

The Garden Conservancy, Inc.

Financial Statements and
Supplementary Information

December 31, 2015 and 2014



BAKER TILLY

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The Garden Conservancy, Inc.

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Independent Auditors' Report

Board of Directors
The Garden Conservancy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Garden Conservancy, Inc., which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years ended December 31, 2015 and 2014, and the related notes to the 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 auditor's 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 The Garden Conservancy, Inc. as of December 31, 2015 and 2014, and the changes in its net assets, and its cash flows for the years ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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.

Baker Tilly Viechow Krause, LLP

Clark, New Jersey
May 5, 2016

The Garden Conservancy, Inc.

Statement of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,919,241	\$ 2,269,273
Accounts receivable	-	9,000
Pledges receivable, current portion	65,723	226,663
Prepaid expenses	128,930	80,964
	<u>2,113,894</u>	<u>2,585,900</u>
Noncurrent Assets		
Pledges receivable, less current portion	13,105	19,712
Investments	16,966,883	16,956,115
Property and equipment, net	433,834	436,058
Other assets	7,293	7,293
	<u>\$ 19,535,009</u>	<u>\$ 20,005,078</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 307,291	\$ 189,961
Deferred revenue	5,173	19,499
	<u>312,464</u>	<u>209,460</u>
Net Assets		
Unrestricted - designated by board of directors	1,351,580	1,365,041
Unrestricted - undesignated	6,420,662	6,950,881
	<u>7,772,242</u>	<u>8,315,922</u>
Temporarily restricted	469,732	449,983
Permanently restricted	10,980,571	11,029,713
	<u>19,222,545</u>	<u>19,795,618</u>
Total net assets	<u>19,222,545</u>	<u>19,795,618</u>
Total liabilities and net assets	<u>\$ 19,535,009</u>	<u>\$ 20,005,078</u>

See notes to financial statements

The Garden Conservancy, Inc.

Statement of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015	2014
Changes in Unrestricted Net Assets		
Public support and revenues:		
Contributions	\$ 1,473,217	\$ 1,814,739
Special events and admissions	399,728	510,228
Net assets released from restrictions	281,775	263,634
Open days directory sales and admissions	395,215	404,896
Membership	282,824	271,947
Donated investments	43,650	96,985
Other	60,774	35,160
Total public support and revenues	2,937,183	3,397,589
Expenses:		
Program services	2,789,452	2,536,850
Management and general	557,549	586,022
Fund-raising	334,604	387,040
Total expenses	3,681,605	3,509,912
Excess of expenses over public support and revenues	(744,422)	(112,323)
Other income, net:		
Investment gain - Operating and Endowment Fund	567,368	512,977
Unrealized loss - Endowment Fund	(353,165)	879,590
Gain on disposal of property	-	34,254
Total other income, net	214,203	1,426,821
(Decrease) increase in unrestricted net assets - undesignated	(530,219)	1,314,498
Changes in Unrestricted Net Assets - Designated by Board of Directors		
Contributions	86,777	630,792
Transfer to undesignated	(100,238)	-
Investment loss	-	(179)
(Decrease) increase in unrestricted net assets - board designated	(13,461)	630,613
(Decrease) increase in unrestricted net assets	(543,680)	1,945,111
Changes in Temporarily Restricted Net Assets		
Contributions	148,561	91,076
Admission and special events	6,737	21,964
Membership	5,385	7,506
Donated investments	-	100,000
Transfer from Board designated	25,000	-
Other	12,636	13,164
Net assets released from restrictions for operations	(181,537)	(263,634)
Other income, net:		
Investment gain - Endowment Fund	6,642	5,876
Unrealized gain - Endowment Fund	(3,675)	1,176
Total other income, net	2,967	7,052
Increase (decrease) in temporarily restricted net assets	19,749	(22,872)
Changes in Permanently Restricted Net Assets		
Public support and revenues:		
Contributions	893	6,006
Pledge forgiveness	-	(50,000)
Program services	(25,035)	-
Transfer to unrestricted	(25,000)	-
Decrease in permanently restricted net assets	(49,142)	(43,994)
(Decrease) increase in net assets	(573,073)	1,878,245
Net Assets, Beginning	19,795,618	17,917,373
Net Assets, Ending	\$ 19,222,545	\$ 19,795,618

See notes to financial statements

The Garden Conservancy, Inc.

