



National Tropical Botanical Garden

Financial Statements and Supplemental Schedules
(With Independent Auditors' Report Thereon)

December 31, 2016 and 2015

Independent Auditors' Report

The Board of Trustees
National Tropical Botanical Garden:

We have audited the accompanying financial statements of National Tropical Botanical Garden (the Garden), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KKDL Y LLC

Honolulu, Hawaii
June 29, 2017

NATIONAL TROPICAL BOTANICAL GARDEN

Balance Sheets

December 31, 2016 and 2015

Assets	2016	2015
Cash	\$ 3,050,389	\$ 3,872,383
Pledges receivable	664,833	911,270
Government contracts and grants receivable	76,134	182,635
Merchandise inventories	67,773	84,859
Prepaid expenses and other	606,287	609,734
Short-term investments	382,155	865,561
Net land, buildings, equipment, and library	35,037,586	35,091,728
Botanical art collection	465,220	465,220
Land held for preservation	980,000	980,000
Land held for investment	1,335,000	1,335,000
Loy McCandless Marks Botanical Library	8,000,000	8,000,000
Long-term investments	16,787,474	16,427,354
Beneficial interest in perpetual trust	2,108,954	2,134,108
Total assets	\$ 69,561,805	\$ 70,959,852
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses, and other	\$ 744,808	\$ 695,220
Deferred gain on sale of land	250,000	250,000
Debt	510,889	208,798
Charitable gift annuity obligation	443,023	524,623
Total liabilities	1,948,720	1,678,641
Net assets:		
Unrestricted:		
Undesignated	25,588,458	25,975,793
Board designated as The Kampong endowment	991,292	968,077
Temporarily restricted	12,513,821	13,792,673
Permanently restricted	28,519,514	28,544,668
Total net assets	67,613,085	69,281,211
Total liabilities and net assets	\$ 69,561,805	\$ 70,959,852

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions and bequests	\$ 2,301,763	\$ 2,057,327	\$ -	\$ 4,359,090
Tour and visitor center sales, net of costs of goods sold of \$436,022	3,251,740	-	-	3,251,740
Government and other contracts	518,945	-	-	518,945
Net realized and unrealized gain on investments	473,525	366,414	-	839,939
Decrease in beneficial interest in perpetual trusts	-	-	(25,154)	(25,154)
Allerton fees and reimbursements	678,196	-	-	678,196
Income from investments, net of management, custodial, and other fees of \$125,258	46,714	304,390	-	351,104
Other	289,633	-	-	289,633
Net assets released from restrictions	4,006,983	(4,006,983)	-	-
Total revenues, gains, and other support	<u>11,567,499</u>	<u>(1,278,852)</u>	<u>(25,154)</u>	<u>10,263,493</u>
Expenses:				
Program services:				
Gardens and preserves:				
McBryde	1,698,629	-	-	1,698,629
The Kampong	1,080,992	-	-	1,080,992
Limahuli	955,424	-	-	955,424
Kahanu	531,511	-	-	531,511
Allerton	468,396	-	-	468,396
Research and education:				
Visitor programs	2,251,269	-	-	2,251,269
Science and conservation	2,230,895	-	-	2,230,895
Education	334,087	-	-	334,087
Total program services	<u>9,551,203</u>	<u>-</u>	<u>-</u>	<u>9,551,203</u>
Supporting services:				
Administration and finance	1,460,406	-	-	1,460,406
Development	920,010	-	-	920,010
Total supporting services	<u>2,380,416</u>	<u>-</u>	<u>-</u>	<u>2,380,416</u>
Total expenses	<u>11,931,619</u>	<u>-</u>	<u>-</u>	<u>11,931,619</u>
Change in net assets	(364,120)	(1,278,852)	(25,154)	(1,668,126)
Net assets at beginning of year	<u>26,943,870</u>	<u>13,792,673</u>	<u>28,544,668</u>	<u>69,281,211</u>
Net assets at end of year	<u>\$ 26,579,750</u>	<u>\$ 12,513,821</u>	<u>\$ 28,519,514</u>	<u>\$ 67,613,085</u>

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions and bequests	\$ 2,331,284	\$ 6,617,198	\$ 2,001,940	\$ 10,950,422
Tour and visitor center sales, net of costs of goods sold of \$279,912	2,874,234	-	-	2,874,234
Government and other contracts	743,189	-	-	743,189
Net realized and unrealized loss on investments	(408,965)	(339,700)	-	(748,665)
Decrease in beneficial interest in perpetual trusts	-	-	(165,492)	(165,492)
Gain on sale of land	1,444,568	-	-	1,444,568
Allerton fees and reimbursements	798,000	-	-	798,000
Income from investments, net of management, custodial, and other fees of \$134,003	40,163	187,156	-	227,319
Other	318,321	-	-	318,321
Net assets released from restrictions	4,260,938	(4,260,938)	-	-
Total revenues, gains, and other support	<u>12,401,732</u>	<u>2,203,716</u>	<u>1,836,448</u>	<u>16,441,896</u>
Expenses:				
Program services:				
Gardens and preserves:				
McBryde	1,610,591	-	-	1,610,591
The Kampong	960,891	-	-	960,891
Limahuli	920,683	-	-	920,683
Kahanu	502,971	-	-	502,971
Allerton	441,118	-	-	441,118
Research and education:				
Science and conservation	2,574,939	-	-	2,574,939
Visitor programs	2,194,431	-	-	2,194,431
Education	393,111	-	-	393,111
Total program services	<u>9,598,735</u>	<u>-</u>	<u>-</u>	<u>9,598,735</u>
Supporting services:				
Administration and finance	1,628,863	-	-	1,628,863
Development	928,709	-	-	928,709
Total supporting services	<u>2,557,572</u>	<u>-</u>	<u>-</u>	<u>2,557,572</u>
Total expenses	<u>12,156,307</u>	<u>-</u>	<u>-</u>	<u>12,156,307</u>
Change in net assets before gift of land	245,425	2,203,716	1,836,448	4,285,589
Gift of land	(1,030,444)	-	-	(1,030,444)
Change in net assets	(785,019)	2,203,716	1,836,448	3,255,145
Net assets at beginning of year	<u>27,728,889</u>	<u>11,588,957</u>	<u>26,708,220</u>	<u>66,026,066</u>
Net assets at end of year	<u>\$ 26,943,870</u>	<u>\$ 13,792,673</u>	<u>\$ 28,544,668</u>	<u>\$ 69,281,211</u>

