



**NATIONAL TROPICAL BOTANICAL GARDEN**

Financial Statements and Schedules

December 31, 2006 and 2005

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
PO Box 4150  
Honolulu, HI 96812-4150

## **Independent Auditors' Report**

The Board of Trustees  
National Tropical Botanical Garden:

We have audited the accompanying balance sheets of National Tropical Botanical Garden (the Garden) as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Garden's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Garden's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Tropical Botanical Garden as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

June 19, 2007

**NATIONAL TROPICAL BOTANICAL GARDEN**

Balance Sheets

December 31, 2006 and 2005

<b>Assets</b>	<b>2006</b>	<b>2005</b>
Cash and cash equivalents	\$ 882,536	277,896
Pledges receivable (note 2)	2,707,523	1,517,186
Grants receivable	64,848	99,841
Merchandise inventories	47,013	64,433
Prepaid expenses and other	310,492	287,364
Short-term investments (notes 3 and 7)	2,858,543	1,915,385
Land, buildings, equipment, and library, at cost, less accumulated depreciation and amortization (notes 4 and 7)	22,592,519	21,228,239
Botanical art collection	465,220	465,220
Notes receivable (notes 5 and 13)	600,000	600,000
Land held for investment (note 13)	1,335,000	1,335,000
Loy McCandless Marks Botanical Library (notes 8 and 13)	8,000,000	8,000,000
Long-term investments (notes 3 and 7)	18,707,416	17,773,456
Beneficial interest in perpetual trust (note 8)	2,811,350	2,595,347
Total assets	\$ 61,382,460	56,159,367
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable, accrued expenses, and other	\$ 646,108	589,465
Liability under charitable remainder annuity trust agreements	23,805	31,907
Notes payable (note 7)	1,700,000	1,845,465
Total liabilities	2,369,913	2,466,837
Net assets:		
Unrestricted	12,655,944	11,070,512
Temporarily restricted (note 12)	14,902,837	12,318,215
Permanently restricted (note 13)	31,453,766	30,303,803
Total net assets	59,012,547	53,692,530
Commitments (notes 3, 6, 7, 8, 10, 11, and 14)		
Total liabilities and net assets	\$ 61,382,460	56,159,367

See accompanying notes to financial statements.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Statement of Activities

Year ended December 31, 2006

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

See accompanying notes to financial statements.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Statement of Activities

Year ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions and bequests (notes 2 and 8)	\$ 3,323,694	6,485,684	520,015	10,329,393
Net realized and unrealized gain on investments (note 3)	20,652	397,147	1,032,213	1,450,012
Tour and visitor center sales, net of costs of goods sold of \$236,290	1,144,174	—	—	1,144,174
Allerton fees and reimbursements (note 11)	868,457	—	—	868,457
Income from investments, net of management, custodial, and other fees of \$113,469 (note 3)	59,676	368,779	—	428,455
Net loss on disposal of land, buildings, and equipment	(758,502)	—	—	(758,502)
Other (note 6)	334,994	—	—	334,994
Net assets released from restrictions (note 12):				
Satisfaction of program restrictions	3,687,096	(3,687,096)	—	—
Satisfaction of capital project restrictions	342,311	(342,311)	—	—
Total revenues, gains, and other support	<u>9,022,552</u>	<u>3,222,203</u>	<u>1,552,228</u>	<u>13,796,983</u>
Expenditures (notes 6 and 10):				
Gardens and preserves:				
McBryde	1,247,111	—	—	1,247,111
Kampong	734,121	—	—	734,121
Allerton	657,242	—	—	657,242
Limahuli	454,531	—	—	454,531
Kahanu	345,187	—	—	345,187
Research and education:				
Science and conservation	2,188,465	—	—	2,188,465
Visitor programs	623,673	—	—	623,673
Education	311,520	—	—	311,520
Administration and finance	1,468,340	—	—	1,468,340
Development	587,658	—	—	587,658
Total expenditures	<u>8,617,848</u>	<u>—</u>	<u>—</u>	<u>8,617,848</u>
Change in net assets	404,704	3,222,203	1,552,228	5,179,135
Net assets at beginning of year	<u>10,665,808</u>	<u>9,096,012</u>	<u>28,751,575</u>	<u>48,513,395</u>
Net assets at end of year	<u>\$ 11,070,512</u>	<u>12,318,215</u>	<u>30,303,803</u>	<u>53,692,530</u>

See accompanying notes to financial statements.

