

**BROOKLYN BOTANIC GARDEN  
CORPORATION**

**Financial Statements  
for year ended  
June 30, 2011  
(with summarized totals for 2010)**

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

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Certified Public Accountants

One Battery Park Plaza  
New York, NY 10004-1405  
Tel: (212) 661 - 7777  
Fax: (212) 661 - 4010

**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, 2011 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 2010 financial statements and, in our report dated October 20, 2010, we expressed an unqualified opinion on those financial statements prior to restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 18, 2011, on our consideration of the Garden's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Condon O'Regan McHugh & Donnelly LLP

## BROOKLYN BOTANIC GARDEN CORPORATION

### Statement of Financial Position

#### Assets

	June 30	
	2011	2010
Cash and cash equivalents	\$ 1,911,704	\$ 1,377,938
Investments, at fair value	23,720,901	21,180,222
Accounts receivable	6,139,531	2,290,337
Pledges and grants receivable	10,231,730	5,305,083
Inventory	244,506	317,918
Prepaid expenses	32,050	48,559
Property and equipment, net	15,280,428	13,739,415
Trusts held by third parties – permanently restricted	2,189,263	1,992,347
<b>Total assets</b>	<b>\$59,750,113</b>	<b>\$46,251,819</b>

#### Liabilities and Net Assets

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,967,543	\$ 1,977,073
Contracts payable	4,280,710	1,185,100
Postretirement benefits	10,108,977	9,648,458
Deferred support	87,419	-
Total liabilities	16,444,649	12,810,631
<b>Net assets</b>		
Unrestricted		
General	2,938,850	3,368,676
Board-designated endowment	16,090,843	13,877,808
Building	1,958,611	2,976,667
Capital campaign	2,713,148	261,097
Total unrestricted	23,701,452	20,484,248
Temporarily restricted	15,801,112	9,730,045
Permanently restricted	3,802,900	3,226,895
<b>Total net assets</b>	43,305,464	33,441,188
<b>Total liabilities and net assets</b>	<b>\$59,750,113</b>	<b>\$46,251,819</b>

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

Statement of Activities  
For Year Ended June 30, 2011  
(with Summarized Comparative Information for Year Ended June 30, 2010)