Statement of Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
(Decrease) increase in net assets	<u>\$ (573,073)</u>	<u>\$ 1,878,245</u>
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	44,707	28,471
Realized gain on investments	(216,700)	(171,768)
Unrealized loss (gain) on investments	353,165	(879,590)
Gain on disposal of fixed assets	-	(34,254)
Fair value of donated investments	(43,650)	(196,985)
Changes in assets and liabilities:		
Accounts receivable	9,000	88,590
Pledges receivable	167,547	45,830
Prepaid expenses	(47,966)	10,962
Accounts payable and accrued expenses	117,330	88,031
Other assets	-	1,428
Deferred revenue	<u>(14,326)</u>	<u>(12,425)</u>
Net cash (used in) provided by operating activities	<u>(203,966)</u>	<u>846,535</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(42,483)	(34,322)
Disposal of property and equipment	-	284,999
Net purchases of investments	<u>(103,583)</u>	<u>(17,136)</u>
Net cash (used in) provided by investing activities	<u>(146,066)</u>	<u>233,541</u>
Net (decrease) increase in cash and cash equivalents	(350,032)	1,080,076
Cash and Cash Equivalents, Beginning	<u>2,269,273</u>	<u>1,189,197</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,919,241</u></u>	<u><u>\$ 2,269,273</u></u>

See notes to financial statements

The Garden Conservancy, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

1. Organization and Nature of Activities

The Garden Conservancy, Inc. (the "Conservancy") was incorporated on December 11, 1989 under the not-for-profit laws of New York State to save and share outstanding American gardens for the education and inspiration of the public. The Garden Conservancy works with garden owners and communities through partnerships to assist with and advise in the restoration and preservation of gardens. The Conservancy shares gardens and increases appreciation of the cultural, historical and ecological significance of gardens through educational programming and its Open Days program. The Conservancy sponsors several gardens as preservation partners. Some of the sponsored gardens are the Chase Garden, Peckerwood Garden, Gardens of Alcatraz, and the Pearl Fryar Topiary Garden.

The accompanying financial statements of the Conservancy include the operating and endowment funds. The Conservancy will authorize transfers from one fund to another fund as required in order to conduct its operations. The resulting balances will be eliminated in the accompanying financial statements.

The Conservancy evaluated subsequent events for recognition or disclosure through May 5, 2016, the date the financial statements were available to be issued.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements are prepared based on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include money market accounts and other highly liquid short-term investments purchased with original maturities of three months or less at the time of the purchase.

Pledges Receivable

Pledges receivable are primarily unsecured and are received from individuals and businesses. Pledges receivable and the related revenue are recorded at the present value of estimated cash flows on the date the unconditional promise to give is made. The discounts on those amounts are computed using assumptions made by management regarding the market and ultimate collectability of the pledges.

Investments and Investment Risk

Investments with readily determinable fair values are measured at fair value in the accompanying statement of financial position.

Realized and unrealized gains and losses on investments are included in the other income section in the accompanying statement of activities and changes in net assets unless the income or loss is restricted by donor or law.

Investments donated by gift are recorded at fair value at the date of receipt. The Conservancy received donated stock investments which were recorded at their estimated fair value on the date of donation. \$43,650 and \$196,985 in stock donations were received for the years ended December 31, 2015 and 2014, respectively.

The Conservancy's investments are comprised of equity securities, mutual funds and commingled funds managed by investment advisors. The fair values reported in the accompanying statement of financial position are subject to various risks including fluctuations in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying statement of financial position and statement of activities and changes in net assets could change materially in the near term.

Property and Equipment

Property and equipment is stated at cost. Depreciation is calculated on the straight-line basis over an estimated useful life of five years for office, garden, and computer equipment and forty years for building and improvements.

Expenditures for maintenance, repairs and betterments which do not materially prolong the normal useful life of an asset are charged to operations as incurred. Purchases of property and equipment and additions and betterments which substantially extend the useful life of the properties are capitalized at cost. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reported in the accompanying statement of activities and changes in net assets.

