

**BROOKLYN BOTANIC GARDEN
CORPORATION**

**Financial Statements
for year ended
June 30, 2010
(with summarized comparative totals
for 2009)**

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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, 2010 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 2009 financial statements and, in our report dated October 16, 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, 2010, 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

October 20, 2010

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Financial Position

Assets

	June 30	
	2010	2009
Cash and cash equivalents	\$ 1,377,938	\$ 1,127,251
Investments, at market value	21,180,222	20,476,441
Accounts receivable	2,290,337	651,558
Pledges and grants receivable	5,305,083	3,906,484
Inventory	317,918	283,999
Prepaid expenses	48,559	62,361
Property and equipment, net	13,739,415	12,832,311
Trusts held by third parties – permanently restricted	1,992,347	1,992,597
Total assets	\$46,251,819	\$41,333,002

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,977,073	\$ 1,515,101
Contracts payable	1,185,100	-
Postretirement benefits	9,648,458	7,222,439
Deferred support	-	11,000
Total liabilities	12,810,631	8,748,540

Net assets

Unrestricted		
General	3,368,676	5,453,846
Board-designated endowment	13,877,808	12,536,608
Building	2,976,667	3,975,948
Capital campaign	261,097	3,712,301
Total unrestricted	20,484,248	25,678,703
Temporarily restricted	9,730,045	3,678,614
Permanently restricted	3,226,895	3,227,145
Total net assets	33,441,188	32,584,462
Total liabilities and net assets	\$46,251,819	\$41,333,002

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Activities
For Year Ended June 30, 2010
(with Summarized Comparative Information for Year Ended June 30, 2009)

	2010						2009		
	Unrestricted			Temporarily Restricted			Total		
	Board-Designated Endowment	Building	Capital Campaign	Total Unrestricted	General	Capital Campaign	Temporarily Restricted	Permanently Restricted	Total
Revenue and support									
Appropriations by the City of New York	\$ 4,167,502	\$ -	\$ -	\$ 4,167,502	\$ 1,555,828	\$ -	\$ -	\$ -	\$ 4,167,502
Contributions and grants	2,386,000	-	-	2,386,000	-	4,262,895	-	-	8,204,723
Special events, net of direct costs of \$479,536 in 2010 and \$250,389 in 2009	-	-	-	-	-	-	-	-	-
Interest and dividend income	549,238	-	-	549,238	-	-	-	-	549,238
Plants and gardens publications	242,279	-	-	242,279	-	-	-	-	702,832
Membership dues	78,081	-	-	78,081	-	-	-	-	78,081
Sale of plants and other items	1,121,829	-	-	1,121,829	-	-	-	-	1,121,829
Educational programs	850,171	-	-	850,171	-	-	-	-	850,171
Special fees	551,653	-	-	551,653	-	-	-	-	551,653
Admissions	1,347,345	-	-	1,347,345	-	-	-	-	1,347,345
Investment income allocation	1,306,122	-	-	1,306,122	-	-	-	-	1,306,122
Net assets released from restrictions	1,796,860	-	-	4,372,787	(1,796,860)	(2,575,927)	(4,372,787)	-	-
Total revenue and support	15,735,280	(877,647)	-	17,453,560	(241,032)	1,686,968	1,445,936	-	18,879,496
Expenses									
Program services									
Horticulture	2,709,708	459,986	-	3,169,694	-	-	-	-	3,169,694
Maintenance	2,673,709	33,788	-	2,707,497	-	-	-	-	2,707,497
Education	2,717,325	94,955	-	2,812,280	-	-	-	-	2,812,280
Security	1,305,534	3,449	-	1,308,983	-	-	-	-	1,308,983
Publications	427,582	124	-	427,706	-	-	-	-	427,706
Garden shop	761,788	42,456	-	804,244	-	-	-	-	804,244
Science	557,671	7,865	-	565,536	-	-	-	-	565,536
Program enhancement	1,121,424	84	-	1,121,508	-	-	-	-	1,121,508
Admissions	171,170	-	-	171,170	-	-	-	-	171,170
Capital campaign	-	-	530,686	530,686	-	-	-	-	530,686
Total program services	12,445,911	642,707	-	13,619,304	-	-	-	-	13,619,304
Supporting services									
Administration	1,686,235	354,277	-	2,040,512	-	-	-	-	2,040,512
Membership	611,602	-	-	611,602	-	-	-	-	611,602
Fundraising	650,683	2,297	-	652,980	-	-	-	-	652,980
Capital Campaign	-	-	890,950	890,950	-	-	-	-	890,950
Total supporting services	2,948,520	356,574	-	4,196,044	-	-	-	-	4,196,044
Total expenses	15,394,431	999,281	1,421,636	17,815,348	-	-	-	-	17,815,348
Increase (decrease) in net assets before other additions (deductions)	349,849	(999,281)	1,154,291	(381,788)	(241,032)	1,686,968	1,445,936	-	(1,066,677)
Other additions (deductions)									
Post retirement benefits	(565,604)	-	-	(565,604)	-	-	-	-	(565,604)
Effect of post-retirement adjustment	(1,860,415)	-	-	(1,860,415)	-	-	-	-	(1,860,415)
Realized and unrealized gain (loss), net	2,218,847	-	-	2,218,847	-	-	-	-	2,218,847
Third party trusts unrealized (loss), net	-	-	-	-	-	-	(250)	(250)	(250)
Net assets reclassification	-	-	(4,605,495)	(4,605,495)	-	4,605,495	-	-	-
Increase (decrease) in net assets	(2,085,170)	1,341,200	(3,451,204)	(5,194,455)	(241,032)	6,292,463	6,051,431	(250)	856,726
Net assets, beginning of year	5,453,846	12,536,608	3,712,801	25,678,703	560,737	3,117,877	3,678,614	3,227,145	32,584,462
Net assets, end of year	\$ 3,368,676	\$ 13,877,808	\$ 2,976,667	\$ 20,484,248	\$ 319,705	\$ 9,410,340	\$ 9,730,045	\$ 3,226,895	\$ 33,441,188