## NATIONAL TROPICAL BOTANICAL GARDEN

### Statements of Cash Flows

Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 5,320,017	5,179,135
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net loss on disposal of land, buildings, and equipment	—	758,502
Depreciation	639,132	552,676
Increase in pledges receivable	(1,190,337)	(1,335,101)
Decrease in grants receivable	34,993	100,562
Decrease (increase) in merchandise inventories	17,420	(12,590)
Increase in prepaid expenses and other	(23,128)	(137,377)
Increase (decrease) in accounts payable and accrued expenses	56,643	(126,579)
Change in charitable remainder annuity trust, net	(8,102)	65,025
Contributions restricted for long-term investment	(4,279,055)	(4,852,730)
Net realized and unrealized gain on investments	(1,846,775)	(1,450,012)
Contributions of marketable security investments	(2,213,326)	(2,113,468)
Net cash used in operating activities	(3,492,518)	(3,371,957)
Cash flows from investing activities:		
Purchases of land, buildings, equipment, and library	(2,003,412)	(1,806,189)
Proceeds from sale of land, buildings, and equipment	—	18,800
Proceeds from sale of investments	12,480,637	16,609,193
Purchases of investments	(10,513,657)	(16,421,063)
Net cash used in investing activities	(36,432)	(1,599,259)
Cash flows from financing activities:		
Bank overdraft	—	98,222
Proceeds from contributions restricted for:		
Investment in land, buildings, equipment, and library	4,210,955	4,332,715
Investment in endowment	68,100	520,015
Principal payments on notes payable	(145,465)	(389,055)
Net cash provided by financing activities	4,133,590	4,561,897
Net increase (decrease) in cash and cash equivalents	604,640	(409,319)
Cash and cash equivalents at beginning of year	277,896	687,215
Cash and cash equivalents at end of year	\$ 882,536	277,896
Supplemental information:		
Interest paid	\$ 1,485	19,252

See accompanying notes to financial statements.

# NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2006 and 2005

## (1) Summary of Significant Accounting Policies

### (a) *General*

National Tropical Botanical Garden (the Garden) was chartered by the 88th Congress on August 19, 1964 under Public Law 88-449. Its purpose is to establish and operate, for the benefit of the people of the United States, a tropical botanical garden, together with such related facilities as are appropriate and necessary for encouraging and conducting research in basic and applied tropical botany. The majority of the Garden's operations are conducted in the state of Hawaii. The Garden also operates a botanical garden in the state of Florida. The Garden has no power to issue shares of stock or to pay dividends.

### (b) *Financial Statement Presentation*

Net assets and revenues, gains, and other support, and expenditures are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Garden and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Net assets not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Garden and/or the passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Garden. The donors of these assets permit the Garden to use the income earned on related investments for general or specific purposes.

### (c) *Cash Equivalents*

For purposes of the statements of cash flows, the Garden considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

### (d) *Merchandise Inventories*

Merchandise inventories consist of books and other botanically related items and are recorded at the lower of cost (first-in, first-out) or market.

### (e) *Investments*

#### **Marketable Securities**

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with unrealized gains and losses included in the statements of activities. Gains and losses on investments are reported in the accompanying statements of activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. The fair value of securities is based on quoted market prices.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2006 and 2005

**Other Investments**

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

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

Land, buildings, equipment, and library are capitalized at cost, if purchased, or at fair market value at the date of the donation. Assets contributed for which the fair value is not determinable at the date of donation are recorded, as support, if and when such values are determined.

The Garden reports gifts of land, buildings, equipment, and library as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Garden reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

Depreciation of long-lived assets is calculated on the straight-line basis over estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	20
Furniture, fixtures, and equipment	8
Library	10

**(g) Botanical Art Collection**

Art objects are capitalized at cost, if purchased, or at fair value, if determinable, at the date of donation.

**(h) Contributions**

Contributions are recorded in the period received. Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and bequests. Conditional contributions are recorded at their estimated fair value in the period the conditions are met or in the period received if there is only a remote likelihood that those conditions will not be met.

The Garden reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

## NATIONAL TROPICAL BOTANICAL GARDEN

### Notes to Financial Statements

December 31, 2006 and 2005

(i) ***Charitable Remainder Trusts***

The Garden reports charitable remainder trust arrangements, where a donor establishes and funds a trust with specified distributions to be made to designated beneficiaries over the trust's term, as contributions in the period in which the trust is established. The assets held in the trust are recorded at fair value and the obligations to beneficiaries are recorded as liabilities at the present value of the estimated future payments to be distributed.

(j) ***Perpetual Trusts***

The Garden is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts are recorded as investment return and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

(k) ***Impairment of Long-Lived Assets***

The Garden accounts for long-lived assets under the provisions of Statement of Financial Accounting Standards No. 144 (Statement 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with Statement 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the balance sheets.

(l) ***Use of Estimates***

The preparation of the financial statements requires management of the Garden to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and other support and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of merchandise inventories; land, buildings, equipment, and library; land held for investment; receivables; and liability under charitable remainder annuity trust agreements. Actual results could differ from those estimates.