Impairment of Long-Lived Assets

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined based on estimated discounted future cash flows expected to be generated by an asset. The Conservancy had no impairment during the years ended December 31, 2015 and 2014.

The Garden Conservancy, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

Long-lived assets will continue to be tested when events or circumstances indicate that an impairment or decline in value may have occurred. Upon completion of each review, there can be no assurance that a material charge will not be recorded.

Donor Promises to Give

Donor unconditional promises to give are recorded as revenue by the Conservancy when such promises are received. Donor unconditional promises to give that are expected to be received within twelve months are reflected as current pledges receivable and are recorded at their net realizable value. Donor unconditional promises to give due in subsequent years are reported as long-term pledges receivable and are computed using assumptions made by management of the Conservancy regarding the market and ultimate collectability of the receivables.

The Conservancy has been named as a beneficiary of the bequests made by two Directors in their wills. The Conservancy will recognize the contribution upon death and subsequent completion of probate of the estate of each donor.

Deferred Revenue

Deferred revenue pertains to advances received for certain events which will occur in the subsequent year.

Net Assets

Net assets of the Conservancy are reported in self-balancing net asset groups as follows:

Unrestricted - Designated by Board of Directors

The Conservancy adopted a policy that records bequests and tribute gifts made without restrictions of \$5,000 or more as an addition to the Conservancy's board-designated endowment fund. \$615,577 and \$570,577 are included in the endowment fund as of December 31, 2015 and 2014, respectively. In addition, the Conservancy has set aside \$736,003 and \$794,464 over which the Board of Directors retain control and may use at its discretion.

Unrestricted - Undesignated

Unrestricted net assets include part of the operating fund and part of the endowment fund and consist of the funds available for support of the Conservancy's operations and resources designated for property and equipment acquisitions. Unrestricted net assets undesignated are not subject to donor-imposed restrictions and are available for the support of the Conservancy's activities.

The Garden Conservancy, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Conservancy has been limited by donors to a specific time period or purpose which expires by passage of time or when the purpose for a restriction is accomplished. Permanently restricted net assets have been restricted by donors to be maintained by the Conservancy in perpetuity.

The net assets of the Conservancy are also recorded among the operating fund and endowment fund. All transfers among the funds are eliminated when combined and presented together on a combined basis.

Revenue from Contributions and Other

Contributions with donor-imposed restrictions, which are satisfied in the same year, are reported as an increase in unrestricted net assets.

Revenue from special events and admissions and open day's directory sales and admissions are recorded upon the occurrence of the event or shipment of the directory.

Endowment Spending

The Conservancy has established an endowment spending policy allowing it to spend, in addition to investment management fees, up to 5.5% of the fair value of its endowment funds based on a twelve quarter rolling average at June 30 of the immediately preceding year. No draw was taken for the year ended December 31, 2014.

	2015	2014
Endowment Fund:		
Fair value	\$ 14,726,776	\$ 13,668,842
Draw of 4.5% for 2015	\$ 662,661	\$ -

Allocation of Costs and Expenses

Costs and expenses that are incurred for or attributable to a specific program or supporting service are charged directly to that category. Costs and expenses that apply to more than one category are allocated, i.e. the cost of printed material is allocated on the basis of its use and distribution.

Income Taxes

The Conservancy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for federal or state income taxes or for taxes on unrelated business income has been recorded.

The Conservancy adopted the provisions of the Financial Accounting Standards Board ("FASB") authoritative guidance which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences would impact the income tax expense based on the unrelated business income, if applicable, in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense. As of December 31, 2015 and 2014, the Conservancy did not have any uncertain tax positions.

The Conservancy's federal exempt organization income tax returns are no longer subject to examination by the Internal Revenue Service for years prior to 2012.

Reclassification

Certain 2014 amounts have been reclassified to conform to 2015 presentation.

Recent Accounting Pronouncement

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under Accounting Standards Codification 820. ASU 2015-07 is effective for the years beginning after December 15, 2016 with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2015-07 on the financial statements.

3. Fair Value Measurements

The Conservancy follows the provisions of authoritative guidance relating to fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that this guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Conservancy for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

The Garden Conservancy, Inc.