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

**Statement of Functional Expenses
For Year Ended June 30, 2010
(With Comparative Summarized Information for the Year Ended June 30, 2009)**

	Program Services										Total
	Horticulture	Maintenance	Education	Security	Publications	Garden Shop	Science	Program Enhancement	Admissions	Capital Campaign	
Salaries	\$ 1,671,919	\$ 1,146,788	\$ 1,482,270	\$ 873,574	\$ 232,078	\$ 172,137	\$ 336,917	\$ 547,678	\$ 122,241	\$ 210,423	\$ 6,796,025
Fringe benefits	667,955	558,491	552,702	364,801	84,392	83,376	164,361	189,447	15,172	53,549	2,734,247
Total salaries and benefits	2,339,874	1,705,279	2,034,972	1,238,375	316,471	255,513	501,278	737,125	137,413	263,972	9,530,272
Supplies and materials	140,081	150,444	149,148	6,830	2,468	446,010	5,068	26,301	2,336	-	928,686
Equipment	27,936	16,630	4,445	1,412	829	987	-	46,319	2,478	2,903	103,939
Outside services	13,156	120,254	106,046	2,702	3,391	24,850	7,467	132,291	18,487	21,437	450,081
IT allocation	95,814	-	103,479	19,163	11,498	30,661	22,995	30,661	7,665	11,498	321,936
Printing	16	600	48,516	2,319	38,015	3,652	131	36,076	655	-	129,980
Repairs	46,651	136,554	499	10,010	-	-	126	150	386	-	194,376
Accounting and legal	-	-	-	-	-	-	-	7,010	-	-	7,010
Professional services	-	900	123,027	-	13,245	2,500	-	14,994	-	138,309	292,975
Postage	1,051	411	16,649	346	1,916	8,025	1,209	2,893	124	-	32,624
Telephone and utilities	8,041	509,259	9,955	5,337	1,314	-	2,963	3,923	-	-	540,792
Insurance	27,469	28,957	29,072	12,852	4,476	7,994	5,314	12,621	1,626	-	130,381
Travel	6,460	4,064	43,897	2,927	798	259	9,214	22,601	-	-	90,220
Promotion	3,060	150	840	335	24,498	325	1,750	47,957	-	92,567	171,482
Books and periodicals	99	207	46,780	26	98	175	156	502	-	-	48,043
Depreciation	459,986	33,788	94,955	3,449	124	42,456	7,865	84	-	-	642,707
Miscellaneous	-	-	-	2,900	900	-	-	-	-	-	3,800
Totals	\$ 3,169,694	\$ 2,707,497	\$ 2,812,280	\$ 1,308,983	\$ 427,706	\$ 804,244	\$ 565,536	\$ 1,121,508	\$ 171,170	\$ 530,686	\$ 13,619,304
	Supporting Services										
	Administration		Membership		Development		Fundraising		Capital Campaign		
Salaries	\$ 1,034,357	\$ 150,495	\$ 407,288	\$ 592,162	\$ 2,184,302	\$ 8,980,327	\$ 9,298,247				
Fringe benefits	473,806	68,981	121,946	158,715	823,448	3,557,695	3,222,317				
Total salaries and benefits	1,508,163	219,476	529,234	750,877	3,007,750	12,538,022	12,520,564				
Supplies and materials	37,888	5,520	4,904	12,200	60,512	989,198	1,023,058				
Equipment	54,461	-	178	10,287	64,926	168,865	231,244				
Outside services	131,649	102,359	26,938	31,621	292,567	742,648	676,602				
IT allocation	(356,429)	11,498	22,995	-	(321,936)	-	-				
Printing	18,900	139,826	13,305	10,328	182,359	312,339	313,895				
Repairs	4,001	-	-	-	4,001	198,377	150,970				
Accounting and legal	112,151	-	-	8,750	120,901	127,911	98,849				
Professional services	71,608	7,822	1,950	1,200	82,580	375,555	355,333				
Postage	11,591	80,429	7,235	1,560	100,815	133,439	133,370				
Telephone and utilities	10,404	789	3,372	-	14,565	555,357	588,407				
Insurance	23,589	6,883	6,669	-	37,141	167,522	171,201				
Travel	45,803	15,255	19,225	6,952	87,235	177,455	183,609				
Promotion	11,428	21,745	485	-	33,658	205,140	162,753				
Books and periodicals	1,028	-	2,754	434	4,216	52,259	52,669				
Depreciation	354,277	-	2,297	-	356,574	999,281	1,053,272				
Miscellaneous	-	-	11,439	56,741	68,180	71,980	93,664				
Totals	\$ 2,040,512	\$ 611,602	\$ 652,980	\$ 890,950	\$ 4,196,044	\$ 17,815,348	\$ 17,809,460				