(m) ***Reclassifications***

Certain reclassifications were made to 2005 amounts to conform to 2006 presentations. Such reclassifications did not impact the previously reported change in net assets.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2006 and 2005

**(2) Pledges Receivable**

Pledges receivable consisted of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Contributions to be received within one year	\$ 1,059,973	290,000
Contributions to be received in one to five years	1,944,666	1,310,531
	<u>3,004,639</u>	<u>1,600,531</u>
Less discount to present value (4.69% and 4.35%)	<u>(297,116)</u>	<u>(83,345)</u>
	<u>\$ 2,707,523</u>	<u>1,517,186</u>

**(3) Investments**

As of December 31, 2006 and 2005, investments are classified as short-term and long-term as follows:

	<u>2006</u>	<u>2005</u>
Short-term:		
Unrestricted and temporarily restricted	\$ 2,858,543	1,915,385
Long-term:		
Permanently restricted	<u>18,707,416</u>	<u>17,773,456</u>
Total investments	<u>\$ 21,565,959</u>	<u>19,688,841</u>

A summary of investments at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Marketable securities:		
Cash and cash equivalents	\$ 4,938,252	4,319,385
Mutual funds	2,138,347	1,430,820
Common stocks	12,361,621	12,979,930
Government securities	150,541	—
Mortgage-backed securities	486,231	209,492
Corporate bonds	637,629	747,284
Convertible securities	<u>1,628</u>	<u>1,930</u>
	20,714,249	19,688,841
Investment in limited partnerships	<u>851,710</u>	—
	<u>\$ 21,565,959</u>	<u>19,688,841</u>

Investments with a carrying value of \$5,617,125 at December 31, 2006 are held as security on a letter-of-credit facility issued by a bank (see note 7).

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2006 and 2005

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

A summary of land, buildings, equipment, and library as of December 31, 2006 and 2005 is as follows:

	<b>2006</b>	<b>2005</b>
Kampong:		
Land	\$ 5,661,095	5,661,095
Buildings	966,012	901,489
Furniture, fixtures, and equipment	184,115	116,648
Total Kampong	6,811,222	6,679,232
Hawaii:		
Land and land improvements	12,523,775	12,326,793
Building and building improvements	6,039,523	5,974,795
Furniture, fixtures, and equipment	3,444,229	3,150,886
Library	286,894	272,394
Construction in progress	1,921,508	619,639
Total Hawaii	24,215,929	22,344,507
	31,027,151	29,023,739
Less accumulated depreciation	8,434,632	7,795,500
	\$ 22,592,519	21,228,239

**(5) Notes Receivable**

Notes receivable consists of six promissory notes which bear interest at 9.4% per annum with interest due monthly and principal due on December 1, 2016. The notes are due from a trust for which a trustee is also a member of the Garden's board of trustees. On January 6, 2007, the payments were received in full on the outstanding notes. The proceeds have been deposited to a permanently restricted investment account for the benefit of the Limahuli garden operations, as designated by the donors.

**(6) Leases**

**(a) As Lessee**

The Garden was the lessee in an operating lease for real property in Kalaheo, Kauai for staff housing, which expired in August 2005. Rent expense for this lease was \$13,600 for 2005.

**(b) As Lessor**

In 2002, the Garden entered into a lease agreement as lessor for real property located in Maui, Hawaii with a member of the board of trustees, as tenant. The lease provides for no rent payments to be received from the tenant and terminates on the earlier of July 2, 2007, one year after the death of the tenant, or under an early termination provision as defined in the lease agreement.

## NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2006 and 2005

In 2000, the Garden entered into an operating lease for real property located in Miami-Dade County, Florida. The lease provides for monthly rent of \$2,500 and expires on December 31, 2008. Rental income for this lease amounted to \$30,000 for 2006 and 2005. Future minimum rent receipts under the lease are \$30,000 for each year ending December 31, 2007 and 2008.

### (7) Notes Payable

Notes payable at December 31, 2006 and 2005 consisted of the following:

	2006	2005
Mortgage note payable to a member of the board of trustees, noninterest-bearing until termination of the lease agreement (see note 6), at which time interest accrues at 6% per annum, due in 2008, secured by real property in Maui, Hawaii and a letter-of-credit facility with a bank for \$1,800,000 (secured by certain investments) (see note 3)	\$ 1,700,000	1,700,000
9% mortgage note payable, paid in full in 2006	—	145,465
	\$ 1,700,000	1,845,465

The outstanding note payable as of December 31, 2006 of \$1,700,000 expires in 2008.

At December 31, 2006, the Garden had a \$500,000 line-of-credit facility with a bank for working capital. The agreement provides for interest at 0.25% over the bank's prime lending rate per annum and expires on June 1, 2007. Drawings on the line of credit are secured by certain assets of the Garden. There were no borrowings under the line-of-credit facility in 2006 and 2005.