Notes to Financial Statements December 31, 2015 and 2014

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs that are not Level 1 or Level 2. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conservancy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Conservancy's investments at fair value as of December 31, 2015 and December 31, 2014:

	Investments at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Commingled Fund				
Bond fund	\$ -	\$ 4,543,277	\$ -	\$ 4,543,277
Mutual Funds:				
Large cap	42,551	-	-	42,551
Index	5,342,407	-	-	5,342,407
Equity Securities:				
Energy	124,720	-	-	124,720
Materials	200,165	-	-	200,165
Industrials	967,561	-	-	967,561
Consumer discretionary	1,011,495	-	-	1,011,495
Consumer staples	1,715,093	-	-	1,715,093
Healthcare	527,777	-	-	527,777
Financials	1,656,163	-	-	1,656,163
Information technology	835,674	-	-	835,674
Total	\$ 12,423,606	\$ 4,543,277	\$ -	\$ 16,966,883

The Garden Conservancy, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

Investments at Fair Value as of December 31, 2014				
	Level 1	Level 2	Level 3	Total
Commingled Fund				
Bond fund	\$ -	\$ 4,560,086	\$ -	\$ 4,560,086
Mutual Funds:				
Large cap	64,619	-	-	64,619
Index	5,276,537	-	-	5,276,537
Equity Securities:				
Energy	361,445	-	-	361,445
Industrials	819,788	-	-	819,788
Consumer discretionary	831,138	-	-	831,138
Consumer staples	1,447,777	-	-	1,447,777
Healthcare	768,375	-	-	768,375
Financials	2,051,602	-	-	2,051,602
Information technology	641,934	-	-	641,934
Real estate	128,370	-	-	128,370
Other	4,444	-	-	4,444
Total	\$ 12,396,029	\$ 4,560,086	\$ -	\$ 16,956,115

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies as of December 31, 2015.

Commingled Funds are valued based on the current market values of the underlying assets reported by the investment advisor using audited financial statements of the funds at year end using net asset value ("NAV") of shares held.

Mutual funds and equity securities are valued at fair value, which are the amounts reported on the statement of financial position, based on quoted market prices.

The following information related to the commingled pools and alternative investments discusses the nature and risk of the investments and whether they have redemption restrictions.

	December 31, 2015 Fair Value (in 000's)	December 31, 2014 Fair Value (in 000's)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commonfund Multi-Strategy				
Bond fund	\$ 4,543,277	\$ 4,560,086	Monthly	5 days

This fund's strategy is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market, as measured by the Barclay's Capital U.S. Aggregate Bond Index, net of fees and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income Universe. The fund's risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the Index, including below investment grade debt and international bond and currency markets.

At December 31, 2015 and 2014, the Conservancy did not have any assets whose fair value was measured using Level 3 inputs.

The Garden Conservancy, Inc.

Notes to Financial Statements December 31, 2015 and 2014

The following schedule summarizes the unrestricted investment return included in the accompanying statement of activities and changes in net assets for December 31, 2015 and 2014.

	2015	2014
Interest and dividends income	\$ 350,668	\$ 341,031
Realized gain	216,700	171,768
Unrealized (loss) gain, net	<u>(353,165)</u>	<u>879,590</u>
Total	<u>\$ 214,203</u>	<u>\$ 1,392,389</u>

4. Pledges Receivable

Pledges receivable consist of the following:

	2015	2014
Receivable in less than one year	<u>\$ 65,723</u>	<u>\$ 226,663</u>
Receivable in one year	\$ 6,000	\$ 8,500
Receivable in two years	3,500	6,000
Receivable in three years	2,500	2,500
Receivable in four years	2,500	2,500
Receivable in five years	<u>-</u>	<u>2,500</u>
	14,500	22,000
Less discounts to present value	<u>(1,395)</u>	<u>(2,288)</u>
Long-term portion of pledges receivable	<u>\$ 13,105</u>	<u>\$ 19,712</u>

The discount rate used on long-term pledges receivable is 5% at December 31, 2015 and December 31, 2014.

The Conservancy's policy is to estimate an allowance for doubtful pledges receivable, based upon its expectation of collections of those receivables. It is reasonably possible that the estimate of those collections will be different than anticipated and, as a result, the carrying value of the pledges receivable may need to be adjusted. Based on historical results, management believes pledges receivable are fully collectible and that an allowance for doubtful pledges receivable is not necessary at December 31, 2015 and 2014.