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,668,126)	\$ 3,255,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,096,684	1,050,465
Net realized and unrealized loss (gain) on investments	(839,939)	748,665
Contributions of investment securities	(71,694)	(1,717,610)
Contributions restricted for long-term investment	(328,414)	(4,407,481)
Decrease in beneficial interest in perpetual trust	25,154	165,492
Bad debt expense	-	9,632
Gain on sale of land	-	(1,444,568)
Gift of land	-	1,030,444
Changes in assets and liabilities:		
Pledges receivable	246,437	2,312,160
Government contracts and grants receivable	106,501	(146,110)
Merchandise inventories	17,086	(24,152)
Prepaid expenses and other	3,447	(482,002)
Accounts payable, accrued expenses, and other	49,588	(118,605)
Deferred gain on sale of land	-	250,000
Charitable gift annuity obligation	-	604,183
Net cash provided by (used in) operating activities	(1,363,276)	1,085,658
Cash flows from investing activities:		
Purchases of land, buildings, equipment, and library	(1,042,542)	(1,934,009)
Proceeds from sale of land, buildings, and equipment	-	2,482,195
Proceeds from sale of investments	8,550,986	49,923,763
Purchases of investments	(7,516,067)	(51,726,030)
Net cash used in investing activities	(7,623)	(1,254,081)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in endowment	-	2,001,940
Investment in capital projects	328,414	2,405,541
Principal payments on debt	(57,909)	(2,737,500)
Proceeds from issuance of debt	360,000	124,423
Payments of charitable gift annuity obligation	(81,600)	(79,560)
Net cash provided by financing activities	548,905	1,714,844
Net increase (decrease) in cash	(821,994)	1,546,421
Cash at beginning of year	3,872,383	2,325,962
Cash at end of year	\$ 3,050,389	\$ 3,872,383
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ 4,325
Noncash financing activity:		
Contribution of investment securities	\$ 71,694	\$ 1,717,610

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies

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.

Financial Statement Presentation

Net assets and revenues, gains, and other support, and expenses 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 or law that may or will be met by either 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 assets for general or specific purposes.

Cash Equivalents

For purposes of the statements of cash flows, the Garden considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. At various times during 2016 and 2015, and as of the balance sheet date, deposits were in excess of federally insured limits.

Merchandise Inventories

Merchandise inventories consist of books and other botanical-related items and are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Investments

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.

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Notes to Financial Statements

December 31, 2016 and 2015

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.

Land, Buildings, Equipment, and Library

Land, buildings, equipment, and library are capitalized at cost, if purchased or at estimated fair 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 contributions, if and when such values are determined.

The Garden reports gifts of land, buildings, equipment, and the library as unrestricted contributions 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 contributions. 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	20–50
Computers	3
Furniture, fixtures, and equipment	8
Library	10
Land Improvements	15

Botanical Art Collection

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

Contributions

Contributions and unconditional promises to give are recorded in the period received. Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at estimated 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.

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Notes to Financial Statements

December 31, 2016 and 2015

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.

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 contributions and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Fair Value Measurements

The Garden measures its financial assets, financial liabilities, and nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring and nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Garden first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Prepaid Expenses and Other

Prepaid expenses and other assets includes prepaid rent, prepaid insurance, and prepaid meeting costs.

Income Taxes

The Garden is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes. However, the Garden is subject to income taxes on any net income that is derived from a trade or business,

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Garden determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more-likely than-not threshold, the tax amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority.

Use of Estimates

The preparation of the financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management of the Garden to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the carrying amount of pledges receivable; government contracts and grants receivable; merchandise inventories; land, buildings, equipment, and library; land held for investment; land held for preservation; short-term and long-term investments; and beneficial interest in perpetual trust.

Reclassifications

Certain reclassifications were made to 2015 financial information to conform to 2016 presentations. Such reclassifications had no impact to previously reported change in net assets.

Subsequent Events

The Garden has evaluated subsequent events through June 29, 2017, the date at which the accompanying financial statements were available to be issued, and determined that there are no other items to disclose.