### (8) Contributions

#### (a) *Waterhouse Trust*

During 2006 and 2005, the Garden, as an income beneficiary of the Waterhouse Trust, which was funded in 1985 by approximately \$5,300,000 of marketable securities and a partial interest in land from the Waterhouse estate, received distributions from the trust amounting to \$486,682 and \$495,608, respectively, which are recorded as unrestricted contributions in the accompanying statements of activities. Distributions from the trust continue until the death of the last of the grantor's nieces and nephews, at which time certain revisions will be made relating to distributions to income beneficiaries. As the financial impact of such revisions cannot be determined at this time, the present value of the estimated future cash receipts from the trust's assets has not been recorded in the financial statements.

#### (b) *Allerton Trusts*

The Garden has a beneficial interest in two perpetual trusts that were created by Mr. John Wyatt Gregg Allerton in 1969 and 1974. In 2006 and 2005, the Garden received distributions from the trusts amounting to \$128,508 and \$166,284, respectively, which are recorded as unrestricted

## NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2006 and 2005

contributions in the accompanying statements of activities. Distributions from the trusts, which continue in perpetuity, are to be used by the Garden for the promotion and advancement of botanical research and education on the island of Kauai.

(c) ***The Kampong***

In 1984, the Kampong Fund (Fund), a state of Washington corporation, was organized to manage and financially support the Kampong estate during the lifetime of Mrs. Edward Sweeney. With the passing of Mrs. Sweeney, the Fund was liquidated and dissolved. Assets with a fair value of \$3,174,234 were transferred to and became the property of the Garden to be used for the maintenance and upkeep of the Kampong estate. The provisions of the asset transfer require that should the Garden sell the Kampong estate, the proceeds from the sale and any remaining assets be held in perpetuity with investment income used to advance the study of botanical science in the mainland United States.

(d) ***Loy McCandless Marks Botanical Library***

On August 1, 1998, the botanical library of the Loy McCandless Marks Revocable Living Trust was distributed to the Garden. The terms of the distribution require that, among other items, the Garden repair and maintain the library assets and that the library assets be housed in the Garden's library at its headquarters in Lawai, Kauai. Further, the terms of the distribution stipulate that the Garden's library be reconfigured for various upgrades to ensure preservation of the library assets and that sales or exchanges of the library assets are prohibited, except under unusual circumstances. The library assets were appraised by a third party at a collective value of approximately \$8,000,000.

(e) ***Eleanor Evans Crum Trust***

In March 2001, the Garden learned it was named as beneficiary of the Eleanor Evans Crum Trust. Another charitable organization and the two surviving nieces of Eleanor Evans Crum were also named as beneficiaries. The trust did not meet certain requirements for exemption from federal estate tax, and accordingly, a petition was filed in the respective court to divide the trust into four separate trusts, each with an equal share of the residual assets. In July 2002, the court entered a final order approving the division of the residual assets into four trusts, with each of the beneficiaries as being named beneficiary of one of the four separate trusts. Before and during the process of restructuring, the net income of the trust was payable in equal annual installments to the named beneficiaries. During 2006 and 2005, the Garden received distributions from the trust of \$136,518 and \$122,437, respectively, which are recorded as unrestricted contributions in the accompanying statements of activities. Distributions from the trusts continue until the death of the last of the two individual beneficiaries, at which time each trust will terminate and the balance of the remaining residual assets will be distributed to the Garden and the named charitable organization. As the financial information relating to the trust and the balance of the remaining residual assets cannot be determined at this time, the present value of the estimated future cash receipts from the trust assets has not been recorded in the accompanying financial statements.

**NATIONAL TROPICAL BOTANICAL GARDEN**

Notes to Financial Statements

December 31, 2006 and 2005

**(9) Federal Income Taxes**

The Garden is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**(10) Pension Plan**

The Garden has a defined contribution retirement plan which is contributory and available to all qualified employees. Benefits are funded through life insurance annuity contracts. Pension expense for the years ended December 31, 2006 and 2005 totaled \$170,003 and \$203,446, respectively.

**(11) Allerton Gardens**

In 1991, the Garden entered into a management agreement with the trustee of the Allerton Gardens Trust (Trust) which requires the Garden to operate and maintain Allerton Gardens in accordance with written plans established by the Garden and Allerton Gardens Trust's trustee (Trustee). The initial plan included the repair and restoration, installation of new plantings, and construction of improvements to Allerton Gardens.