	2011						2010			
	Unrestricted			Temporarily Restricted			Total	Total	Total	
	General	Board-Designated Endowment	Building	Capital Campaign	Unrestricted	General				Capital Campaign
<b>Revenue and support</b>	\$ 3,907,468	-	\$ -	\$ -	\$ 3,907,468	\$ 1,517,943	\$ -	\$ -	\$ 3,907,468	\$ 4,167,502
Appropriations by the City of New York	2,962,611	-	-	-	2,962,611	-	-	-	15,317,198	8,204,723
Contributions and grants	-	-	-	-	-	-	-	-	-	-
Special events, net of direct costs of \$430,565 in 2011 and \$479,536 in 2010	420,761	-	-	-	420,761	-	-	-	420,761	549,238
Interest and dividend income	167,557	445,213	-	-	612,770	-	-	-	612,770	702,832
Plants and gardens publications	49,835	-	-	-	49,835	-	-	-	49,835	78,081
Membership dues	1,216,369	-	-	-	1,216,369	-	-	-	1,216,369	1,121,829
Sale of plants and other items	706,381	-	-	-	706,381	-	-	-	706,381	850,171
Educational programs	477,600	-	-	-	477,600	-	-	-	477,600	551,653
Special fees	1,137,323	-	-	-	1,137,323	-	-	-	1,137,323	1,347,345
Admissions	1,604,312	-	-	-	1,604,312	-	-	-	1,604,312	1,306,122
Investment income allocation	1,218,200	(1,218,200)	-	-	-	-	-	-	-	-
Net assets released from restrictions	1,327,488	-	-	4,022,308	5,349,796	(1,327,488)	(4,022,308)	(5,349,796)	-	-
Total revenue and support	15,195,905	(772,987)	-	4,022,308	18,445,226	190,455	6,720,838	6,911,293	25,450,017	18,879,496
<b>Expenses</b>										
Program services										
Horticulture	2,609,689	-	512,989	-	3,122,678	-	-	-	3,122,678	3,169,694
Maintenance	2,750,426	-	34,924	-	2,785,350	-	-	-	2,785,350	2,707,497
Education	2,381,479	-	66,825	-	2,448,304	-	-	-	2,448,304	2,812,280
Security	1,308,838	-	2,118	-	1,310,956	-	-	-	1,310,956	1,308,983
Publications	368,332	-	147	-	368,479	-	-	-	368,479	427,706
Garden shop	740,838	-	32,064	-	772,902	-	-	-	772,902	804,244
Science	556,829	-	7,452	-	564,281	-	-	-	564,281	565,536
Program enhancement	1,245,535	-	167	-	1,245,702	-	-	-	1,245,702	1,121,508
Admissions	183,210	-	-	-	183,210	-	-	-	183,210	171,170
Membership	584,491	-	-	-	584,491	-	-	-	584,491	611,602
Capital campaign	-	-	-	663,114	663,114	-	-	-	663,114	530,686
Total program services	12,729,667	-	656,686	663,114	14,049,467	-	-	-	14,049,467	14,230,906
Supporting services										
Administration	1,778,780	-	359,056	-	2,137,836	-	-	-	2,137,836	2,040,512
Fundraising - Development	656,765	-	2,314	-	659,079	-	-	-	659,079	652,980
Fundraising - Capital Campaign	-	-	-	907,143	907,143	-	-	-	907,143	890,950
Total supporting services	2,435,545	-	361,370	907,143	3,704,058	-	-	-	3,704,058	3,584,442
Total expenses	15,165,212	-	1,018,056	1,570,257	17,753,525	-	-	-	17,753,525	17,815,348
Increase (decrease) in net assets before other additions (deductions)	30,693	(772,987)	(1,018,056)	2,452,051	691,701	190,455	6,720,838	6,911,293	7,696,492	1,064,148
Other additions (deductions)										
Post retirement benefits	(798,909)	-	-	-	(798,909)	-	-	-	(798,909)	(565,604)
Effect of post-retirement adjustment	338,390	-	-	-	338,390	-	-	-	338,390	(1,860,415)
Realized and unrealized gain, net	-	3,171,613	-	-	3,171,613	-	9,774	9,774	3,181,387	2,218,847
Third party trusts unrealized gain (loss), net	-	(185,591)	-	-	(185,591)	-	(100,000)	(100,000)	196,916	(250)
Net assets reclassification	-	-	-	-	-	-	(750,000)	(750,000)	-	-
Reduction in pledge receivable	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	(429,826)	2,213,035	(1,018,056)	2,452,051	3,217,204	190,455	5,880,612	6,071,067	9,864,276	856,726
Net assets, beginning of year	3,568,676	13,877,808	2,976,667	2,61,097	20,484,248	319,705	9,410,340	9,730,045	33,441,188	32,584,462
Net assets, end of year	2,938,850	16,090,843	1,958,611	2,713,148	23,701,452	510,160	15,290,952	15,801,112	43,305,464	33,441,188

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Functional Expenses  
For Year Ended June 30, 2011  
(With Comparative Summarized Information for the Year Ended June 30, 2010)**