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Notes to Financial Statements

December 31, 2016 and 2015

(2) Pledges Receivable

Pledges receivable consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions to be received within one year	\$ 322,500	\$ 469,512
Contributions to be received in one to five years	<u>356,000</u>	<u>451,907</u>
	678,500	921,419
Less discount to present value (at varying rates from 0.33% to 1.80%)	<u>(13,667)</u>	<u>(10,149)</u>
	<u><u>\$ 664,833</u></u>	<u><u>\$ 911,270</u></u>

(3) Investments

Summary of Investments

A summary of short-term investments at December 31, 2016 and 2015, follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 12,074	\$ 106,481
U.S. equity securities	37,040	206,211
Mutual funds	<u>333,041</u>	<u>552,869</u>
	<u><u>\$ 382,155</u></u>	<u><u>\$ 865,561</u></u>

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Notes to Financial Statements

December 31, 2016 and 2015

A summary of long-term investments at December 31, 2016 and 2015, follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 606,247	\$ 787,283
Equity securities:		
U.S. equity securities	8,971,015	7,925,824
International equity securities	1,860,600	2,050,399
Real estate securities	510,098	695,673
Mutual funds	1,949,744	1,922,125
Corporate bonds	2,629,037	2,857,591
U.S. government and agency securities	260,733	188,459
	<u>\$ 16,787,474</u>	<u>\$ 16,427,354</u>

Fair Value Measurements

The Garden follows the provisions in the Financial Instruments Topic 825 of the Financial Accounting Standards Board Accounting Standards Codification regarding fair value measurements. The Garden determines fair value based on the current amount that would be exchanged between willing parties in the principal or most advantageous market, other than in a forced liquidation. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in the one of the following levels:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable, are supported by little or no market activity and are significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level of input that is significant to the fair value measure in its entirety. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

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Notes to Financial Statements

December 31, 2016 and 2015

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

Investments at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Asset category:				
Cash and cash equivalents	\$ 618,321	\$ -	\$ -	\$ 618,321
Equity securities:				
U.S. equity securities	9,008,055	-	-	9,008,055
International equity securities	1,860,600	-	-	1,860,600
Real estate securities	510,098	-	-	510,098
Mutual funds	2,282,785	-	-	2,282,785
Corporate bonds	-	2,629,037	-	2,629,037
U.S. government and agency securities	-	260,733	-	260,733
Beneficial interest in perpetual trust	-	2,108,954	-	2,108,954
	\$ 14,279,859	\$ 4,998,724	\$ -	\$ 19,278,583

Investments at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Asset category:				
Cash and cash equivalents	\$ 893,764	\$ -	\$ -	\$ 893,764
Equity securities:				
U.S. equity securities	8,132,035	-	-	8,132,035
International equity securities	2,050,399	-	-	2,050,399
Real estate securities	695,673	-	-	695,673
Mutual funds	2,474,994	-	-	2,474,994
Corporate bonds	-	2,857,591	-	2,857,591
U.S. government and agency securities	-	188,459	-	188,459
Beneficial interest in perpetual trust	-	2,134,108	-	2,134,108
	\$ 14,246,865	\$ 5,180,158	\$ -	\$ 19,427,023

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Notes to Financial Statements

December 31, 2016 and 2015

The Garden's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstance that caused the transfer. There were no transfers out of Levels 1, 2, or 3 for the years ended December 31, 2016 and 2015.

The Garden's investments are recorded at fair value as follows:

Cash and cash equivalents, equity securities, real estate securities and mutual funds are traded in active markets; quoted market prices for identical assets are obtained, and fair values are recorded on a recurring basis.

Corporate bonds and U.S. government and agency securities are traded in active markets; quoted market prices are obtained for similar assets, and fair values are recorded on a recurring basis.

Beneficial interest in perpetual trust are recorded at fair value on recurring basis through current financial information provided by trustees.

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Notes to Financial Statements

December 31, 2016 and 2015

(4) Land, Buildings, Equipment, and Library

A summary of land, buildings, equipment, and library as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
The Kampong:		
Land	\$ 4,053,234	\$ 4,053,234
Buildings	2,201,869	2,187,969
Furniture, fixtures, and equipment	378,745	260,093
Construction in progress	280,649	86,633
Total The Kampong	<u>6,914,497</u>	<u>6,587,929</u>
Hawaii:		
Land and land improvements	18,694,430	18,566,417
Building and building improvements	21,190,997	20,716,273
Furniture, fixtures, and equipment	6,095,940	5,971,553
Library	368,774	368,774
Construction in progress	370,675	381,824
Total Hawaii	<u>46,720,816</u>	<u>46,004,841</u>
	53,635,313	52,592,770
Less accumulated depreciation	<u>(18,597,727)</u>	<u>(17,501,042)</u>
	<u>\$ 35,037,586</u>	<u>\$ 35,091,728</u>

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Notes to Financial Statements

December 31, 2016 and 2015

(5) Debt

Debt at December 31, 2016 and 2015 consists of the following:

	2016	2015
Noninterest-bearing note payable to Kauai Island Utility Cooperative; monthly principal payments of \$3,125, secured by a stand-by letter of credit for \$50,000, payable in full on March 17, 2018	\$ 46,875	\$ 84,375
Noninterest-bearing note payable to Blue Planet Foundation dba Wefficiency; quarterly principal payments of \$6,803 commencing in May 2016; payable in full on February 1, 2021	104,014	124,423
Noninterest-bearing note payable to Kauai Island Utility Cooperative; monthly principal payments of \$3,750, commencing November 2018, secured by a stand-by letter for \$360,000; payable in full on November 10, 2026	360,000	-
	\$ 510,889	\$ 208,798

The Garden has a line of credit agreement with a bank for \$600,000, of which \$410,000 is reserved to support the stand-by letters of credit described above. Draws on the line of credit accrue interest at 0.25% over the bank rate (4.625% at December 31, 2016) and is secured by certain assets of the Garden. The agreement matures on September 1, 2017. There were no outstanding amounts due on the line of credit as of December 31, 2016 and 2015.