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION
Statement of Functional Expenses
For Year Ended June 30, 2009

	Program Services							Total
	Horticulture	Maintenance	Education	Security	Publications	Garden Shop	Science	
Salaries	\$ 1,675,562	\$ 1,425,392	\$ 1,613,424	\$ 883,991	\$ 233,792	\$ 170,505	\$ 463,358	\$ 7,067,493
Fringe benefits	628,905	557,540	522,863	341,918	84,061	66,138	181,393	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	9,607,559
Supplies and materials	145,058	156,215	155,565	8,065	1,618	483,642	8,190	981,935
Equipment	18,631	20,801	21,076	9,399	1,906	1,365	5,580	121,884
Outside services	11,906	124,175	105,855	3,695	1,074	20,353	4,547	426,580
IT allocation	96,382	-	133,691	15,545	15,545	15,545	52,855	363,763
Printing	411	547	56,092	3,295	59,460	340	88	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	-	195,804
Postage	1,723	411	23,281	264	3,445	9,381	3,238	54,658
Telephone and utilities	10,407	535,903	11,063	5,461	1,393	-	3,781	572,750
Insurance	26,325	27,052	29,477	11,111	4,842	8,278	8,125	128,599
Travel	8,206	6,187	41,313	3,846	3,053	139	31,764	108,601
Promotion	2,220	982	1,011	205	28,262	325	250	141,144
Books and periodicals	111	-	48,705	25	142	-	-	49,088
Depreciation	490,546	33,023	122,173	4,753	-	52,849	8,277	711,621
Miscellaneous	-	-	-	3,200	-	-	-	-
Totals	\$ 3,144,450	\$ 3,001,775	\$ 3,046,024	\$ 1,299,477	\$ 464,338	\$ 830,860	\$ 771,677	\$ 13,764,037

