



National Tropical Botanical Garden

Financial Statements
(With Independent Auditors' Report Thereon)

December 31, 2023 and 2022

Independent Auditors' Report

The Board of Trustees
National Tropical Botanical Garden:

Opinion

We have audited the financial statements of National Tropical Botanical Garden (the Garden), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Garden as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Garden and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Garden's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Garden's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Garden's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

KKDL Y LLC

Honolulu, Hawaii
June 24, 2024

NATIONAL TROPICAL BOTANICAL GARDEN

Balance Sheets

December 31, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 4,907,665	\$ 4,516,280
Contributions receivable	920,491	933,156
Contracts and grants receivable	409,242	182,521
Merchandise inventories	217,018	195,633
Prepaid expenses and other	540,638	1,380,140
Net land, buildings, equipment, and library	34,773,829	35,336,099
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
Investments	26,939,369	24,666,645
Beneficial interest in perpetual trusts	2,452,770	2,191,814
Total assets	\$ 81,941,242	\$ 80,182,508
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses, and other	\$ 1,169,605	\$ 1,072,800
Debt	270,227	318,908
Charitable gift annuity obligation	324,287	343,313
Total liabilities	1,764,119	1,735,021
Net assets:		
Without donor restrictions:		
Undesignated	32,955,137	34,261,859
Designated by the board	2,430,293	2,235,443
With donor restrictions	44,791,693	41,950,185
Total net assets	80,177,123	78,447,487
Total liabilities and net assets	\$ 81,941,242	\$ 80,182,508

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions and bequests	\$ 2,416,428	\$ 2,611,323	\$ 5,027,751
Tour and visitor center sales, net of costs of goods sold of \$329,861	4,510,563	-	4,510,563
Investment return, net	619,506	2,919,437	3,538,943
Allerton fees and reimbursements	749,957	-	749,957
Contracts and grants	659,583	-	659,583
Increase in beneficial interest in perpetual trusts	-	260,956	260,956
Contributed nonfinancial assets	72,847	-	72,847
Change in value of split interest agreement	-	(62,574)	(62,574)
Other	504,963	-	504,963
Net assets released from restrictions	2,887,634	(2,887,634)	-
Total revenues, gains, and other support	<u>12,421,481</u>	<u>2,841,508</u>	<u>15,262,989</u>
Expenses:			
Program services:			
Gardens and preserves	5,642,483	-	5,642,483
Biocultural science and conservation	2,956,549	-	2,956,549
Education and public engagement	2,784,758	-	2,784,758
Total program services	<u>11,383,790</u>	<u>-</u>	<u>11,383,790</u>
Supporting services:			
Management and general	1,559,893	-	1,559,893
Fundraising	589,670	-	589,670
Total supporting services	<u>2,149,563</u>	<u>-</u>	<u>2,149,563</u>
Total expenses	<u>13,533,353</u>	<u>-</u>	<u>13,533,353</u>
Change in net assets	(1,111,872)	2,841,508	1,729,636
Net assets at beginning of year	<u>36,497,302</u>	<u>41,950,185</u>	<u>78,447,487</u>
Net assets at end of year	<u>\$ 35,385,430</u>	<u>\$ 44,791,693</u>	<u>\$ 80,177,123</u>