The aggregate maturities of debt are as follows:

Year Ending December 31:	
2017	\$ 63,578
2018	42,575
2019	70,700
2020	70,700
2021	45,836
Thereafter	217,500
	\$ 510,889

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

(6) Charitable Gift Annuity Obligation

In January 2015, the Garden received a donation of \$1,200,000 in conjunction with a charitable gift annuity agreement. The agreement provides for quarterly payments to the beneficiary by the Garden of \$20,400 over the lifetime of the beneficiary. As of December 31, 2016 and 2015, the Garden has recorded a liability of \$443,023 and \$524,623, respectively, representing the present value of the estimated future obligation under this agreement.

(7) Contributions

Waterhouse Trust

During 2016 and 2015, the Garden, as an income beneficiary of the Waterhouse Trust, which was founded 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 \$399,705 and \$398,767, 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.

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 2016 and 2015, the Garden received distributions from the trusts amounting to \$112,984 and \$112,226, respectively, which are recorded as unrestricted contributions in the accompanying statements of activities. Distributions from the trusts, which continue in perpetuity, are to be used by the Garden for the promotion and advancement of botanical research and education on the island of Kauai. The Garden has recorded its interest in the trusts as a permanently restricted net asset and is reported as a beneficial interest in perpetual trust on the balance sheets. As of December 31, 2016 and 2015, the fair value of the trusts were \$2,108,954 and \$2,134,108, respectively.

The Kampong Fund

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 away of Mrs. Sweeney, the Fund was liquidated and dissolved. Assets with a fair value of \$3,174,234 were transferred to and became the property of the Garden to be used for the maintenance and upkeep of the Kampong estate. The Garden recorded the assets from the Fund as temporarily restricted assets. The provisions of the asset transfer require that should the Garden sell the Kampong estate, the proceeds from the sale and

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

any remaining assets be held in perpetuity with investment income used to advance the study of botanical science in the mainland United States.

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 at the date of the contribution. The Garden recorded the botanical library assets as permanently restricted assets.

Eleanor Evans Crum Trust

In March 2001, the Garden 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 2016 and 2015, the Garden received distributions from the trust of \$131,420 and \$130,992, 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.

(8) Defined Contribution Plan

The Garden has a defined contribution retirement plan (the Plan) that is contributory and available to all qualified employees. Benefits are funded through life insurance annuity contracts. There were no contributions to the Plan made by the Garden for the years ended December 31, 2016 and 2015.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

(9) Sale of Land

In January 2015, in accordance with an agreement of sale and purchase and addendums thereto (the Agreement), the Garden sold certain land parcels adjacent to The Kampong in Miami, Florida to an unrelated third party Buyer for \$2,500,000. Upon closing of the sale, the Garden received proceeds totaling \$2,250,000. In accordance with the Agreement, the receipt of the remaining \$250,000 is conditional on the Buyer obtaining certain replat approvals and other assurances regarding the Buyer's plans for improvements to the parcels within 36 months of closing or January 2018. If the stipulated conditions are not met by January 2018, then the \$250,000 will no longer be due and owing by the Buyer. The proceeds on the sale of \$2,250,000 reflects a gain on sale of land of \$1,444,568, which is recorded in the statement of activities for the year ended December 31, 2015. Furthermore, the Agreement provides for the Buyer to be consulted regarding plans for the construction of an academic center on land gifted by the Garden to Florida International University, due to the proximity of the gifted parcels to the Buyer's parcels (see note 10).

In conjunction with the sale, the Board of Trustees designated a portion of the proceeds for an endowment for The Kampong. As of December 31, 2016 and 2015, the balance of this unrestricted, designated net asset account is \$991,292 and \$968,077, respectively.

(10) Gift of Land

In March 2015, the Garden gifted certain land parcels adjacent to The Kampong in Miami, Florida to The Florida International University Foundation, Inc., a charitable, direct-support organization of Florida International University (FIU), operating under Section 501(c)(3) of the Internal Revenue Code. FIU is a public research university that will use the property to build and establish an academic center to be named International Center for Tropical Botany, the creation of which perpetuates the mission of the Garden. The gift of \$1,030,444 is recorded in the statement of activities for the year ended December 31, 2015.

The property was conveyed in accordance with a gift agreement and a joint operating agreement which provide for the collaboration between the Garden and FIU and restrictions on the use of the land. A right of reversion in favor of the Garden is provided should there be violations of the stipulated restrictions for the use of the land parcels.

(11) Allerton Gardens

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

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

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 \$221,450. Further, the Trust reimburses the Garden for most 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.

(12) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
The Kampong Garden	\$ 3,807,950	\$ 4,098,781
Capital projects	3,202,905	3,878,247
McBryde Garden	2,783,929	2,784,493
Science and Conservation	1,238,361	1,216,066
Science and Conservation - Breadfruit Institute	573,194	976,851
Limahuli Garden & Preserves	11,284	1,284
Education	10,000	4,673
Other	886,198	832,278
	<u>\$ 12,513,821</u>	<u>\$ 13,792,673</u>

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

Permanently restricted net assets at December 31, 2016 and 2015 are restricted for investment in perpetuity and the income from which is expendable to support:

	<u>2016</u>	<u>2015</u>
Loy McCandless Marks Botanical Library	\$ 8,000,000	\$ 8,000,000
Any activities of the Garden	5,634,502	5,659,656
Land – Limahuli Garden	1,335,000	1,335,000
Restricted for:		
McBryde operations	3,570,263	3,570,263
Research personnel	2,903,359	2,903,359
Education and memorials	2,545,275	2,545,275
The Kampong operations	2,500,000	2,500,000
Conservation	1,000,000	1,000,000
Limahuli garden operations	600,000	600,000
Landscaping personnel	403,615	403,615
Botanical research center	20,000	20,000
The Kampong director	7,500	7,500
	<u>\$ 28,519,514</u>	<u>\$ 28,544,668</u>