The Garden Conservancy, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

5. Property and Equipment, Net

Property and equipment, net is comprised of the following:

	December 31, 2015		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 215,000	\$ -	\$ 215,000
Buildings	135,000	(20,426)	114,574
Building improvements	46,376	(5,404)	40,972
Office, garden, and computer equipment	158,206	(94,918)	63,288
Total	<u>\$ 554,582</u>	<u>\$ (120,748)</u>	<u>\$ 433,834</u>

	December 31, 2014		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 215,000	\$ -	\$ 215,000
Buildings	135,000	(16,963)	118,037
Building improvements	6,663	(3,939)	2,724
Office, garden, and computer equipment	155,434	(55,137)	100,297
Total	<u>\$ 512,097</u>	<u>\$ (76,039)</u>	<u>\$ 436,058</u>

Depreciation and amortization expense was \$44,707 and \$28,471 for the years ended December 31, 2015 and 2014, respectively.

During 2014, the Conservancy entered into a sale agreement for the land and building related to its prior location. The sale resulted in a gain of approximately \$34,000.

During 2010, the Conservancy was the recipient of the Chase Garden ("Chase") property, including the land and building. The Conservancy is maintaining Chase and continues to preserve the artistic vision of Emmott and Ione Chase for public enjoyment and education. The net carrying value of Chase was \$370,546 and \$335,761 as of December 31, 2015 and 2014, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets include part of the operating fund and contributions of cash with donor restrictions which limit the use of such donated assets. Temporary restrictions on the use of net assets expire by passage of time or can be fulfilled and removed by satisfying the donor's restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Garden Conservancy, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Gardens of Alcatraz	\$ 16,362	\$ 18,002
George W. Rowe Fund for Education	61,101	93,884
Green Gables	82,358	87,751
Elizabeth Lawrence House and Garden	56,315	56,549
Rocky Hills	24,795	22,934
Rocky Hills Documentation Fund	21,377	-
Frederic Rheinstein Fund	130,000	130,000
Keil Cove	16,473	20,033
Thomas Eby Property	17,460	19,979
Pearl Fryar Topiary Garden	13,491	853
Open Days Fund	30,000	-
Total	\$ 469,732	\$ 449,985

7. Endowment Funds

Endowment fund net assets are supported by gifts, contributions of cash and investments and may be restricted by donors to be maintained in perpetuity. The Conservancy adopted a policy that records bequests made without restrictions of \$5,000 or more as an addition to the Conservancy board designated endowment fund. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted, unrestricted board-designated, or unrestricted net assets, the Board of Directors (the "Board") looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. The Board has determined that, absent donor stipulations to the contrary, the provisions of State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift and/or additional gifts. The Conservancy manages its investments to ensure the achievement of a rate of return that adequately supports the Conservancy's mission while minimizing risk to the greatest extent possible. The Conservancy seeks to minimize downside volatility and other risks while maximizing returns. The objective is to achieve total return that exceeds benchmarks.

The income earned on permanently restricted net assets is available for unrestricted use by the Conservancy.

The Garden Conservancy, Inc.

Notes to Financial Statements December 31, 2015 and 2014

The composition of endowment net assets and changes in endowment net assets as of and for the years ended December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,433,958	\$ 570,577	\$ 11,029,713	\$ 14,584	\$ 18,048,832
Investment return:					
Investment income	350,052	-	-	6,642	356,694
Realized gain	216,700	-	-	-	216,700
Unrealized loss	(353,165)	-	-	(3,675)	(356,840)
Total investment return	213,587	-	-	2,967	216,554
Contributions	-	45,000	893	-	45,893
Rocky Hills Pledge- released from permanent restriction	-	-	(25,000)	25,000	-
Appropriation of endowment assets for expenditures	(743,803)	-	(25,035)	(3,623)	(772,461)
Endowment net assets, end of year	<u>\$ 5,903,742</u>	<u>\$ 615,577</u>	<u>\$ 10,980,571</u>	<u>\$ 38,928</u>	<u>\$ 17,538,818</u>

Investment income in the above does not include gains from the operating fund of \$619 for the year ended December 31, 2015.