Effective January 2005, the original management agreement was amended wherein the Garden is obligated to pay \$1,500 monthly to the Trustee with an annual management fee to be paid to the Garden of \$215,000. Further, the Trust reimburses the Garden for all reasonable costs and expenses to operate Allerton Gardens. These costs include payments to contractors and suppliers; charges for utility services; premiums for insurance policies; maintenance; repair and operating costs; costs of improvements; costs of materials; equipment, supplies, and tools; costs of plantings; travel expenses; professional expenses approved by the Trustee; and the salaries and fringe benefits of Garden employees assigned full time to carry out the responsibilities under the management agreement. The amended agreement expires on December 31, 2028. The Garden received management fees of \$215,000 per year for 2006 and 2005.

**(12) Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2006 and 2005 are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Gardens and preserves:		
Capital projects	\$ 8,254,127	5,502,733
Kampong Garden	3,924,658	4,024,364
Conservation, science, and education	1,494,889	1,330,837
Limahuli	337,653	371,583
Kahanu	146,903	119,782
McBryde	5,092	89,779
Other	739,515	879,137
	<u>\$ 14,902,837</u>	<u>12,318,215</u>

## NATIONAL TROPICAL BOTANICAL GARDEN

### Notes to Financial Statements

December 31, 2006 and 2005

Net assets in the amount of \$5,143,721 and \$4,029,407 in 2006 and 2005, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<b>2006</b>	<b>2005</b>
Garden and preserves:		
Conservation, science, and education	\$ 1,168,637	1,597,290
Kampong Garden	967,028	950,462
Limahuli	285,624	174,105
McBryde	276,943	174,286
Kahanu	219,018	210,566
Other	768,995	580,387
	3,686,245	3,687,096
Capital projects	1,457,476	342,311
	\$ 5,143,721	4,029,407

### (13) Permanently Restricted Net Assets

At December 31, 2006 and 2005, permanently restricted net assets (e.g., endowment funds) consist of the following:

	<b>2006</b>	<b>2005</b>
Loy McCandless Marks Botanical Library (note 8)	\$ 8,000,000	8,000,000
Any activities of the Garden	5,797,200	5,544,283
Land – Limahuli Garden	1,335,000	1,335,000
Restricted for:		
McBryde operations	6,728,130	6,087,009
Kampong operations (note 8)	3,194,234	3,194,234
Research personnel	2,963,672	2,815,078
Education and memorials	2,165,519	2,104,919
Landscaping personnel	640,193	603,280
Limahuli garden operations (note 5)	600,000	600,000
Botanical research center	22,318	20,000
Kampong director	7,500	—
	\$ 31,453,766	30,303,803

### (14) Commitment

As of December 31, 2006, the Garden has outstanding commitments of approximately \$11,076,000 under contracts for construction and architectural services for its botanical research center and Kampong education center.

## NATIONAL TROPICAL BOTANICAL GARDEN

## Expenditures

Year ended December 31, 2006

## Gardens and preserves

	<u>Total</u>	<u>McBryde</u>	<u>Kampong</u>	<u>Allerton</u>	<u>Limahuli</u>	<u>Kahanu</u>
Salaries and related employee costs	\$ 5,096,857	666,355	359,499	505,950	387,201	254,802
Depreciation	639,132	159,369	50,810	1,363	36,593	38,696
Professional fees	503,795	—	7,861	39,600	14,858	16,229
Insurance	296,391	181	31,358	—	—	728
Meetings and travel	291,463	943	6,882	—	20,931	5,239
Telephone and utilities	258,797	139,693	34,009	22,288	6,093	6,950
Repair maintenance – property and equipment	233,817	130,576	42,905	15,474	9,823	10,806
Contract labor	184,304	22,084	40,427	24,371	15,921	7,523
Events and conferences	121,506	—	112,243	—	74	28
Real property taxes	90,507	—	84,506	337	236	5,150
Gas and oil	78,200	30,813	2,237	8,290	5,116	8,717
Horticultural supplies	72,535	27,949	10,184	5,087	3,843	3,568
Awards and honoraria	61,400	—	—	—	—	—
Printing and reproduction	53,501	—	3,948	—	12,588	127
Office supplies	49,540	481	2,898	9	4,932	2,546
Bank fees	46,463	30	3,267	—	3,452	312
Advertising and promotions	42,011	—	—	—	88	195
Postage and delivery	33,071	16	2,125	—	899	470
Rent/lease property and equipment	29,510	—	5,703	—	1,041	553
Minor equipment	27,806	6,461	2,626	2,204	1,682	3,621
Helicopter rental	27,564	—	—	—	9,850	—
Restoration supplies and equipment	26,301	—	—	—	—	—
Licenses and permits	25,364	4,315	498	101	75	366
Computer software maintenance	25,319	—	573	—	758	115
Dues and subscriptions	21,929	—	270	—	205	548
Large repairs and flood damage	20,899	—	—	20,899	—	—
Maintenance supplies	20,757	1,595	2,316	348	6,675	5,478
Other maintenance and supplies	16,766	—	1,324	94	3,266	259
Interns sundry course expenditures	16,174	—	—	—	—	—
Laboratory supplies	15,824	—	1,667	—	—	—
Irrigation supplies	14,219	5,434	103	530	3,045	—
Research supplies	11,721	—	—	—	—	—
Land and building improvements	10,946	—	—	—	4,476	6,470
Equipment	6,463	—	—	—	—	2,804
Shop supplies	6,274	—	—	—	—	—
Curriculum development	5,894	—	—	—	—	—
Programs and events	5,792	—	—	—	—	882
Curation and herbarium supplies	5,403	—	—	—	—	—
Furniture and fixtures	4,762	—	348	—	—	—
Library books and supplies	4,602	—	—	—	—	—
Photo and processing supplies	3,268	—	1,312	—	70	150
Publications/books	3,069	—	71	—	257	438
Collecting supplies	2,846	—	—	—	—	—
Volunteer program	2,456	—	—	—	249	—
Mapping supplies and equipment	1,564	—	—	—	79	—
Interest expense	1,485	—	1,485	—	—	—
Donations	1,159	—	—	—	—	150
Network	732	—	180	—	—	—
Visitor's program interpretation	520	—	103	—	—	417
Page costs	500	—	—	—	—	—
Gardeners' classroom supplies	205	—	—	—	—	—
Use tax	3	—	—	—	—	—
	<u>\$ 8,521,386</u>	<u>1,196,295</u>	<u>813,738</u>	<u>646,945</u>	<u>554,376</u>	<u>384,337</u>