(13) Endowments

The Garden's endowment consists of 13 individual donor-restricted funds established for a variety of purposes and a board designated fund which functions as an endowment. Net assets associated with endowment funds and the fund designated by the Board of Trustees as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. At December 31, 2016 and 2015, the donor-restricted endowment funds amounted to \$28,519,514 and \$28,544,668, respectively. The board designated endowment fund amounted to \$991,292 and \$968,077 as of December 31, 2016 and 2015, respectively.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

Endowment Funds

At December 31, 2016 and 2015, the endowment net asset composition by type of fund consists of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2016:				
Donor-restricted endowment funds	\$ (3,973,954)	\$ 1,442,909	\$ 28,519,514	\$ 25,988,469
Board-designated endowment funds	<u>991,292</u>	<u>-</u>	<u>-</u>	<u>991,292</u>
Total Endowment Funds	<u>\$ (2,982,662)</u>	<u>\$ 1,442,909</u>	<u>\$ 28,519,514</u>	<u>\$ 26,979,761</u>
2015:				
Donor-restricted endowment funds	\$ (4,228,213)	\$ 1,442,909	\$ 28,544,668	\$ 25,759,364
Board-designated endowment funds	<u>968,077</u>	<u>-</u>	<u>-</u>	<u>968,077</u>
Total Endowment Funds	<u>\$ (3,260,136)</u>	<u>\$ 1,442,909</u>	<u>\$ 28,544,668</u>	<u>\$ 26,727,441</u>

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

For the years ended December 31, 2016 and 2015, the changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2016:				
Endowment net assets, beginning of year	\$ (3,260,136)	\$ 1,442,909	\$ 28,544,668	\$ 26,727,441
Investment return:				
Investment income, net of management, custodial and other fees	44,369	251,574	-	295,943
Net realized and unrealized gain	<u>473,525</u>	<u>233,390</u>	<u>-</u>	<u>706,915</u>
Total investment return	517,894	484,964	-	1,002,858
Change in value of perpetual trust	-	-	(25,154)	(25,154)
Appropriation of endowment assets for expenditure and other changes, net	<u>(240,420)</u>	<u>(484,964)</u>	<u>-</u>	<u>(725,384)</u>
Endowment net assets, end of year	<u><u>\$ (2,982,662)</u></u>	<u><u>\$ 1,442,909</u></u>	<u><u>\$ 28,519,514</u></u>	<u><u>\$ 26,979,761</u></u>

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2015:				
Endowment net assets, beginning of year	\$ (3,223,728)	\$ 2,671,810	\$ 26,708,220	\$ 26,156,302
Investment return:				
Investment income, net of management, custodial and other fees	40,163	144,389	-	184,552
Net realized and unrealized loss	<u>(408,966)</u>	<u>(209,197)</u>	-	<u>(618,163)</u>
Total investment return	(368,803)	(64,808)	-	(433,611)
Change in value of perpetual trust	-	-	(165,492)	(165,492)
Contributions	1,000,000	-	2,001,940	3,001,940
Appropriation of endowment assets for expenditure and other changes, net	<u>(667,605)</u>	<u>(1,164,093)</u>	-	<u>(1,831,698)</u>
Endowment net assets, end of year	<u><u>\$ (3,260,136)</u></u>	<u><u>\$ 1,442,909</u></u>	<u><u>\$ 28,544,668</u></u>	<u><u>\$ 26,727,441</u></u>

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets is as follows:

	2016	2015
Permanently restricted net assets:		
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by HUPMIFA	\$ 17,075,560	\$ 17,075,560
Beneficial interests in perpetual trusts	2,108,954	2,134,108
Loy McCandless Marks Botanical Library	8,000,000	8,000,000
Land held for investment	1,335,000	1,335,000
	\$ 28,519,514	\$ 28,544,668
Temporarily restricted net assets:		
The portion of temporarily restricted net assets, excluding endowment funds, subject to purpose restrictions	\$ 11,070,912	\$ 12,349,764
The portion of perpetual endowment funds subject to time restriction under HUPMIFA with purpose restrictions	1,442,909	1,442,909
	\$ 12,513,821	\$ 13,792,673

Interpretation of Relevant Law

The Board of Trustees of the Garden has interpreted Hawaii's enacted version of the Uniform Prudent Management of Institutional Funds Act (HUPMIFA) as maintaining the purchasing power of the donor-restricted endowment funds held in perpetuity or for a specific term 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by HUPMIFA.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

In accordance with HUPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The purposes of the organization and the donor-restricted endowment fund
2. General economic conditions
3. The possible effect of inflation or deflation
4. The expected total return from income and the appreciation of investments
5. Other resources of the organization
6. The investment policies of the organization
7. The duration and preservation of the fund

Description of Amounts Classified as Permanently Restricted Net Assets

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or HUPMIFA requires the Garden to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$2,982,662 and \$3,260,136 as of December 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations in fund investments and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2016 and 2015

Spending Policy and How the Investment Objectives Relate to Spending Policy

Under the terms of the endowment fund, the Garden has a policy of appropriating, for financial aid use, amounts not to exceed 4.5% of the investment portfolio (calculated on the basis of a three-year rolling average as of January 1). The policy further states that no distributions from any separate endowment fund may be made if the effect of such distribution would reduce the balance of that fund to below 50% of the historic dollar value. In establishing this policy, the Garden considered the long-term expected return on its endowment. Accordingly, over the long term, the Garden expects the current spending policy to allow its endowment to grow at a rate that exceeds the spending rate. This is consistent with the Garden's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

During 2016 and 2015, the Garden received distributions from the endowment funds of \$725,384 and \$1,831,698, respectively.