The appropriation of endowment assets for expenditures includes the following:

Endowment investment management fees	\$ 81,142
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The Garden Conservancy, Inc.

Notes to Financial Statements December 31, 2015 and 2014

The composition of endowment net assets and changes in endowment net assets as of and for the year ended December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,119,463	\$ 570,577	\$ 11,073,707	\$ 7,530	\$ 16,771,277
Investment return:					
Investment income	341,513	-	-	5,878	347,391
Realized gain	171,768	-	-	-	171,768
Unrealized gain	879,589	-	-	1,176	880,765
Total investment return	1,392,870	-	-	7,054	1,399,924
Contributions	-	-	6,006	-	6,006
Bad debt expense	-	-	(50,000)	-	(50,000)
Appropriation of endowment assets for expenditures	(78,375)	-	-	-	(78,375)
Endowment net assets, end of year	<u>\$ 6,433,958</u>	<u>\$ 570,577</u>	<u>\$ 11,029,713</u>	<u>\$ 14,584</u>	<u>\$ 18,048,832</u>

Investment income in the above does not include losses from the operating fund of \$(483) for the year ended December 31, 2014.

The appropriation of endowment assets for expenditures includes the following:

Endowment investment management fees	\$ 78,375
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8. Conservation Easements

The Conservancy has been granted conservation easements for the following properties: Keil Cove in Marin County, California, Bancroft Garden in Walnut Creek, California, Green Gables in Woodside, California, Thomas Eby (Telegraph Hill) in San Francisco, California, Elizabeth Lawrence Garden in Charlotte, North Carolina, and Rocky Hills Garden in Mt. Kisco, New York, (Transferred to Westchester Land Trust in 2015). Each easement has been valued at \$100 in the accompanying financial statements and is subject to certain annual compliance and monitoring by the Conservancy. It is possible that the Conservancy could be responsible for future costs related to enforcing the terms of the easements, although the financial impact of this is not presently determinable.

The Garden Conservancy, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

9. Undevelopable Land

Land on Dogwood Lane in Locust Valley, New York was donated to the Conservancy. This land consists of a 0.23 acre lot which is undevelopable. It is being held by the Conservancy to preserve the views from the adjacent Humes Japanese Stroll Garden.

10. Pension Plan

The Conservancy sponsors a defined contribution pension plan (the "Plan"). This is a mandatory plan and eligible employees are required to participate after one year of service. This plan equally matches employee contributions with a maximum contribution by the Conservancy of 5%. Pension expense, classified with payroll taxes and employee benefits, for the years ended December 31, 2015 and 2014 was \$51,922 and \$50,185, respectively.

11. Supporting Organizations

The Stonecrop Gardens, Inc., Quatre Vents Foundation, Inc., Greenwood Gardens, and Hollister House Garden, are affiliated with the Conservancy as supporting organizations. The Stonecrop Gardens, Inc. is a series of display gardens located in the town of Philipstown, New York, which is open to the public. The Quatre Vents Foundation, Inc. provides financial support to foreign and domestic not-for-profit organizations interested in preserving the cultural heritage of a community. Greenwood Garden is of Italianate design and surrounded by a naturalist landscape of allees, wildflower meadows, ponds and cultivated woodlands. It is located in Short Hills, New Jersey and is open to the public May through October. Hollister House Garden is a romantic country garden in Washington, Connecticut, open to the public May through September. These four organizations are not controlled by the Conservancy and are not combined in the accompanying financial statements.

12. Commitments

Operating Lease

The Conservancy leases space in Winter Hill, NY under a three year non-cancelable lease, expiring on June 30, 2015. The Conservancy also rents office space in California. The lease expired on February 29, 2016 and was renewed for a period of one year. Office space rentals are at a fixed monthly rent. The Conservancy also rents various equipment through 2020.

Future minimum lease obligations for the non-cancelable leases for years ending subsequent to December 31, 2015 are summarized as follows:

2016	\$	104,898
2017		64,481
2018		9,669
2019		2,208
2020		920
Total		<u>\$ 182,176</u>

The Garden Conservancy, Inc.