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions and bequests	\$ 2,718,267	\$ 2,584,058	\$ 5,302,325
Tour and visitor center sales, net of costs of goods sold of \$293,445	4,270,444	-	4,270,444
Gain on sale of land	1,547,026	-	1,547,026
Allerton fees and reimbursements	686,449	-	686,449
Contracts and grants	551,685	-	551,685
Contributed nonfinancial assets	83,002	-	83,002
Investment loss, net	(156,459)	(2,851,172)	(3,007,631)
Decrease in beneficial interest in perpetual trusts	-	(607,433)	(607,433)
Change in value of split interest agreement	-	(7,953)	(7,953)
Other	1,003,189	-	1,003,189
Net assets released from restrictions	2,812,977	(2,812,977)	-
Total revenues, gains, and other support	13,516,580	(3,695,477)	9,821,103
Expenses:			
Program services:			
Gardens and preserves	5,041,427	-	5,041,427
Biocultural science and conservation	2,966,726	-	2,966,726
Education and public engagement	2,437,453	-	2,437,453
Total program services	10,445,606	-	10,445,606
Supporting services:			
Management and general	1,775,270	-	1,775,270
Fundraising	658,598	-	658,598
Total supporting services	2,433,868	-	2,433,868
Total expenses	12,879,474	-	12,879,474
Change in net assets	637,106	(3,695,477)	(3,058,371)
Net assets at beginning of year	35,860,196	45,645,662	81,505,858
Net assets at end of year	\$ 36,497,302	\$ 41,950,185	\$ 78,447,487

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services				Supporting Services			Total
	Gardens and Preserves	Biocultural Science and Conservation	Education and Public Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,464,226	\$ 1,406,584	\$ 1,103,380	\$ 4,974,190	\$ 798,605	\$ 361,993	\$ 1,160,598	\$ 6,134,788
Payroll taxes and employee benefits	881,234	473,560	386,118	1,740,912	219,064	108,143	327,207	2,068,119
Depreciation	842,877	332,947	137,346	1,313,170	873	-	873	1,314,043
Occupancy	385,175	159,948	89,166	634,289	25,849	3,461	29,310	663,599
Professional fees	344,960	76,406	108,456	529,822	110,916	4,315	115,231	645,053
Travel, conferences, and meetings	144,185	218,668	49,801	412,654	162,323	9,404	171,727	584,381
Office supplies	126,885	40,515	260,194	427,594	68,277	42,582	110,859	538,453
Insurance	187,824	74,031	101,559	363,414	42,213	9,468	51,681	415,095
Tours - food, entertainment, and supplies	-	-	327,775	327,775	-	-	-	327,775
Horticulture and ground supplies	91,155	118,467	-	209,622	-	-	-	209,622
Advertising and marketing	817	5,085	189,118	195,020	563	120	683	195,703
Repairs and maintenance	96,890	32,153	27,420	156,463	9,643	-	9,643	166,106
Information technology	1,183	10,422	3,693	15,298	78,364	26,502	104,866	120,164
Housing	60,151	6,363	732	67,246	85	-	85	67,331
Contributed nonfinancial assets	1,514	-	-	1,514	42,197	15,340	57,537	59,051
Other	13,407	1,400	-	14,807	921	8,342	9,263	24,070
Total	\$ 5,642,483	\$ 2,956,549	\$ 2,784,758	\$ 11,383,790	\$ 1,559,893	\$ 589,670	\$ 2,149,563	\$ 13,533,353

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			Supporting Services				Total
	Gardens and Preserves	Biocultural Science and Conservation	Education and Public Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,006,567	\$ 1,213,179	\$ 923,072	\$ 4,142,818	\$ 862,191	\$ 340,494	\$ 1,202,685	\$ 5,345,503
Payroll taxes and employee benefits	709,428	424,485	334,660	1,468,573	253,523	95,953	349,476	1,818,049
Depreciation	785,252	328,356	145,847	1,259,455	1,341	-	1,341	1,260,796
Professional fees	387,158	210,471	45,533	643,162	148,650	19,612	168,262	811,424
Occupancy	409,494	175,095	95,021	679,610	27,510	2,860	30,370	709,980
Travel, conferences, and meetings	92,742	265,116	45,248	403,106	285,872	8,083	293,955	697,061
Office supplies	79,059	75,337	209,766	364,162	70,696	50,921	121,617	485,779
Tours - food, entertainment, and supplies	-	-	356,015	356,015	-	-	-	356,015
Insurance	142,546	69,167	71,680	283,393	36,983	7,321	44,304	327,697
Horticulture and ground supplies	116,529	149,668	3,199	269,396	1,762	100	1,862	271,258
Advertising and marketing	504	8,924	157,468	166,896	-	3,141	3,141	170,037
Repairs and maintenance	91,845	13,878	41,518	147,241	13,054	184	13,238	160,479
Information technology	1,412	29,034	5,119	35,565	61,740	20,018	81,758	117,323
Housing	104,033	-	2,987	107,020	520	-	520	107,540
Contributed nonfinancial assets	33,488	1,198	320	35,006	1,300	46,696	47,996	83,002
Other	81,370	2,818	-	84,188	10,128	63,215	73,343	157,531
Total	\$ 5,041,427	\$ 2,966,726	\$ 2,437,453	\$ 10,445,606	\$ 1,775,270	\$ 658,598	\$ 2,433,868	\$ 12,879,474