	Supporting Services			Total	Total 2009 Expenses
	Administration	Membership	Development		
Salaries	\$ 1,079,516	\$ 179,016	\$ 379,744	\$ 592,478	\$ 9,298,247
Fringe benefits	413,233	64,397	126,558	78,063	3,222,317
Total salaries and benefits	1,492,749	243,413	506,302	670,541	12,520,564
Supplies and materials	25,988	8,664	5,307	1,164	1,023,058
Equipment	99,062	203	405	9,690	231,244
Outside services	163,291	54,414	26,250	6,067	676,602
IT allocation	(407,290)	9,327	24,873	9,327	(363,763)
Printing	16,797	129,133	16,853	501	313,895
Repairs	4,230	180	320	-	150,970
Accounting and legal	98,849	-	-	-	98,849
Professional services	107,314	4,000	2,948	45,267	355,333
Postage	9,212	60,809	8,470	221	133,370
Telephone and utilities	11,557	836	3,264	-	588,407
Insurance	24,947	7,002	10,653	-	171,201
Travel	39,620	9,324	20,257	5,807	183,609
Promotion	10,503	10,752	354	-	162,753
Books and periodicals	1,163	50	2,368	-	52,669
Depreciation	339,444	-	2,207	-	1,053,272
Miscellaneous	10,487	-	-	79,977	93,664
Totals	\$ 2,047,923	\$ 538,107	\$ 630,831	\$ 828,562	\$ 17,809,460

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 856,726	\$(7,237,283)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities		
Depreciation	999,281	1,053,272
Realized and unrealized (gains) losses	(2,218,847)	6,170,516
Change in assets and liabilities		
(Increase) in accounts receivable	(1,638,779)	(55,616)
(Increase) in pledges and grants receivable	(1,398,599)	(447,597)
(Increase) in inventory	(33,919)	(12,522)
(Increase) decrease in prepaid expenses	13,802	(28,548)
Increase (decrease) in accounts payable and accrued expenses	461,972	(132,097)
Increase (decrease) in postretirement benefits	2,426,019	(430,790)
(Decrease) in deferred support	(11,000)	(14,000)
Net cash (used in) operating activities	<u>(543,344)</u>	<u>(1,134,665)</u>
Cash flows from investing activities		
Purchases of investments	(8,910,733)	(45,195,465)
Proceeds from sale of investments	10,425,799	45,313,157
Purchases of property and equipment	(1,906,385)	(936,409)
Contracts payable	<u>1,185,100</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>793,781</u>	<u>(818,717)</u>
Cash flows from financing activities		
Third party trusts unrealized losses	<u>250</u>	<u>430,880</u>
Net increase (decrease) in cash and cash equivalents	250,687	(1,522,502)
Cash and cash equivalents, beginning of year	<u>1,127,251</u>	<u>2,649,753</u>
Cash and cash equivalents, end of year	<u>\$ 1,377,938</u>	<u>\$ 1,127,251</u>

See notes to financial statements.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements June 30, 2010

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 and practicing the high art of horticulture to provide a beautiful and hospitable setting for the delight and inspiration of the public.

Engaging in research in plant sciences to expand human knowledge of plants, and disseminating the results to science professionals and the general public.

Teaching children and adults about plants at a popular level, as well as making available instruction in the exacting skills required to grow plants and make beautiful gardens.

Reaching out to help the people of all our diverse urban neighborhoods to enhance the quality of their surroundings and their daily lives through the cultivation and enjoyment of plants.

Seeking actively to arouse public awareness of the fragility of our natural environment, both local and global, and **providing information** about ways to conserve and protect it.

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.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)****June 30, 2010****Note 2 – Summary of significant accounting policies (continued)**

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).

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.

Fair value measurements

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. The fair value hierarchy gives the highest priority to quoted market prices and the lowest priority to unobservable data. Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. The three levels of inputs used to measure fair value are as follows:

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 active markets).

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2010 and June 30, 2009:

- Equities and fixed income investments are valued at the closing price reported on the active market in which these securities are traded.
- The fair value of the Russell Funds represents the best estimate as to the future liquidity of the Russell Funds by management of those funds.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2010****Note 2 – Summary of significant accounting policies (continued)****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.

Allowance for doubtful accounts

The Garden has provided for an allowance for doubtful accounts of \$133,405 for receivables that may not be collectible as of June 30, 2010. Such estimate, which is equal to 3% of pledges receivable at June 30, 2010, is based on management's experience, the aged basis of the receivables, subsequent receipts and the current economic conditions.

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, 2010****Note 2 – Summary of significant accounting policies (continued)****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, 2010 and June 30, 2009 were \$242,279 and \$182,663, 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.