## NATIONAL TROPICAL BOTANICAL GARDEN

## Expenditures

Year ended December 31, 2006

	Research and education			Administration and finance	Development
	Science and conservation	Visitor programs	Education		
Salaries and related employee costs	\$ 1,295,874	338,316	169,595	694,035	425,230
Depreciation	109,518	101,709	15,802	125,272	
Professional fees	76,692	—	—	285,207	63,348
Insurance	15,829	19,670	5,967	222,658	—
Meetings and travel	118,070	584	34,587	54,545	49,682
Telephone and utilities	6,537	23,983	2,252	12,998	3,994
Repair maintenance – property and equipment	2,805	17,302	1,045	3,081	—
Contract labor	61,360	6,240	1,843	1,391	3,144
Events and conferences	—	—	—	2,124	7,037
Real property taxes	104	—	—	174	—
Gas and oil	5,346	12,746	2,227	2,551	157
Horticultural supplies	15,221	995	5,688	—	—
Awards and honoraria	—	—	61,400	—	—
Printing and reproduction	—	13,036	201	372	23,229
Office supplies	5,014	2,134	1,928	27,031	2,567
Bank fees	247	19,651	125	19,314	65
Advertising and promotions	1,108	2,974	—	185	37,461
Postage and delivery	13,726	—	748	10,384	4,703
Rent/lease property and equipment	1,166	2,923	—	18,124	—
Minor equipment	4,292	1,132	4,659	885	244
Helicopter rental	17,714	—	—	—	—
Restoration supplies and equipment	23,125	—	3,176	—	—
Licenses and permits	23	19,476	165	25	320
Computer software maintenance	2,083	—	85	690	21,015
Dues and subscriptions	6,380	610	—	10,619	3,297
Large repairs and flood damage	—	—	—	—	—
Maintenance supplies	1,368	2,197	—	780	—
Other maintenance and supplies	3,368	335	992	6,314	814
Interns sundry course expenditures	—	—	16,174	—	—
Laboratory supplies	13,889	—	268	—	—
Irrigation supplies	5,107	—	—	—	—
Research supplies	11,721	—	—	—	—
Land and building improvements	—	—	—	—	—
Equipment	3,659	—	—	—	—
Shop supplies	—	3,245	2,887	142	—
Curriculum development	2,200	—	3,694	—	—
Programs and events	3,337	992	252	223	106
Curation and herbarium supplies	5,354	—	49	—	—
Furniture and fixtures	2,439	680	—	1,295	—
Library books and supplies	4,602	—	—	—	—
Photo and processing supplies	1,575	—	21	—	140
Publications/books	1,257	—	17	285	744
Collecting supplies	2,846	—	—	—	—
Volunteer program	277	—	234	1,696	—
Mapping supplies and equipment	1,485	—	—	—	—
Interest expense	—	—	—	—	—
Donations	—	—	—	1,009	—
Network	—	—	—	552	—
Visitor's program interpretation	—	—	—	—	—
Page costs	500	—	—	—	—
Gardeners' classroom supplies	—	—	205	—	—
Use tax	—	—	—	3	—
	<u>\$ 1,847,218</u>	<u>590,930</u>	<u>336,286</u>	<u>1,503,964</u>	<u>647,297</u>

See accompanying independent auditors' report.