	Program Services										Total	
	Horticulture	Maintenance	Education	Security	Publications	Garden Shop	Science	Enhancement	Admissions	Membership		Capital Campaign
Salaries	\$ 1,630,649	\$ 1,190,552	\$ 1,372,656	\$ 869,274	\$ 216,015	\$ 210,755	\$ 367,891	\$ 582,021	\$ 138,756	\$ 154,985	\$ 451,310	\$ 7,184,864
Fringe benefits	676,584	530,711	484,493	366,443	75,656	86,502	130,397	203,914	14,836	61,789	97,383	2,728,708
Total salaries and benefits	2,307,233	1,721,263	1,857,149	1,235,717	291,671	297,257	498,288	785,935	153,592	216,774	548,693	9,913,572
Supplies and materials	142,877	135,753	99,564	7,755	448	397,206	4,056	30,196	231	2,743	23,435	844,264
Equipment	4,911	9,315	2,406	-	474	141	240	50,370	2,750	2,487	16,452	89,546
Outside services	10,208	114,347	105,170	2,118	4,825	23,370	8,827	170,906	23,069	107,583	15,968	586,391
IT allocation	72,737	56,573	51,185	37,715	10,776	8,082	13,470	18,858	-	8,082	8,082	285,560
Printing	10	78	28,062	423	26,703	1,819	338	43,153	855	143,362	1,495	246,298
Repairs	28,692	98,347	4,515	5,509	-	392	-	-	227	585	-	138,267
Accounting and legal	-	-	-	-	-	-	-	1,844	-	-	4,576	6,420
Professional services	-	-	129,844	-	8,500	-	-	8,214	-	2,900	22,900	172,358
Postage	588	14	17,553	71	1,832	5,249	3,080	2,487	909	70,489	627	102,899
Telephone and utilities	7,557	584,700	7,224	4,023	1,119	-	2,162	3,595	-	840	3,026	614,246
Insurance	25,540	25,927	22,169	10,692	3,694	6,850	5,300	11,633	1,554	6,603	10,853	130,815
Travel	6,937	3,959	21,155	2,186	2,234	132	20,068	37,044	23	14,474	6,995	115,207
Promotion	2,340	150	810	-	15,808	340	1,000	80,500	-	6,874	-	107,822
Books and periodicals	59	-	34,673	29	155	-	-	800	-	695	12	36,423
Depreciation	512,989	34,924	66,825	2,118	147	32,064	7,452	167	-	-	-	656,686
Miscellaneous	-	-	-	2,600	93	-	-	-	-	-	-	2,693
Totals	\$ 3,122,678	\$ 2,785,350	\$ 2,448,304	\$ 1,310,956	\$ 368,472	\$ 772,902	\$ 564,281	\$ 1,245,702	\$ 185,210	\$ 584,491	\$ 663,114	\$ 14,049,467

	Supporting Services		Fundraising		Total	Total 2011 Expenses	Total 2010 Expenses
	Administration	Development	Capital Campaign	Capital Campaign			
Salaries	\$ 1,044,722	\$ 411,018	\$ 426,988	\$ 1,882,728	\$ 9,067,592	\$ 8,980,327	
Fringe benefits	494,631	128,097	143,699	766,427	3,495,135	3,557,695	
Total salaries and benefits	1,539,353	539,115	570,687	2,649,155	12,562,727	12,538,022	
Supplies and materials	25,157	3,981	6,517	35,655	879,919	989,198	
Equipment	30,949	-	(1,000)	29,949	119,495	168,865	
Outside services	101,977	24,585	19,806	146,368	732,759	742,648	
IT allocation	(315,193)	18,858	10,775	(285,560)	-	-	
Printing	9,661	13,757	372	23,790	270,088	312,339	
Repairs	5,587	-	-	5,587	143,854	198,377	
Accounting and legal	183,853	-	16,202	200,055	206,475	127,911	
Professional services	86,763	9,413	42,839	139,015	311,373	375,555	
Postage	8,306	6,946	996	16,248	119,147	133,439	
Telephone and utilities	12,326	2,909	1,120	16,355	630,601	555,357	
Insurance	26,374	10,787	9,868	47,029	177,844	167,522	
Travel	46,208	16,478	4,356	67,042	182,249	177,455	
Promotion	16,632	-	-	16,632	124,454	205,140	
Books and periodicals	827	1,943	-	2,770	39,193	52,259	
Depreciation	359,056	2,314	-	361,370	1,018,056	999,281	
Miscellaneous	-	7,993	224,605	232,598	235,291	71,980	
Totals	\$ 2,137,856	\$ 659,079	\$ 907,143	\$ 3,704,058	\$ 17,753,525	\$ 17,815,348	

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Functional Expenses  
For Year Ended June 30, 2010**