(14) Commitments and Contingencies

In the normal course of operations, the Garden is subject to potential claims and litigation. Management believes that such matters will not have a material adverse effect on the Garden's financial position.

NATIONAL TROPICAL BOTANICAL GARDEN

Schedule 1 - Expenditures

Year Ended December 31, 2016

	Gardens and Preserves						Research and Education			Administration and finance	Development
	Total	McBryde	The Kampong	Limahuli	Kahanu	Allerton	Visitor programs	Science and conservation	Education		
Salaries and related expenses	\$ 6,831,060	\$ 1,010,569	\$ 391,497	\$ 671,089	\$ 284,167	\$ 376,343	\$ 1,435,287	\$ 1,036,720	\$ 256,918	\$ 762,809	\$ 605,661
Depreciation	1,096,684	266,059	106,786	73,518	45,865	9,515	138,336	419,711	25,491	9,902	1,501
Meetings and travel	549,692	3,814	34,846	30,953	79,258	-	9,476	119,355	11,825	198,381	61,784
Professional fees	523,023	27,633	91,836	7,640	3,518	4,088	18,253	125,115	3,832	191,805	49,303
Utilities	340,326	81,708	46,638	18,885	8,760	16,984	35,495	98,091	2,127	27,045	4,593
Insurance	308,293	28,567	65,418	11,814	11,062	4,304	43,141	74,256	14,402	47,730	7,599
Programs and events	296,561	-	61,875	1,165	1,160	-	36,475	569	156	131,158	64,003
Contract labor	291,448	34,275	5,873	18,637	4,480	2,083	14,352	211,710	-	-	38
Repairs and maintenance	228,100	94,528	51,069	14,735	10,655	7,838	28,203	19,542	-	104	1,426
Tour meals and supplies	156,812	-	-	-	-	-	156,812	-	-	-	-
Advertising and promotions	130,232	2,151	2,500	194	-	-	123,012	-	75	2,193	107
Donations and community relations	113,987	5,117	47,765	7,054	780	-	27	10,873	-	2,528	39,843
Outside services	113,494	49,803	6,550	125	-	36,308	-	20,708	-	-	-
Bank fees	103,771	91	3,310	14	101	59	81,025	315	183	12,740	5,933
Gas and oil	93,234	19,246	690	7,688	11,685	3,920	42,337	3,574	754	305	3,035
Stipends and honoraria	92,692	-	33,171	5,000	43,993	-	-	2,000	8,528	-	-
Printing	74,572	1,110	7,209	120	908	-	22,535	5,231	6,069	4,679	26,711
Horticultural supplies	59,625	7,014	20,139	2,853	5,536	2,429	-	21,617	37	-	-
Minor equipment	54,851	14,184	5,055	9,566	688	2,102	8,454	7,951	229	2,329	4,293
Property and other taxes	47,995	-	38,927	1,676	2,717	900	-	100	-	3,625	50
Maintenance and safety supplies	43,599	9,150	3,995	19,149	4,428	438	5,012	1,060	15	253	99
Helicopter	42,048	-	-	40,059	-	-	-	1,989	-	-	-
Computer software maintenance	41,660	27	365	-	-	-	3,709	2,076	-	18,363	17,120
Licenses and permits	40,583	6,434	3,058	487	681	-	27,613	564	21	1,725	-
Office and other supplies	37,175	321	3,332	403	7,133	-	8,327	1,792	1,439	7,609	6,819
Postage	31,963	211	3,938	491	320	-	4,767	4,368	521	5,071	12,276
Dues and subscriptions	31,644	154	329	154	147	-	-	5,983	98	18,925	5,854
Signage	25,818	23,176	747	-	-	-	1,200	-	695	-	-
Lab and curation supplies	23,977	162	-	4,742	-	-	-	19,073	-	-	-
Rent	22,012	3,886	1,013	-	3,045	-	6,376	87	484	7,121	-
Groundskeeping supplies	19,398	9,239	5,281	3,030	259	1,085	351	153	-	-	-
Collecting and field supplies	12,406	-	-	-	-	-	-	12,370	36	-	-
Computer access and supplies	7,002	-	62	68	42	-	694	1,142	152	4,000	842
Research supplies	4,610	-	-	4,001	123	-	-	486	-	-	-
Library books and supplies	2,291	-	-	-	-	-	-	2,291	-	-	-
Volunteer program	1,918	-	655	114	-	-	-	23	-	6	1,120
Miscellaneous	37,063	-	37,063	-	-	-	-	-	-	-	-
	<u>\$ 11,931,619</u>	<u>\$ 1,698,629</u>	<u>\$ 1,080,992</u>	<u>\$ 955,424</u>	<u>\$ 531,511</u>	<u>\$ 468,396</u>	<u>\$ 2,251,269</u>	<u>\$ 2,230,895</u>	<u>\$ 334,087</u>	<u>\$ 1,460,406</u>	<u>\$ 920,010</u>

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN
Changes in Temporarily Restricted Net Assets (Continued)
Year Ended December 31, 2016