## NATIONAL TROPICAL BOTANICAL GARDEN

Changes in Temporarily Restricted Net Assets

Year ended December 31, 2006

	Balance at December 31, 2005	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2006
Capital Projects:						
Library/Herbarium	\$ 4,605,722	3,138,895	156,947	7,901,564	697,848	7,203,716
Land Acquisition Fund	585,721	37,000	—	622,721	10	622,711
Intern Housing	50,000	152,498	—	202,498	31,421	171,077
Kahanu Fuel Cell System	102,997	—	—	102,997	—	102,997
Kampong Conference Facility	57,525	708,350	—	765,875	698,834	67,041
Plant Site	39,876	—	—	39,876	—	39,876
Lawai Valley Water Resource	16,556	—	—	16,556	—	16,556
Kahanu Land Acquisition	26,009	—	—	26,009	13,012	12,997
Scarborough House	12,933	—	—	12,933	105	12,828
Kampong Facility Improvements	5,394	5,050	—	10,444	6,116	4,328
Capital Fund	—	—	10,130	10,130	10,130	—
Total Capital Projects	5,502,733	4,041,793	167,077	9,711,603	1,457,476	8,254,127
Kampong Garden:						
Kampong Estate	3,778,986	—	—	3,778,986	—	3,778,986
Kampong Kenan Science Lab	97,132	—	—	97,132	64,286	32,846
Kampong Database Project	27,051	5,000	—	32,051	2,038	30,013
Kampong Rainwater Collection Project	28,026	—	—	28,026	808	27,218
Kampong Anonymous/Library/Oak Foundation	23,639	—	—	23,639	—	23,639
Kampong Operations	31,098	259,923	—	291,021	278,438	12,583
Kampong Bali Hai	8,850	87,235	—	96,085	84,735	11,350
Kampong Grotto	—	10,000	—	10,000	3,898	6,102
Kampong Electric/Internet Upgrade	2,258	—	—	2,258	607	1,651
Kampong Plant Labeling Project	—	7,500	—	7,500	7,230	270
Kampong Hurricane Recovery Gifts	21,572	6,243	—	27,815	27,815	—
Kampong Education Summit	5,752	—	—	5,752	5,752	—
Kampong David Fairchild Medal	—	5,000	13,485	18,485	18,485	—
Kampong Sweeney Endowment	—	—	300,436	300,436	300,436	—
Kampong Hissar Mortgage Payoff	—	160,000	—	160,000	160,000	—
Kampong Agua Fund CFCC	—	12,500	—	12,500	12,500	—
Total Kampong Garden	4,024,364	553,401	313,921	4,891,686	967,028	3,924,658

## NATIONAL TROPICAL BOTANICAL GARDEN

## Changes in Temporarily Restricted Net Assets

Year ended December 31, 2006

	Balance at December 31, 2005	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2006
Conservation, Science, and Education:						
Internship Program	\$ 305,299	672	246,352	552,323	82,463	469,860
McBryde Chair (HTCO #3)	217,307	—	196,998	414,305	38,840	375,465
Journalism Course	11,000	125,044	—	136,044	11,000	125,044
Kahanu Breadfruit Collection/Breadfruit Institute	177,317	240,488	—	417,805	325,360	92,445
Conservation Program	173,375	71,967	—	245,342	168,388	76,954
Conservation Lennox Grant	30,000	58,656	—	88,656	30,000	58,656
Flora of the Marquesas Project	65,150	—	—	65,150	11,550	53,600
Genetic Safety Net	63,832	47,760	—	111,592	63,713	47,879
Strong Foundation Education Grant	108,091	15,780	—	123,871	81,761	42,110
Horticultural Internship	54,474	94	—	54,568	18,727	35,841
Publications	39,819	407	—	40,226	9,688	30,538
Physicians Course	23,560	31,400	—	54,960	27,198	27,762
Research Botanist (HTCO #2)	—	—	23,471	23,471	—	23,471
College Professors Course	9,204	25,090	—	34,294	19,570	14,724
NTBG Website	12,295	24,080	—	36,375	24,604	11,771
U.S. Botanical Garden Terrace Exhibit	—	7,000	—	7,000	176	6,824
Volunteer Facility at VC Garden	850	—	—	850	—	850
Na Lima Kokua	807	—	—	807	—	807
GPS Equipment	—	25,000	—	25,000	24,806	194
Fellows Project – Herbarium Amboense Translation	1,270	50,500	—	51,770	51,677	93
B. Evans Chair (HTCO #1)	—	—	72,709	72,709	72,708	1
Conservation Projects	21,303	14,500	—	35,803	35,803	—
Guggenheim Grant for Dr. Burney	—	18,500	—	18,500	18,500	—
Horticulture & Living Collections Fellows Project	—	17,150	—	17,150	17,150	—
Horticulture Summit	10,000	—	—	10,000	10,000	—
Microscopes – Evn Edu Program – Wilcox Foundation	5,336	—	—	5,336	5,336	—
Science General Operations	—	5,000	—	5,000	5,000	—
Ethnobotany Courses	—	4,500	—	4,500	4,500	—
Student Awards	—	—	3,573	3,573	3,573	—
Public Lectures	—	—	3,240	3,240	3,240	—
Chandler Education Program	—	—	1,489	1,489	1,489	—
Horticulture Training Program	—	—	1,269	1,269	1,269	—
Restoration Biologist	548	—	—	548	548	—
Total Conservation, Science, and Education	1,330,837	783,588	549,101	2,663,526	1,168,637	1,494,889