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,729,636	\$ (3,058,371)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,314,043	1,260,796
Net realized and unrealized loss (gain) on investments	(2,754,442)	3,609,093
Contributions restricted for investment in capital projects	(348,238)	(178,178)
Loss on disposal of land, buildings, equipment, and library	6,241	73,043
Contribution of equipment	(13,796)	-
Decrease (increase) in beneficial interest in perpetual trusts	(260,956)	607,433
Change in value of split interest agreement	62,574	7,953
Contributions of investment securities	(354,139)	(349,634)
Contributions restricted for long-term investment	-	(1,363,050)
Gain on sale of land	-	(1,547,026)
Changes in assets and liabilities:		
Contributions receivable	12,665	(361,657)
Contracts and grants receivable	(226,721)	(110,995)
Merchandise inventories	(21,385)	(60,214)
Prepaid expenses and other	839,502	271,260
Accounts payable, accrued expenses, and other	96,805	(180,605)
Net cash provided by (used in) operating activities	81,789	(1,380,152)
Cash flows from investing activities:		
Purchases of land, buildings, equipment, and library	(744,218)	(1,273,063)
Proceeds from sale of investments	9,261,869	5,527,599
Purchases of investments	(8,426,012)	(6,698,133)
Proceeds from certificates of deposits	-	200,000
Proceeds from sale of land	-	1,548,984
Net cash provided by (used in) investing activities	91,639	(694,613)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in capital projects	348,238	178,178
Principal payments on debt	(48,681)	(48,592)
Payments of charitable gift annuity obligation	(81,600)	(81,600)
Contributions restricted for long-term investment	-	1,363,050
Net cash provided by financing activities	217,957	1,411,036
Net increase (decrease) in cash	391,385	(663,729)
Cash and cash equivalents at beginning of year	4,516,280	5,180,009
Cash and cash equivalents at end of year	\$ 4,907,665	\$ 4,516,280
Supplemental disclosure of cash flow information:		
Noncash investing activity:		
Contribution of investment securities	\$ 354,139	\$ 349,634
Contribution of equipment	\$ 13,796	\$ -
Interest paid	\$ 4,011	\$ 4,102

See accompanying notes to financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

(1) Background and Significant Accounting Policies

Organization and Purpose

National Tropical Botanical Garden (the Garden) was chartered by the 88th Congress on August 19, 1964 under Public Law 88-449. The Garden's 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." Our mission is to perpetuate tropical plants, ecosystems, and cultural heritage. Through our efforts, we work towards a sustainable future, where flourishing relationships are restored between plants, people, and places. The majority of our operations are conducted in Hawai'i. 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.

The Garden's program services are classified in three major categories, (1) Gardens and Preserves (2) Biocultural Science and Conservation and (3) Education and Public Engagement.

Gardens and Preserves include the operation of four botanical gardens in Hawai'i. On the island of Kaua'i, we operate Allerton Garden, McBryde Garden, and Limahuli Garden and Preserve. On the island of Maui, we operate Kahanu Garden & Preserve. Our fifth botanical garden, The Kampong, is located in Florida. Our Hawai'i gardens maintain collections of threatened and endangered tropical plant species from Hawai'i and throughout the tropics. The Kampong is the former estate of Dr. David Fairchild, the famed botanical explorer, which features heritage crop collections, Florida native species, and historical exhibits.