	Program Services										Total	
	Horticulture	Maintenance	Education	Security	Publications	Garden Shop	Science	Enhancement	Admissions	Membership		Capital Campaign
Salaries	\$ 1,671,919	\$ 1,146,788	\$ 1,482,270	\$ 873,574	\$ 232,078	\$ 172,137	\$ 336,917	\$ 547,678	\$ 122,241	\$ 150,495	\$ 210,423	\$ 6,946,520
Fringe benefits	667,955	538,491	552,702	364,801	84,393	83,376	164,361	189,447	15,172	68,981	53,549	2,803,228
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	219,476	263,972	9,749,748
Supplies and materials	140,081	150,444	149,148	6,830	2,468	446,010	5,068	26,301	2,336	5,520	-	934,206
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	102,359	21,437	552,440
IT allocation	95,814	-	103,479	19,163	19,163	11,498	22,995	30,661	7,665	11,498	11,498	333,434
Printing	16	600	48,516	2,319	38,015	3,652	131	36,076	655	139,826	-	269,806
Repairs	46,651	136,554	499	10,010	-	-	126	150	386	-	-	194,376
Accounting and legal	-	-	123,027	-	-	-	-	7,010	-	-	-	7,010
Professional services	-	900	16,649	346	13,245	2,500	-	14,994	-	7,822	138,309	300,797
Postage	1,051	411	9,955	5,337	1,916	8,025	1,209	2,893	124	80,429	-	113,053
Telephone and utilities	8,041	509,259	9,955	5,337	1,314	-	2,963	3,923	-	789	-	541,581
Insurance	27,469	28,957	29,072	12,852	4,476	7,994	5,314	12,621	1,626	6,883	-	137,264
Travel	6,460	4,064	43,897	2,927	798	259	9,214	22,601	-	15,255	-	105,475
Promotion	3,060	150	840	335	24,498	325	1,750	47,957	-	21,745	92,567	193,227
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
<b>Totals</b>	<b>\$ 3,169,694</b>	<b>\$ 2,707,497</b>	<b>\$ 2,812,280</b>	<b>\$ 1,308,983</b>	<b>\$ 427,706</b>	<b>\$ 804,244</b>	<b>\$ 565,536</b>	<b>\$ 1,121,508</b>	<b>\$ 171,170</b>	<b>\$ 611,602</b>	<b>\$ 530,686</b>	<b>\$ 14,230,906</b>

	Supporting Services			Total	Total 2010 Expenses
	Administration	Development	Capital Campaign		
Salaries	\$ 1,034,357	\$ 407,288	\$ 592,162	\$ 2,033,807	\$ 8,980,327
Fringe benefits	473,806	121,946	158,715	754,467	3,557,695
Total salaries and benefits	1,508,163	529,234	750,877	2,788,274	12,538,022
Supplies and materials	37,888	4,904	12,200	54,992	989,198
Equipment	54,461	178	10,287	64,926	168,865
Outside services	131,649	26,938	31,621	190,208	742,648
IT allocation	(356,429)	22,995	-	(333,434)	-
Printing	18,900	13,305	10,328	42,533	312,339
Repairs	4,001	-	-	4,001	198,377
Accounting and legal	112,151	-	8,750	120,901	127,911
Professional services	71,608	1,950	1,200	74,758	375,555
Postage	11,591	7,235	1,560	20,386	133,439
Telephone and utilities	10,404	3,372	-	13,776	555,357
Insurance	23,589	6,669	-	30,258	167,522
Travel	45,803	19,225	6,952	71,980	177,455
Promotion	11,428	485	-	11,913	205,140
Books and periodicals	1,028	2,754	434	4,216	52,259
Depreciation	354,277	2,297	-	356,574	999,281
Miscellaneous	-	11,439	56,741	68,180	71,980
<b>Totals</b>	<b>\$ 2,040,512</b>	<b>\$ 652,980</b>	<b>\$ 890,950</b>	<b>\$ 3,584,442</b>	<b>\$ 17,815,348</b>

