>	<u>114,737</u>
Total	<u>\$ 3,906,484</u>	<u>\$ 3,458,887</u>

**Note 7 – Pension plan and other postretirement benefits**

**Pension plan**

The Garden participates in a defined benefit pension plan, which covers all eligible employees. Employees are eligible after completion of one year of service and attainment of age 21. Contributions are made to the Cultural Institutions Retirement System (CIRS), an aggregation of New York City not-for-profit organizations. Under this plan, vesting requirements are consistent for all participants from the various contributing organizations and all plan assets are combined.

At July 1, 2007, the date of the latest actuarial valuation received by the Garden, total plan assets exceeded accumulated benefits, both vested and non-vested, and there was no unfunded liability related to Garden employees.

The CIRS also has a 401(k) savings plan whereby the Garden matches contributions up to a maximum of 3% of an employee elective deferral amount.

Pension expense for the aforementioned plans was \$760,035 for the year ended June 30, 2009, of which \$342,594 was donated by the City and is included in the financial statements as appropriations by the City.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2009**

**Note 7 – Pension plan and other postretirement benefits (continued)**

Other postretirement benefits

In addition to providing pension benefits, the Garden provides certain postretirement health and supplemental benefits for retired employees. Substantially all of the Garden's employees may become eligible for those benefits if they reach retirement age while working for the Garden. The Garden funds its postretirement benefit cost on a pay-as-you-go basis.

The Garden follows SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS 158 requires organizations to recognize the underfunded status of a postretirement benefit plan as a liability in its statement of financial position.

The net periodic benefit cost for the years ended June 30, 2009 and 2008 totaled \$910,862 and \$990,975, respectively, of which \$254,194 and \$253,576 of benefits paid has been allocated to various program and supporting services.

The benefit obligation, plan assets, contributions, payments, and funded status for the post-retirement benefit plan as of and for the years ended June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Benefit obligation	\$ (7,222,439)	\$ (7,653,229)
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	\$ <u>(7,222,439)</u>	\$ <u>(7,653,229)</u>
Items not yet recognized as a component of net periodic benefit costs		
Prior service cost	\$ -	\$ -
Net loss	<u>1,225,863</u>	<u>2,313,321</u>
Total	\$ <u>1,225,863</u>	\$ <u>2,313,321</u>

The estimated net loss and prior service cost for the post-retirement benefits program that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$41,484.

	<u>2009</u>	<u>2008</u>
Employer contributions	\$ 254,194	\$ 253,576
Benefits paid	254,194	253,576

Weighted average assumption to determine benefit obligations and benefit costs for years ended June 30:

Discount rate (benefit obligation)	6.75%	6.25%
Discount rate (benefit costs)	6.25%	6.25%

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2009**

**Note 7 – Pension plan and other postretirement benefits (continued)**

The healthcare cost trend rate was assumed to be 8.0% and 9.0% for the years ended June 30, 2009 and June 30, 2008. The decrease in this rate resulted in a large credit for the 2009 fiscal year. This trend rate is assumed to decrease gradually to 4.75% by the year ended June 30, 2015.

The Garden calculates benefit costs for a given fiscal year based on assumptions developed at the end of the previous fiscal year. The Garden measures benefit obligations as of June 30. Expected employer contributions to the post-retirement benefit plan for the year ending June 30, 2010 are \$297,991.

The estimated benefit payments are shown as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 297,991
2011	307,480
2012	335,111
2013	372,178
2014	409,279
2015 – 2019	2,615,717

**Note 8 – Commitments**

The Garden has an agreement with an independent contractor to provide food catering and concession services. The catering and concession operations undertaken by the independent contractor for the food and beverage sales and related expenses are reflected separately in the books and records of the independent contractor and are not reflected in the accounts and records of the Garden. The agreement, which was renewed on May 15, 2009, provides for certain financial conditions and fees payable to the Garden, as defined in the agreement. In addition, all related taxes incurred with the catering and concession operations are paid by the independent contractor.

On April 1, 2009, the Garden entered into a Grant and Pledge Agreement with the Robert W. Wilson Charitable Trust. The purpose of the Grant is to support the New, Restored and Expanded Garden components of BBG's *Green Garden, Green City* Centennial Campaign. The maximum amount of the Grant will be \$3,000,000. The payment of the maximum amount of the Grant is conditioned on BBG receiving at least \$7,000,000 matching contributions from private donors and receiving at least \$10,000,000 from the City of New York for the Campaign. As of June 30, 2009, BBG had submitted the first quarterly report to Robert W. Wilson Charitable Trust and requested payment of \$878,571.

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)****June 30, 2009****Note 8 – Commitments (continued)**

On May 22, 2009, the Garden entered into a pass-through contract with the City of New York for the construction of the new Visitors Center. The City of New York will contribute a sum of \$27,621,300. The effective date of the grant is July 15, 2009 and terminates on July 13, 2012.

**Note 9 – Litigation**

The Garden is currently involved in legal proceedings arising in the ordinary course of business. The Garden believes it has defenses for these proceedings and is vigorously defending the actions. In the opinion of management, after consultation with outside legal counsel, the final disposition of these matters will not have a material effects on the Garden's financial statements.

**Note 10 – Tax status**

The Garden is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Garden has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 170(b)(1)(A)(vi) and 509(a)(1) of the Code. Donors are eligible to receive the maximum charitable tax deduction available for public charities under the Code.

**Recent accounting pronouncement**

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48 (FIN-48), "Accounting for Uncertainty in Income Taxes." The implementation of FIN-48 has been deferred for nonprofit organizations by FASB staff position FIN 48-3 and will be effective for the Garden's 2010 fiscal year.