Biocultural Science and Conservation programs focus on protecting and conserving tropical plants. We conduct research, field work, and habitat restoration in alignment with the Global Strategy for Plant Conservation and International Union for Conservation of Nature. Conservation efforts include a botanical research center that houses an herbarium, a seed bank, rare book library, and other resources. The Garden's Breadfruit Institute manages the world's largest collection of breadfruit species and varieties in the world.

Education and Public Engagement programs include visitor programming at the Garden's five botanical gardens, as well as outreach, public programs, and educational courses focusing on tropical plant conservation and cultural heritage. Additionally, the Garden welcomes school age groups and engages our communities where we conduct conservation efforts.

Financial Statement Presentation

The financial statements of the Garden have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

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:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowments.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Garden, the passage of time, or must be maintained in perpetuity by the Garden.

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 2023 and 2022 and as of the balance sheet dates, 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 net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with unrealized gains and losses included as a component of net investment return in the accompanying statements of activities.

Net investment return (loss) is comprised of interest and dividend income, realized and unrealized gains and losses, less investment expenses and is reported in the accompanying statements of activities as a change in net assets without donor restrictions, unless their use is 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.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

The Garden reports gifts of land, buildings, equipment, and the library as contributions with no donor restrictions, 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 building 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. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. The proceeds from deaccession of collection items may be used for acquisitions of new collection items or the direct care of existing collections. The Garden adheres to the ethical principles and definition of direct care established by the American Alliance of Museums and considers direct care to entail actions that enhance the life, usefulness, or quality of the collection items to ensure they will continue to benefit the public. The Garden's collection management policy includes conservation services, archival services, collections care investments identified through a conservation assessment and/or plan, and collection care training for staff and volunteers, as activities that are considered direct care of collection items.

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.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributed Nonfinancial Assets

Contributed nonfinancial assets consists of donated goods that are available for unrestricted use, unless specifically restricted by the donor. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Garden receives donated services from a variety of volunteers assisting the organization. The contribution of services is recognized to the extent that such series (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would typically need to be purchased if not provided by contribution. No amounts have been recorded for contributed volunteer efforts in the accompanying statements of activities, because the criteria under GAAP have not been satisfied.

Beneficial Interest in Perpetual Trusts

The Garden has been named as a beneficiary of certain perpetual trusts held and administered by others. Perpetual trusts provide for the distribution of the net income of the trusts to the Garden; however, the Garden will never receive the assets of the trusts. At the date the Garden receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trusts is recorded in the balance sheet at the present values of the estimated future cash receipts from the trusts. Thereafter, beneficial interest in the trusts are adjusted for changes in the estimates of future receipts, with the changes recognized in the statements of activities. Distributions from the trusts are recorded as investment return, net in the statements of activities.

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.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

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.

Revenue and Revenue Recognition

Membership dues

Membership dues are recognized as contributions when received in accordance with GAAP.

Tour and visitor center sales

Tour and visitor center sales revenues are recognized upon delivery of the tour and/or goods purchased.

Contracts and grants revenue

A portion of the Garden's revenue is derived from cost-reimbursable federal, state and other contract and grants, which may be conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions. Amounts received in advance of the Garden incurring qualifying expenditures are deferred, and included in accounts payable, accrued expenses, and other in the accompanying balance sheets.

Special events revenue

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Special events revenue is recognized at a fair value of direct benefits to donors when the special event takes place. Contribution element of special events revenue is recognized immediately, unless there is a right of return if the special event does not take place.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

Functional Allocation of Expenses

The costs of program and supporting services activities of the Garden have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses that are attributed to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated based on time and effort. Certain insurance and depreciation costs are allocated based on a square footage basis or other management estimates.