See notes to financial statements.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Statement of Cash Flows**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 9,864,276	\$ 856,726
Adjustments to reconcile increase in net assets to net cash (used in) operating activities		
Depreciation	1,018,056	999,281
Realized and unrealized (gains)	(3,181,387)	(2,218,847)
Third party trusts unrealized (gains) losses	(196,916)	250
Change in assets and liabilities		
(Increase) in accounts receivable	(3,849,194)	(1,638,779)
(Increase) in pledges and grants receivable	(4,926,647)	(1,398,599)
(Increase) decrease in inventory	73,412	(33,919)
Decrease in prepaid expenses	16,509	13,802
Increase (decrease) in accounts payable and accrued expenses	(9,530)	461,972
Increase in postretirement benefits	460,519	2,426,019
Increase (decrease) in deferred support	87,419	(11,000)
Net cash (used in) operating activities	<u>(643,483)</u>	<u>(543,094)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(2,420,290)	(8,910,733)
Proceeds from sale of investments	3,060,998	10,425,799
Purchases of property and equipment	(2,559,069)	(1,906,385)
Increase in contracts payable	3,095,610	1,185,100
Net cash provided by investing activities	<u>1,177,249</u>	<u>793,781</u>
<b>Net increase in cash and cash equivalents</b>	<b>533,766</b>	<b>250,687</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>1,377,938</b></u>	<u><b>1,127,251</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 1,911,704</b></u>	<u><b>\$ 1,377,938</b></u>

See notes to financial statements.

## BROOKLYN BOTANIC GARDEN CORPORATION

### Notes to Financial Statements June 30, 2011

#### 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, 2011****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, 2011 and June 30, 2010:

- 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. The balance of this fund was zero at June 30, 2011.

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)  
June 30, 2011****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 \$312,040 for receivables that may not be collectible as of June 30, 2011. Such estimate, which is equal to 3% of pledges receivable at June 30, 2011, is based on management's experience, the aging 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 on the straight-line basis over their estimated useful lives, 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, 2011****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 value. Interest and dividends earned on these trusts for the years ended June 30, 2011 and June 30, 2010 were \$167,557 and \$242,279, respectively, and are classified as unrestricted support in the accompanying statement of activities. Unrealized gains (losses) on these trusts are classified as permanently restricted net assets in the accompanying statement of activities. These trusts exist in perpetuity and they have been accounted for at fair 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, 2011****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, 2010, 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, 2011. 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.

**Reclassifications**

Certain items in the 2010 financial statements have been reclassified for comparative purposes only. Membership expenses, which were previously reflected as supporting services, have been reclassified to program expenses. Also, board designated net assets totaling \$185,591 and temporarily restricted net assets totaling \$100,000 have been reclassified as permanently restricted net assets.

**Subsequent events**

The Garden has evaluated events and transactions for potential recognition or disclosure through October 18, 2011, which is the date the financial statements were available to be issued.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)  
June 30, 2011**

**Note 3 – Composition of net assets**

Unrestricted net assets as of June 30, 2011 and June 30, 2010 have been designated by the Board of Trustees for use as follows:

	<u>2011</u>	<u>2010</u>
General	\$ 2,938,850	\$ 3,368,676
Board-designated endowment	16,090,843	13,877,808
Building	1,958,611	2,976,667
Capital Campaign	<u>2,713,148</u>	<u>261,097</u>
Total	<u>\$ 23,701,452</u>	<u>\$ 20,484,248</u>

Effective September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after that date. The Garden's endowment consists of several funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and a fund designated by the Board of Trustees to function as an endowment. The Garden is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Garden classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted and temporarily restricted net assets based on donor stipulations.

**BROOKLYN BOTANIC GARDEN CORPORATION**

Notes to Financial Statements (continued)  
June 30, 2011

**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, 2011:

	Balance at June 30, 2010	Support	Investment Income	Reclassification of Net Assets	Reduction in Pledge Receivable	Released from Designations and Restrictions	Balance at June 30, 2011
Board-designated endowment	\$ 13,877,808	-	\$ 3,616,826	\$ (185,591)	-	\$ (1,218,200)	\$ 16,090,843
Temporarily restricted							
Purpose restrictions:							
General operating support	249,705	106,000	-	-	-	(87,934)	267,771
Garden apprentice program	50,000	186,498	-	-	-	(155,708)	80,790
Brooklyn Academy of Science and the Environment	-	10,000	-	-	-	-	10,000
Composting	-	193,604	-	-	-	(193,604)	-
Children's garden Children's education	-	600	-	-	-	(600)	-
Horticulture	-	282,607	-	-	-	(282,607)	-
Other programs	20,000	72,975	-	-	-	(63,043)	9,932
	<u>20,000</u>	<u>665,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(543,992)</u>	<u>141,667</u>
Sub-total	319,705	1,517,943	-	-	-	(1,327,488)	510,160
Capital campaign	9,410,340	10,743,146	9,774	(100,000)	(750,000)	(4,022,308)	15,290,952
Total temporarily restricted	<u>9,730,045</u>	<u>12,261,089</u>	<u>9,774</u>	<u>(100,000)</u>	<u>(750,000)</u>	<u>(5,349,796)</u>	<u>15,801,112</u>
Total endowment and temporarily restricted funds	<u>\$ 23,607,853</u>	<u>\$ 12,261,089</u>	<u>\$ 3,626,600</u>	<u>\$ (285,591)</u>	<u>\$ (750,000)</u>	<u>\$ (6,567,996)</u>	<u>\$ 31,891,955</u>