	Balance at December 31, 2015	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2016
The Kampong:						
Kampong Estate	\$ 3,778,983	\$ -	\$ -	\$ -	\$ -	\$ 3,778,983
Kampong Grotto	9,942	-	-	-	-	9,942
Kampong Database Project	6,267	1,160	-	1,160	-	7,427
Sweeney Memorial Library Fund	4,125	-	-	-	-	4,125
Kampong Education Prg- Dr. Black teacher training	100	30,000	-	30,000	(27,037)	3,063
Tree Management Kampong	26,270	3,000	-	3,000	(27,060)	2,210
Historic Marker Kampong	2,200	-	-	-	-	2,200
K-12 Workshop	1,154	-	-	-	(1,154)	-
Host costs for APGA	18,700	12,238	-	12,238	(30,938)	-
Kampong Capital & Directors Salary Endowment	-	-	458	458	(458)	-
Bali Hai Kampong	-	147,722	-	147,722	(147,722)	-
MDC Cult Affairs Tourist Dev Grant-Tastes & Tales	-	4,972	-	4,972	(4,972)	-
MDC Tourist Dev Grant-Kampong Moon Gamelan	1,040	-	-	-	(1,040)	-
The Barn @ the Kampong	250,000	1,127	-	1,127	(251,127)	-
Kampong/Sweeney Endowment	-	-	31,419	31,419	(31,419)	-
Medal - David Fairchild	-	-	1,437	1,437	(1,437)	-
Dinner - David Fairchild	-	4,200	-	4,200	(4,200)	-
Youth Arts Enrichment Program	-	6,344	-	6,344	(6,344)	-
Plant Exploration in Indonesia	-	9,000	-	9,000	(9,000)	-
	<u>4,098,781</u>	<u>219,763</u>	<u>33,314</u>	<u>253,077</u>	<u>(543,908)</u>	<u>3,807,950</u>

(Continued)

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN
Changes in Temporarily Restricted Net Assets (Continued)
Year Ended December 31, 2016

	Balance at December 31, 2015	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2016
Capital Projects:						
McBryde Garden Renewal Project	2,775,860	10,000	-	10,000	(732,254)	2,053,606
Land Acquisition Fund	513,409	-	-	-	-	513,409
Buck Fdn - Kahanu Self Sufficiency Proj	382,595	1,000	-	1,000	(26,945)	356,650
Kampong Facility Improvements	120,486	45,019	-	45,019	(89,788)	75,717
Limahuli Capital Improvements	24,142	32,000	-	32,000	(5,815)	50,327
A/C & Roof repairs-Kenan Lab	-	50,000	-	50,000	(3,927)	46,073
Kampong Education Center / Conference Facility	34,930	-	-	-	(3,500)	31,430
Fellows Project-Kampong Hort Center	-	39,535	-	39,535	(11,158)	28,377
Limahuli Land Acquisition Fund	19,975	-	-	-	-	19,975
Golf Cart	-	16,000	-	16,000	(3,400)	12,600
Fellows Project-SS Hort Ctr Rejuvenation	-	111,860	-	111,860	(106,474)	5,386
Fisherman's cottage restoration	5,000	-	-	-	-	5,000
Reverse Osmosis System	-	5,000	-	5,000	(2,495)	2,505
Queen Emma Cottage Renovations	1,000	-	-	-	-	1,000
Volunteer Facility at VC Garden	850	-	-	-	-	850
Capital Fund General	-	-	1,079	1,079	(1,079)	-
Malott Garden Improvements Endowment	-	-	1,061	1,061	(1,061)	-
Kahanu Solar Project	-	18,000	-	18,000	(18,000)	-
	<u>3,878,247</u>	<u>328,414</u>	<u>2,140</u>	<u>330,554</u>	<u>(1,005,896)</u>	<u>3,202,905</u>
McBryde Garden:						
McBryde Operations Endowment	2,778,452	-	-	-	-	2,778,452
Limahuli Ahupuaa Program	-	5,000	-	5,000	-	5,000
Maile Project	791	-	-	-	(314)	477
Dillingham Memorial Endowment	-	-	5,135	5,135	(5,135)	-
Gardeners Endowment	-	-	5,203	5,203	(5,203)	-
McBryde Garden Operations Endowment	-	-	344,472	344,472	(344,472)	-
Nature Connects	-	33,535	-	33,535	(33,535)	-
Tree removal at Dillingham Memorial	5,250	-	-	-	(5,250)	-
	<u>2,784,493</u>	<u>38,535</u>	<u>354,810</u>	<u>393,345</u>	<u>(393,909)</u>	<u>2,783,929</u>

(Continued)

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN
 Changes in Temporarily Restricted Net Assets (Continued)
 Year Ended December 31, 2016