Prepaid Expenses and Other

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

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, 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 GAAP, 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 valuation of contributions receivable; contracts and grants receivable; merchandise inventories; land, buildings, equipment, and library; land held for preservation; land held for investment; investments; beneficial interest in perpetual trusts; and the charitable gift annuity obligation.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

Subsequent Events

The Garden has evaluated subsequent events through June 24, 2024, the date at which the accompanying financial statements were available to be issued, and determined that there are no other items to disclose.

(2) Contributions Receivable

Contributions receivable consisted of the following at December 31, 2023 and 2022:

	2023	2022
Contributions to be received within one year	\$ 708,650	\$ 705,154
Contributions to be received in one to five years	237,000	243,000
	945,650	948,154
Less discount to present value (at varying rates from 0.87% to 5.41%)	(25,159)	(14,998)
	\$ 920,491	\$ 933,156

As of December 31, 2023 and 2022, three donors accounted for 58% and 42% of total contributions receivable, respectively.

(3) Investments

Summary of Investments

Investments held at December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Cash and cash equivalents	\$ 594,350	\$ 1,600,328
Equity securities:		
U.S. equity securities	17,002,014	14,668,323
International equity securities	1,789,787	1,450,378
Corporate bonds	3,905,219	3,719,650
Mutual funds	2,905,371	2,674,468
U.S. government and agency securities	742,628	553,498
	\$26,939,369	\$24,666,645

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

Fair Value Measurements

The Garden follows the provisions in the Financial Instruments Topic 825 of the Financial Accounting Standards Board's 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.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

The following tables presents assets that are measured at fair value on a recurring basis at December 31, 2023 and 2022:

Assets at Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 594,350	\$ -	\$ -	\$ 594,350
Equity securities:				
U.S. equity securities	17,002,014	-	-	17,002,014
International equity securities	1,789,787	-	-	1,789,787
Corporate bonds	-	3,905,219	-	3,905,219
Mutual funds	2,905,371	-	-	2,905,371
U.S. government and agency securities	-	742,628	-	742,628
Beneficial interest in perpetual trusts	-	2,452,770	-	2,452,770
	\$ 22,291,522	\$ 7,100,617	\$ -	\$ 29,392,139

Assets at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 1,600,328	\$ -	\$ -	\$ 1,600,328
Equity securities:				
U.S. equity securities	14,668,323	-	-	14,668,323
International equity securities	1,450,378	-	-	1,450,378
Corporate bonds	-	3,719,650	-	3,719,650
Mutual funds	2,674,468	-	-	2,674,468
U.S. government and agency securities	-	553,498	-	553,498
Beneficial interest in perpetual trusts	-	2,191,814	-	2,191,814
	\$ 20,393,497	\$ 6,464,962	\$ -	\$ 26,858,459

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 between Levels 1, 2, or 3 for the years ended December 31, 2023 and 2022.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Cash and cash equivalents are reported at cost, which approximate fair values due to their short maturities.

Equity 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 trusts are recorded at fair value on a recurring basis based on current financial information provided by trustees of the perpetual trusts.

Fair value of the charitable gift annuity obligation as of December 31, 2023 and 2022 are \$324,287 and \$343,313, respectively. Fair value is determined as the present value of estimated future payments based on life expectancy of the beneficiary.

Net investment return is comprised of interest and dividend income of \$658,255, net realized and unrealized gain of \$2,754,442 and Allerton Trust distributions of \$126,246 for the year ended December 31, 2023. Net investment loss for the year ended December 31, 2022 is comprised of interest and dividend income of \$472,356, net realized and unrealized loss of \$3,609,093 and Allerton Trust distributions of \$129,106.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

(4) Land, Buildings, Equipment, and Library

A summary of land, buildings, equipment, and library as of December 31, 2023 and 2022 is as follows:

	2023	2022
The Kampong:		
Land and land improvements	\$ 4,335,120	\$ 4,335,120
Buildings	2,480,491	2,480,491
Furniture, fixtures, and equipment	513,643	485,091
Construction in progress	-	17,710
Total The Kampong	7,329,254	7,318,412
Hawaii:		
Land and land improvements	21,868,147	21,852,002
Building and building improvements	22,824,765	22,622,444
Furniture, fixtures, and equipment	8,389,457	7,980,655
Library	430,646	430,646
Construction in progress	272,206	158,544
Total Hawaii	53,785,221	53,044,291
	61,114,475	60,362,703
Less accumulated depreciation	(26,340,646)	(25,026,604)
	\$ 34,773,829	\$ 35,336,099

(5) Debt

Debt at December 31, 2023 and 2022 consist of the following:

	2023	2022
Noninterest-bearing note payable to Kauai Island Utility Cooperative; monthly principal payments of \$3,750; secured by a stand-by letter of credit for \$360,000; payable in full on November 10, 2026	\$ 127,500	\$ 172,500
2.75% note payable to the United States of America Small Business Administration; monthly payments of principal and interest of \$614 commencing on May 16, 2022; secured by substantially all assets of the Garden; payable in full on May 16, 2050	142,727	146,408
	\$ 270,227	\$ 318,908

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Notes to Financial Statements

December 31, 2023 and 2022

The Garden has a line of credit agreement with a bank for \$600,000 bearing interest at 8.25%, which expires on September 30, 2024. There were no outstanding amounts due on the line of credit as of December 31, 2023 and 2022.

The aggregate future maturities of debt as of December 31, 2023 are as follows:

Year Ending December 31:	
2024	\$ 48,764
2025	48,880
2026	41,498
2027	4,100
2028	4,204
Thereafter	<u>122,781</u>
	<u>\$ 270,227</u>

(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, 2023 and 2022, the Garden has recorded a liability of \$324,287 and \$343,313, respectively, representing the present value of the estimated future obligation under this agreement.

(7) Contributions

Waterhouse Trust

During 2023 and 2022, 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 \$469,402 and \$481,650, respectively, which were recorded as contributions without donor restrictions 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 accompanying financial statements.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

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 2023 and 2022, the Garden received distributions from the trusts amounting to \$126,246 and \$129,106, respectively, which were recorded as investment return, net and investment loss, net without donor restrictions, respectively, 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 net asset with donor restrictions and is reported as a beneficial interest in perpetual trusts in the accompanying balance sheets. As of December 31, 2023 and 2022, the fair value of the underlying trust assets were \$2,452,770 and \$2,191,814, 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 net assets with donor restrictions. 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.

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 Kalaheo, 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 net assets with donor restrictions.

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Notes to Financial Statements

December 31, 2023 and 2022

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 2023 and 2022, the Garden received distributions from the trust of \$174,573 and \$169,813, respectively, which were recorded as contributions without donor restrictions 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.

Contributed Nonfinancial Assets

Contributed nonfinancial assets for the years ended December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Facility rentals	\$ 33,250	\$ -
Operating supplies and equipment	27,307	36,306
Airline tickets	12,000	-
Auction and fundraising items	290	46,696
	<u>\$ 72,847</u>	<u>\$ 83,002</u>

Auction and fundraising items are valued at gross selling price received. Substantially all nonfinancial asset donations received in 2023 and 2022 were sold or used during the year.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

(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 and allows discretionary employer contributions. The Garden contributed \$183,782 and \$152,588 to the Plan for eligible employees for the years ended December 31, 2023 and 2022, respectively.

(9) 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.

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. Such amounts are increased every fifth year commencing with October 1, 2010, by a percentage equal to the five year average annual increase for each of the five preceding years in the Consumer Price Index for All Urban Consumers, but not more than a combined average percentage for such five year period of three percent in the aggregate. During the years ended December 31, 2023 and 2022, the Garden paid \$1,545 monthly to the Trustee, with an annual management fee of \$221,450 paid to the Garden.