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2011**

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

Permanently restricted net assets are restricted as follows as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Investments in perpetuity, income to support general operations	\$ 1,613,637	\$ 1,234,548
Third party trusts	<u>2,189,263</u>	<u>1,992,347</u>
Total	<u>\$ 3,802,900</u>	<u>\$ 3,226,895</u>

**Note 4 – Investments**

The following is a summary of the fair values of the investments held by the Garden as of June 30, 2011 and 2010:

	<u>Totals</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,317,768	\$ 1,317,768	\$ 1,603,786	\$ 1,603,786
International exchange traded funds	14,609	14,280	-	-
Mutual funds				
Equity	130,457	135,333	132,843	110,668
Fixed income	40,783	45,172	20,536	23,724
Government	59,199	61,942	59,199	62,101
U.S. Treasury notes	24,961	26,409	24,961	27,016
Multi-strategy equity	7,210,746	15,713,405	8,128,069	13,241,638
Multi-strategy bond	5,539,379	6,406,592	4,924,890	5,626,251
Russell funds	-	-	867,719	485,038
Total	<u>\$14,337,902</u>	<u>\$23,720,901</u>	<u>\$15,762,003</u>	<u>\$21,180,222</u>

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2011**

**Note 4 – Investments (continued)**

The following table presents the Garden's financial assets that are measured at fair value on a recurring basis at June 30, 2011:

Description	Fair value measurements at June 30, 2011			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents				
Operating	\$ 1,911,704	\$ 1,911,704	\$ -	\$ -
Investments	1,317,768	1,317,768	-	-
International exchange traded funds	14,280	14,280	-	-
Mutual funds				
Equity	135,333	135,333	-	-
Fixed income	45,172	45,172	-	-
Government	61,942	61,942	-	-
U.S. Treasury Note	26,409	26,409	-	-
Multi-strategy equity fund	15,713,405	-	15,713,405	-
Multi-strategy bond fund	6,406,592	-	6,406,592	-
Trusts held by third parties	2,189,263	2,128,227	-	61,036
Total	<u>\$27,821,868</u>	<u>\$ 5,640,835</u>	<u>\$22,119,997</u>	<u>\$ 61,036</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, 2011:

	Trusts Held by Third Parties	Russell Funds	Total
Balance, beginning of year	\$ -	\$ 485,038	\$ 485,038
Capital contributions	57,631	-	57,631
Distributions	-	(174,405)	(174,405)
Net unrealized gain	3,405	382,682	386,087
Net realized (loss)	-	(693,315)	(693,315)
Balance, end of year	<u>\$ 61,036</u>	<u>\$ -</u>	<u>\$ 61,036</u>

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**  
**June 30, 2011**

**Note 5 – Property and equipment**

Property and equipment consisted of the following as of June 30, 2011 and June 30, 2010:

	<u>2011</u>	<u>2010</u>
Machinery and equipment	\$ 1,568,066	\$ 1,398,430
Leasehold improvements	23,339,849	23,247,957
Building	899,639	899,639
Improvements in progress	<u>8,091,378</u>	<u>5,793,837</u>
Total	33,898,932	31,339,863
Less: accumulated depreciation and amortization	<u>18,618,504</u>	<u>17,600,448</u>
Net property and equipment	<u>\$ 15,280,428</u>	<u>\$ 13,739,415</u>