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.

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.

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.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2010****Note 2 – Summary of significant accounting policies (continued)****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, 2009, 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 volatility, 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, 2010. 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

The Garden has evaluated events and transactions for potential recognition or disclosure through October 20, 2010, which is the date the financial statements were available to be issued.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)

June 30, 2010

Note 3 – Composition of net assets

Unrestricted net assets as of June 30, 2010 and June 30, 2009 have been designated by the Board of Trustees for use as follows:

	<u>2010</u>	<u>2009</u>
General	\$ 3,368,676	\$ 5,453,846
Board-designated endowment	13,877,808	12,536,608
Building	2,976,667	3,975,948
Capital Campaign	<u>261,097</u>	<u>3,712,301</u>
Total	<u>\$ 20,484,248</u>	<u>\$ 25,678,703</u>

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.

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.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2010

Note 3 – Composition of net assets (continued)

The following is a summary of the activity of the board-designated and temporarily restricted net assets for the year ended June 30, 2010:

	<u>Balance at June 30, 2009</u>	<u>Support</u>	<u>Investment Income</u>	<u>Reclassification of Net Assets</u>	<u>Released from Designations and Restrictions</u>	<u>Balance at June 30, 2010</u>
Board-designated endowment	\$12,536,608	\$ -	\$ 2,679,400	\$ -	\$(1,338,200)	\$13,877,808
Temporarily restricted						
Purpose restrictions:						
General operating support	150,000	852,871	-	-	(753,166)	249,705
Garden apprentice program	102,500	120,000	-	-	(172,500)	50,000
Brooklyn Academy of Science and the Environment	10,000	10,000	-	-	(20,000)	-
Composting	128,823	130,838	-	-	(259,661)	-
Children's education	60,917	9,500	-	-	(70,417)	-
Horticulture	13,750	7,768	-	-	(21,518)	-
Other programs	<u>94,747</u>	<u>424,851</u>	-	-	<u>(499,598)</u>	<u>20,000</u>
Sub-total	560,737	1,555,828	-	-	(1,796,860)	319,705
Capital campaign	<u>3,117,877</u>	<u>4,262,895</u>	-	<u>4,605,495</u>	<u>(2,575,927)</u>	<u>9,410,340</u>
Total temporarily restricted	<u>3,678,614</u>	<u>5,818,723</u>	-	<u>4,605,495</u>	<u>(4,372,787)</u>	<u>9,730,045</u>
Total endowment and temporarily restricted funds	<u>\$16,215,222</u>	<u>\$ 5,818,723</u>	<u>\$ 2,679,400</u>	<u>\$ 4,605,495</u>	<u>\$(5,710,987)</u>	<u>\$23,607,853</u>

Permanently restricted net assets are restricted as follows as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Investments in perpetuity, income to support general operations	\$ 1,234,548	\$ 1,234,548
Third party trusts	<u>1,992,347</u>	<u>1,992,597</u>
Total	<u>\$ 3,226,895</u>	<u>\$ 3,227,145</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2010

Note 4 – Investments

The following is a summary of the fair market values of the investments held by the Garden as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 1,603,786	\$ 442,883
Equities	13,352,307	14,400,296
Fixed income	5,739,091	4,555,198
Russell Funds	<u>485,038</u>	<u>1,078,064</u>
Total	<u>\$ 21,180,222</u>	<u>\$ 20,476,441</u>

In fiscal 2010 and 2009, custodial and investment management fees amounted to \$61,778 and \$94,824, respectively.

The following table presents the Garden's financial assets that are measured at fair value on a recurring basis at June 30, 2010:

<u>Description</u>	<u>Fair value measurements at June 30, 2010</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents				
– operating	\$ 1,377,938	\$ 1,377,938	\$ -	\$ -
Investments	21,180,222	20,695,184	-	485,038
Trusts held by third parties	<u>1,992,347</u>	<u>1,992,347</u>	-	-
Total	<u>\$ 24,550,507</u>	<u>\$ 24,065,469</u>	<u>\$ -</u>	<u>\$ 485,038</u>

The following is a summary of changes in the fair value of the Garden's Level 3 investments for the year ended June 30, 2010:

Balance, beginning of year	\$ 1,078,064
Net unrealized gain	25,932
Net realized (loss)	(224,091)
Distributions	<u>(394,867)</u>
Balance, end of year	<u>\$ 485,038</u>

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)

June 30, 2010

Note 5 – Property and equipment

Property and equipment consisted of the following as of June 30, 2010 and June 30, 2009:

	<u>2010</u>	<u>2009</u>
Machinery and equipment	\$ 1,398,430	\$ 1,283,020
Leasehold improvements	23,247,957	23,247,957
Building	899,639	899,639
Improvements in progress	<u>5,793,837</u>	<u>4,002,862</u>
Total	31,339,863	29,433,478
Less: accumulated depreciation and amortization	<u>17,600,448</u>	<u>16,601,167</u>
Net property and equipment	<u>\$ 13,739,415</u>	<u>\$ 12,832,311</u>

In addition, capital expenditures to the Garden's facilities, in the amounts of \$1,109,855 were made by the City of New York during the year ended June 30, 2010. The City of New York has spent \$6,648,535 on capital expenditures from the 2002 fiscal year through the 2010 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.

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, 2010 and June 30, 2009, the Garden used discount rates of 1.79% and 2.54%, respectively, to reduce the contributions receivable to their present value. The contributions receivable at June 30, 2010 and June 30, 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Due within one year	\$ 3,107,473	\$ 2,432,508
Due within one to five years	<u>2,449,025</u>	<u>1,658,184</u>
Sub-total	5,556,498	4,090,692
Less amount to reduce the pledges receivable to their present value	118,010	114,494
Less allowance for doubtful accounts	<u>133,405</u>	<u>69,714</u>
Total	<u>\$ 5,305,083</u>	<u>\$ 3,906,484</u>

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)****June 30, 2010****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 participate in the plan after completion of three months 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, 2009, the date of the latest actuarial valuation received by the Garden from CIRS, total projected benefits exceeded the fair value of plan assets. The Garden has not received information from the Plan's administrators to determine its share of unfunded vested benefits.

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

Pension expense for the aforementioned plans was \$872,284 for the year ended June 30, 2010, of which \$405,474 was donated by the City and is included in the financial statements as appropriations by the City.

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 the accounting standards for defined benefit pension and other postretirement plans. These standards require 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, 2010 and 2009 totaled \$851,134 and \$910,862, respectively, of which \$285,530 and \$254,194 of benefits paid has been allocated to various program and supporting services.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)
June 30, 2010

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

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, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Benefit obligation	\$ (9,648,458)	\$ (7,222,439)
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (9,648,458)</u>	<u>\$ (7,222,439)</u>
Items not yet recognized as a component of net periodic benefit costs		
Prior service cost	\$ -	\$ -
Net loss	<u>3,086,278</u>	<u>1,225,863</u>
Total	<u>\$ 3,086,278</u>	<u>\$ 1,225,863</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 \$190,706.

	<u>2010</u>	<u>2009</u>
Employer contributions	\$ 285,530	\$ 254,194
Benefits paid	285,530	254,194
	<u>2010</u>	<u>2009</u>

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

Discount rate (benefit obligation)	5.50%	6.75%
Discount rate (benefit costs)	6.75%	6.25%

The healthcare cost trend rate was assumed to be 7.5% and 8.0% for the years ended June 30, 2010 and June 30, 2009. 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, 2011 are \$330,293.

BROOKLYN BOTANIC GARDEN CORPORATION

Notes to Financial Statements (continued)

June 30, 2010

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

The estimated benefit payments are shown as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 330,293
2012	363,422
2013	397,525
2014	437,544
2015	472,474
2016 – 2020	2,967,912

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, 2010, BBG had submitted the quarterly reports to Robert W. Wilson Charitable Trust and requested payments of \$1,226,423, of which \$1,198,386 has been received.

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.

The Garden has entered into contracts for the construction of the new Visitors' Center and the Herb Garden totaling approximately \$29,800,000, including change orders, as of June 30, 2010. In connection with these contracts, the Garden has recorded contracts payable totaling \$1,185,000 for work completed through that date.

BROOKLYN BOTANIC GARDEN CORPORATION**Notes to Financial Statements (continued)
June 30, 2010****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. As of June 30, 2010, no amounts have been recognized for uncertain income tax positions. The Garden's tax returns for the years 2007 and forward are subject to the usual review by the appropriate taxing authorities.