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. During the years ended December 31, 2023 and 2022, these reimbursements amounted to \$749,957 and \$686,449, respectively. The amended agreement expires on December 31, 2028.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Subject to the passage of time or expenditure for specified purpose:		
Charitable gift annuity and reserve	\$ 1,512,818	\$ 1,292,477
Capital projects	1,327,531	1,059,181
The Breadfruit Institute	1,009,961	1,014,510
General support for future periods	948,441	650,033
Science and conservation	862,692	944,862
Education	503,190	209,560
The Kampong	60,463	34,312
Kahanu Garden	19,164	5,000
Limahuli Garden & Preserves	-	25,265
Other	215,909	374,975
Accumulated investment return and appropriated expenditures, net	3,542,233	1,811,675
Total subject to the passage of time or expenditure for specified purpose	10,002,402	7,421,850
Endowment funds:		
General activities	3,971,294	3,971,294
McBryde operations	3,570,263	3,570,263
Research personnel	2,903,359	2,903,359
The Kampong operations	2,500,000	2,500,000
Education and memorials	2,498,904	2,498,904
Conservation	1,000,000	1,000,000
Limahuli Garden operations	636,978	636,978
Director of Science	500,000	500,000
Landscaping personnel	403,615	403,615
Kahanu Garden operations	230,000	230,000
Botanical research center	20,625	20,625
The Kampong director	7,500	7,500
	18,242,538	18,242,538
Perpetual trusts, distributions available to support general activities	2,452,770	2,191,814
Perpetual in nature, not subject to appropriation or expenditure:		
Loy McCandless Marks Botanical Library	8,000,000	8,000,000
The Kampong Estate	3,778,983	3,778,983
Land – Limahuli Garden	1,335,000	1,335,000
Conservation easement	980,000	980,000
	14,093,983	14,093,983
Total net assets with donor restrictions	\$ 44,791,693	\$ 41,950,185

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

(11) Governing Board Designations

As of December 31, 2023 and 2022, the Garden's governing board has designated net assets without donor restrictions totaling \$2,430,293 and \$2,235,443, respectively, for quasi-endowment, subject to spending policy and appropriation to support the general operations of the Garden and The Kampong operations.

(12) Endowments

Exclusive of the Garden's perpetual trusts and other perpetual net assets, not subject to appropriation or expenditure, the Garden's endowment consists of 12 individual funds established by donors to provide funding for general operations and specific purposes. The Garden's endowment also includes certain net assets without donor restrictions that have been designated for the endowment by the Board of Trustees. At December 31, 2023 and 2022, the Garden had the following endowment net asset composition by type of fund:

	With Donor Restrictions				Total Endowment
	Without Donor Restrictions	Original Gift	Accumulated Gains, Losses and Appropriated Expenditures	Total	
2023:					
Board-designated endowment funds	\$ 2,430,293	\$ -	\$ -	\$ -	\$ 2,430,293
Donor-restricted endowment funds:					
Underwater funds	-	9,612,835	(1,037,166)	8,575,669	8,575,669
Other funds	-	8,629,703	4,579,399	13,209,102	13,209,102
	\$ 2,430,293	\$ 18,242,538	\$ 3,542,233	\$ 21,784,771	\$ 24,215,064

	With Donor Restrictions				Total Endowment
	Without Donor Restrictions	Original Gift	Accumulated Gains, Losses and Appropriated Expenditures	Total	
2022:					
Board-designated endowment funds	\$ 2,235,443	\$ -	\$ -	\$ -	\$ 2,235,443
Donor-restricted endowment funds:					
Underwater funds	-	10,832,835	(1,738,127)	9,094,708	9,094,708
Other funds	-	7,409,703	3,549,802	10,959,505	10,959,505
	\$ 2,235,443	\$ 18,242,538	\$ 1,811,675	\$ 20,054,213	\$ 22,289,656