In addition, capital expenditures to the Garden's facilities, in the amounts of \$8,795,985 and \$1,109,855 were made by the City of New York during the years ended June 30, 2011 and June 30, 2010. The City of New York has spent \$15,444,520 on capital expenditures from the 2002 fiscal year through the 2011 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, 2011 and June 30, 2010, the Garden used discount rates of 1.76% and 1.79%, respectively, to reduce the contributions receivable to their present value. The contributions receivable at June 30, 2011 and June 30, 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Due within one year	\$ 4,064,779	\$ 3,107,473
Due within one to five years	<u>6,807,238</u>	<u>2,449,025</u>
Sub-total	10,872,017	5,556,498
Less amount to reduce the pledges receivable to their present value	328,247	118,010
Less allowance for doubtful accounts	<u>312,040</u>	<u>133,405</u>
Total	<u>\$ 10,231,730</u>	<u>\$ 5,305,083</u>

During the 2011 fiscal year, a donor who had made a pledge in a prior year changed the nature of the pledge to an intent to give. Accordingly, pledges and grants receivable and temporarily restricted net assets were reduced by \$750,000 during the 2011 fiscal year.

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)****June 30, 2011****Note 7 – Pension and retirement plans**

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, 2010, 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 an employee's contributions up to a maximum of 3% of an employee's compensation.

Pension expense for the aforementioned plans was \$837,700 for the year ended June 30, 2011, of which \$394,467 was donated by the City and is included in the financial statements as appropriations by the City.

**Note 8 – 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, which represents the estimated value of benefits earned by the plan participants, for the years ended June 30, 2011 and 2010 totaled \$1,090,228 and \$851,134, respectively, of which \$291,319 and \$285,530 of benefits paid in cash has been allocated to various program and supporting services. The remaining amounts of \$798,909 and \$565,604, respectively, have been reflected as an other deduction in the statement of activities.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 8 – 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, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Benefit obligation	\$ (10,108,977)	\$ (9,648,458)
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status	\$ (10,108,977)	\$ (9,648,458)
Items not yet recognized as a component of net periodic benefit cost		
Net loss	\$ 2,747,888	\$ 3,086,278

Accounting standards for postretirement benefits require that actuarial net losses be recognized in the financial statements over a period of time, thereby smoothing the effect of such items on the financial statements. The net loss above represents a component of the plan liability that has not yet been recognized as an expense in the Garden's financial statements. The portion of the above estimated net loss that will be amortized into net periodic benefit cost, and recognized as an expense during the 2012 fiscal year is \$150,598.

	<u>2011</u>	<u>2010</u>
Employer contributions	\$ 291,319	\$ 285,530
Benefits paid	\$ 291,319	\$ 285,530

	<u>2011</u>	<u>2010</u>
Weighted average assumption to determine benefit obligations and benefit costs for years ended June 30:		
Discount rate (benefit obligation)	5.60%	5.50%
Discount rate (benefit costs)	5.50%	6.75%

The healthcare cost trend rate was assumed to be 7.6% and 7.5% for the years ended June 30, 2011 and June 30, 2010. This trend rate is assumed to decrease gradually to 6.1% by the year ended June 30, 2016.

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, 2012 are \$319,466.

**BROOKLYN BOTANIC GARDEN CORPORATION**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 8 – Postretirement benefits (continued)**

The estimated future benefit payments are shown as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 319,466
2013	342,274
2014	375,710
2015	403,809
2016	444,308
2017 – 2021	2,978,079

**Note 9 – 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 Campaign for the Next Century (the "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, 2011, BBG had submitted the quarterly reports to Robert W. Wilson Charitable Trust and requested payments of \$1,460,892, of which \$1,314,364 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 \$30,800,000, including change orders, as of June 30, 2011. In connection with these contracts, the Garden has recorded contracts payable totaling \$4,280,710 for work completed through that date.

**BROOKLYN BOTANIC GARDEN CORPORATION****Notes to Financial Statements (continued)  
June 30, 2011****Note 10 – 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 11 – 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, 2011, no amounts have been recognized for uncertain income tax positions. The Garden's tax returns for the 2008 fiscal year and forward are subject to the usual review by the appropriate taxing authorities.