	Balance at December 31, 2015	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2016
Science and Conservation:						
Conservation Easement	980,000	-	-	-	-	980,000
Conservation General Operations	83,333	350,000	-	350,000	(350,012)	83,321
HCF Applied native plant research (3yrs)	-	69,000	-	69,000	(15,333)	53,667
McBryde Chair-Intern & publications	52,191	-	18,573	18,573	(20,697)	50,067
Flora of Marquesas Project	20,843	-	-	-	-	20,843
MBZ Hibicus Porject	-	17,700	-	17,700	(2,535)	15,165
Castle Fund Seedbank & Lab upgrades	5,406	64,000	-	64,000	(57,245)	12,161
Castle Fnd - Lawai Kai Special Subzone	3,731	12,500	-	12,500	(5,367)	10,864
MBZ-Polyscias Bisattenvata	-	8,000	-	8,000	(3,485)	4,515
Loy Marks Endowments	4,320	-	-	-	-	4,320
Plant Germplasm Facilities-Hauoli Mau Loa Fdn	2,667	-	-	-	-	2,667
Library Grant	1,590	-	-	-	(819)	771
Red List Workshop Staff travel	5,346	-	-	-	(5,346)	-
B. Evans Chair Endowment	-	-	16,396	16,396	(16,396)	-
MZB-Searching for lost plants in Samoa	20,000	32,553	-	32,553	(52,553)	-
WCC Marketing/Expo	-	43,725	-	43,725	(43,725)	-
NTBG Promotion for WCC Art Exhibit	10,000	15,000	-	15,000	(25,000)	-
Kauai OED-WCC Implementation	-	10,000	-	10,000	(10,000)	-
Moana Pasifika Voyage (Pacific Summit)	-	55,000	-	55,000	(55,000)	-
APGA-Alectryon Macrocooccus scouting	-	1,302	-	1,302	(1,302)	-
Visiting Curators	-	7,487	-	7,487	(7,487)	-
Plant Registration on IUCN Red List	5,939	-	-	-	(5,939)	-
Kupu Intern for Sci-Con	14,000	-	-	-	(14,000)	-
Conservation Endowment	-	-	19,451	19,451	(19,451)	-
Nat'l Geo Soc Grant	4,200	-	-	-	(4,200)	-
Public Lectures	-	-	345	345	(345)	-
Publications-Allertonia & Other	2,500	25	-	25	(2,525)	-
BRC Endowment	-	-	332	332	(332)	-
	<u>1,216,066</u>	<u>686,292</u>	<u>55,097</u>	<u>741,389</u>	<u>(719,094)</u>	<u>1,238,361</u>

(Continued)

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN
 Changes in Temporarily Restricted Net Assets (Continued)
 Year Ended December 31, 2016

	Balance at December 31, 2015	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2016
Science and Conservation - Breadfruit Institute:						
Kinney Breadfruit Projects-Global initiative, Food industry	912,988	10,000	21,595	31,595	(482,966)	461,617
Plant a Breadfruit Hunger Initiative	32,539	10,010	-	10,010	(6,673)	35,876
Breadfruit-Trees That Feed/Cultivaris tree sales	28,775	5,770	-	5,770	(177)	34,368
Breadfruit Institute Gen Ops-Ceres Trust	-	210,000	-	210,000	(176,667)	33,333
BF Diversity in Solomon Islands	-	5,000	-	5,000	(5,000)	-
Kauai OED: Dev BF Opportunites on Kauai	-	8,000	-	8,000	-	8,000
Breadfruit Oil Projects	2,549	726	-	726	(3,275)	-
Maui OED Ulu cookoff/BF propogation	-	2,904	-	2,904	(2,904)	-
Research Botanist Endowment	-	-	5,203	5,203	(5,203)	-
	<u>976,851</u>	<u>252,410</u>	<u>26,798</u>	<u>279,208</u>	<u>(682,865)</u>	<u>573,194</u>
Limahuli Garden & Preserves:						
Limahuli General Operations	-	10,000	-	10,000	-	10,000
Limahuli Interpretive Signage & Name Plates	1,284	-	-	-	-	1,284
Limahuli Operations Endowment	-	-	8,261	8,261	(8,261)	-
	<u>1,284</u>	<u>10,000</u>	<u>8,261</u>	<u>18,261</u>	<u>(8,261)</u>	<u>11,284</u>
Education:						
Education General Operations	-	20,000	-	20,000	(10,000)	10,000
SSBP	-	-	-	-	-	-
Keiki Camp	1,000	-	-	-	(1,000)	-
Atherton Fdn/SW Wilcox Grant for KOKA	-	4,110	-	4,110	(4,110)	-
Atherton Fdn/SW Wilcox Grant for STEP	-	3,330	-	3,330	(3,330)	-
Atherton Fdn/SW Wilcox Grant for Env Journalism	-	9,000	-	9,000	(9,000)	-
Chandler Education Program	-	-	158	158	(158)	-
Garden as a Classroom	2,200	-	-	-	(2,200)	-
GAC - Juliett Brown Foundation	1,473	-	-	-	(1,473)	-
Horticultural Training Program	-	-	135	135	(135)	-
Artists in residence-Florilegium Society	-	14,708	-	14,708	(14,708)	-
Student Awards	-	-	391	391	(391)	-
Internship Program	-	510	25,454	25,964	(25,964)	-
	<u>4,673</u>	<u>51,658</u>	<u>26,138</u>	<u>77,796</u>	<u>(72,469)</u>	<u>10,000</u>

(Continued)

See accompanying independent auditors' report.

NATIONAL TROPICAL BOTANICAL GARDEN
 Changes in Temporarily Restricted Net Assets (Continued)
 Year Ended December 31, 2016

	Balance at December 31, 2015	Contributions	Income from investments and net appreciation	Total	Net assets released from restrictions	Balance at December 31, 2016
Kahanu Garden:						
Maui OED-Kahanu & BFI Landscape & Enhancement Project	-	635	-	635	(635)	-
Other :	-		-	-	-	-
Future years donations, fundraisers and other	195,734	469,620	-	469,620	(579,946)	85,408
Charitable Gift Annuity & reserve	636,544	-	164,246	164,246	-	800,790
	<u>832,278</u>	<u>469,620</u>	<u>164,246</u>	<u>633,866</u>	<u>(579,946)</u>	<u>886,198</u>
	<u>\$ 13,792,673</u>	<u>\$ 2,057,327</u>	<u>\$ 670,804</u>	<u>\$ 2,728,131</u>	<u>\$ (4,006,983)</u>	<u>\$ 12,513,821</u>

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