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022, the changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2023:			
Endowment net assets, beginning of year	\$ 2,235,443	\$ 20,054,213	\$ 22,289,656
Investment return, net	299,272	2,636,523	2,935,795
Appropriation of endowment assets for expenditure	(104,422)	(905,965)	(1,010,387)
Endowment net assets, end of year	\$ 2,430,293	\$ 21,784,771	\$ 24,215,064
	Without Donor Restrictions	With Donor Restrictions	Total
2022:			
Endowment net assets, beginning of year	\$ 1,579,196	\$ 23,379,883	\$ 24,959,079
Investment loss, net	(281,498)	(2,779,928)	(3,061,426)
Contributions	1,000,000	330,000	1,330,000
Appropriation of endowment assets for expenditure	(62,255)	(875,742)	(937,997)
Endowment net assets, end of year	\$ 2,235,443	\$ 20,054,213	\$ 22,289,656

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

Interpretation of Relevant Law

The Garden is subject to Hawaii's enacted version of the Uniform Prudent Management of Institutional Funds Act (HUPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Garden has interpreted HUPMIFA as not requiring maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As of the interpretation, when reviewing its donor-restricted endowment funds, the Garden considers a fund to be underwater if the fair value of the fund is less than the sum of (a) original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Garden has interpreted HUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with HUPMIFA, the Garden 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 Garden
7. The duration and preservation of the fund

Description of Amounts Classified as Net Assets with Donor Restrictions

Underwater Endowment Funds

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 (underwater endowments). At December 31, 2023, deficiencies of this nature exist in five donor-restricted endowment funds, with an original gift value of \$9,612,835, a fair value of \$8,575,669 and a deficiency of \$1,037,166. At December 31, 2022, deficiencies of this nature exist in seven donor-restricted endowment funds, with an original gift value of \$10,832,835, a fair value of \$9,094,708 and a deficiency of \$1,738,127.

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Notes to Financial Statements

December 31, 2023 and 2022

These deficiencies resulted from historical and recent unfavorable market fluctuations that occurred upon investment of contributions of donor-restricted endowment funds and continued appropriation for programs that were deemed prudent by the Garden.

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

Endowment assets will be invested in a well-diversified asset mix, which are determined by carefully selected investment portfolio managers, who are intended to provide sufficient liquidity to make annual distributions as per the endowment spending policy, while growing the fund, if possible.

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 1st, unless otherwise specified by the donor). 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 60% of the historic dollar value. In establishing this policy, the Garden considered the long-term expected return on its endowment assets. Accordingly, over the long term, the Garden expects the current spending policy to allow its endowment assets to grow at a rate that exceeds the spending rate.

The Garden has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure \$374,687 and \$409,593 in 2023 and 2022, respectively, from underwater endowment funds during the year, which represents 4.5% of the three -year rolling average of the balance in each endowment.

During 2023 and 2022, the Garden expended \$905,965 and \$875,742 of endowment funds with donor restrictions, respectively.

NATIONAL TROPICAL BOTANICAL GARDEN

Notes to Financial Statements

December 31, 2023 and 2022

(13) Liquidity and Availability of Funds

The Garden regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Garden considers all expenditures related to its ongoing activities of research, conservation, and education to be general expenditures. Amounts available include the Board approved appropriation of the endowment funds for the following year, as well as donor-restricted amounts that are available for expenditure in the following year.

The Garden's financial assets available for general expenditure within one year of the balance sheet dates is comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,529,166	\$ 2,745,722
Contributions receivable	421,651	118,645
Contracts and grants receivable	409,242	182,521
Accounts receivable	151,011	1,116,000
Investments - treasury bills	879,347	743,343
Distributions from beneficial interests in assets held by others	1,375,843	1,409,051
Endowment spending-rate distributions and appropriations	<u>1,047,706</u>	<u>1,010,387</u>
	<u>\$ 7,813,966</u>	<u>\$ 7,325,669</u>

As of December 31, 2023, the Garden does not intend to spend board-designated endowment net assets of \$2,430,293. However, this amount could be made available, if necessary, with action by the Board of Trustees. The Garden also has an unsecured \$600,000 line of credit of which \$240,000 is available for general obligations, if needed. An operating reserve is maintained with investments in treasury bills. The balance in this reserve as of December 31, 2023 and 2022 is \$879,347 and \$743,343, 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.