## NATIONAL TROPICAL BOTANICAL GARDEN

## Changes in Temporarily Restricted Net Assets

Year ended December 31, 2006

	Balance at December 31, 2005	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2006
Limahuli Garden and Preserve:						
Limahuli Operations	\$ 174,462	70,294	56,400	301,156	145,250	155,906
Limahuli Lannon Mapping	116,502	100,000	—	216,502	101,321	115,181
Limahuli Capital Improvements	22,394	15,000	—	37,394	15,219	22,175
Limahuli Land Acquisition Fund	20,133	—	—	20,133	—	20,133
Limahuli Ahupuaa Program	32,472	—	—	32,472	16,384	16,088
Limahuli Irrigation Piping (SFP)	5,000	—	—	5,000	—	5,000
Onipa'a Na Hui Kalo	—	10,000	—	10,000	6,830	3,170
NWF Fellowship Grant – K. Winter	620	—	—	620	620	—
Total Limahuli Garden and Preserve	371,583	195,294	56,400	623,277	285,624	337,653
Kahanu Garden:						
Kahanu Giest Grant	41,626	47,760	—	89,386	18,150	71,236
Kahanu Piilanihale Heiau	49,212	—	—	49,212	4,892	44,320
Kahanu Road Improvements	14,496	—	—	14,496	—	14,496
Kahanu Capital Improvement	6,623	—	—	6,623	597	6,026
Kahanu Visitor Center	5,000	—	—	5,000	—	5,000
Kahanu Mini Internship	—	3,000	—	3,000	—	3,000
Kahanu Equipment	2,002	—	—	2,002	—	2,002
Kahanu Hale	823	—	—	823	—	823
Kahanu Operations	—	195,379	—	195,379	195,379	—
Total Kahanu Garden	119,782	246,139	—	365,921	219,018	146,903
McBryde Garden:						
Garden Master Planning	5,092	—	—	5,092	—	5,092
Road Improvements – Lawai	50,000	—	—	50,000	50,000	—
McBryde Storm Damage	34,687	100,902	—	135,589	135,589	—
McBryde Operations (HTCO #4)	—	—	19,685	19,685	19,685	—
Dillingham Memorial	—	—	48,198	48,198	48,198	—
Gardeners (HTCO #2)	—	—	23,471	23,471	23,471	—
Total McBryde Garden	89,779	100,902	91,354	282,035	276,943	5,092

## NATIONAL TROPICAL BOTANICAL GARDEN

## Changes in Temporarily Restricted Net Assets

Year ended December 31, 2006

	<u>Balance at December 31, 2005</u>	<u>Contributions</u>	<u>Income from investments and net appreciation</u>	<u>Total</u>	<u>Net assets released from restrictions</u>	<u>Balance at December 31, 2006</u>
Other:						
Sundry TRF Contributions	\$ 634,201	590,269	—	1,224,470	641,571	582,899
Charitable Remainder Annuity Trust	67,871	—	—	67,871	—	67,871
McBryde Restrooms	60,000	—	—	60,000	23,860	36,140
Hawaii Community Foundation Volunteer Coordinator	—	39,104	—	39,104	10,000	29,104
Interpretive Signage in McBryde Garden	15,100	—	—	15,100	3,077	12,023
Tour Vehicles	94,465	—	—	94,465	87,987	6,478
K Knopp Trail	5,000	—	—	5,000	—	5,000
Wiseman Oral History of NTBG	2,500	—	—	2,500	2,500	—
Total Other	<u>879,137</u>	<u>629,373</u>	<u>—</u>	<u>1,508,510</u>	<u>768,995</u>	<u>739,515</u>
	<u>\$ 12,318,215</u>	<u>6,550,490</u>	<u>1,177,853</u>	<u>20,046,558</u>	<u>5,143,721</u>	<u>14,902,837</u>

See accompanying independent auditors' report.