Notes to Financial Statements December 31, 2015 and 2014

Lease expenses were \$102,535 and \$100,311 for the years ended December 31, 2015 and 2014, respectively.

13. Concentrations of Credit Risk

Financial instruments that potentially subject the Conservancy to concentrations of credit risk consist principally of cash and cash equivalents, pledges receivable, and investments. The Conservancy's cash and cash equivalents are on deposit in two financial institutions. It is the Conservancy's policy to monitor the financial strength of the institutions on a regular basis. During the years ended December 31, 2015 and 2014, the Conservancy's cash balances exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000 per financial institution. However, the Conservancy's financial institutions participate in the FDIC's Transaction Account Guarantee Program in which all noninterest bearing transaction accounts are fully guaranteed by the FDIC.

The Conservancy has not experienced any losses in such accounts, and it believes it is not subject to any significant credit risk on cash and cash equivalents.

The Conservancy's investments, excluding cash, are 100% covered by the Securities Investor Protection Corporation ("SIPC"). The SIPC insurance limit is regularly \$500,000 per financial institution.

14. Functional Expenses

Functional expenses related to the services provided by The Conservancy for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Management and general	\$ 557,549	\$ 586,022
Fundraising	334,604	387,040
Program	2,558,565	2,296,543
Sponsored gardens	255,922	290,307
Total	<u>\$ 3,706,640</u>	<u>\$ 3,559,912</u>

The Garden Conservancy, Inc.

Combining Schedule of Financial Position
December 31, 2015

	Operating Fund	Endowment Fund	Eliminating Entries	Combined Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 702,627	\$ 1,216,614	\$ -	\$ 1,919,241
Accounts receivable	-	-	-	-
Pledges receivable, current portion	57,223	8,500	-	65,723
Due from endowment fund	666,286	-	(666,286)	-
Prepaid expenses	128,930	-	-	128,930
Total current assets	1,555,066	1,225,114	(666,286)	2,113,894
Property and Equipment				
Office, garden, and computer equipment	158,206	-	-	158,206
Building	135,000	-	-	135,000
Building improvements	46,376	-	-	46,376
Land	215,000	-	-	215,000
	554,582	-	-	554,582
Less accumulated depreciation	120,748	-	-	120,748
Total property and equipment, net	433,834	-	-	433,834
Other Assets				
Pledges receivable, less current portion	-	13,105	-	13,105
Investments	-	16,966,883	-	16,966,883
Other assets	7,293	-	-	7,293
Total other assets	7,293	16,979,988	-	16,987,281
Total assets	<u>\$ 1,996,193</u>	<u>\$ 18,205,102</u>	<u>\$ (666,286)</u>	<u>\$ 19,535,009</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 307,291	\$ -	\$ -	\$ 307,291
Due to operating fund	-	666,286	(666,286)	-
Deferred revenue	5,173	-	-	5,173
Total current liabilities	312,464	666,286	(666,286)	312,464
Net Assets				
Unrestricted - designated by board of directors	736,003	615,577	-	1,351,580
Unrestricted - undesignated	516,920	5,903,742	-	6,420,662
Temporarily restricted	430,806	38,926	-	469,732
Permanently restricted	-	10,980,571	-	10,980,571
Total net assets	1,683,729	17,538,816	-	19,222,545
Total liabilities and net assets	<u>\$ 1,996,193</u>	<u>\$ 18,205,102</u>	<u>\$ (666,286)</u>	<u>\$ 19,535,009</u>

The Garden Conservancy, Inc.

Combining Schedule of Financial Position

December 31, 2014

	Operating Fund	Endowment Fund	Combined Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,286,027	\$ 983,246	\$ 2,269,273
Accounts receivable	9,000	-	9,000
Pledges receivable, current portion	136,903	89,760	226,663
Prepaid expenses	80,964	-	80,964
Total current assets	1,512,894	1,073,006	2,585,900
Property and Equipment			
Office, garden, and computer equipment	155,434	-	155,434
Building	135,000	-	135,000
Building improvements	6,664	-	6,664
Land	215,000	-	215,000
	512,098	-	512,098
Less accumulated depreciation	76,040	-	76,040
Total property and equipment, net	436,058	-	436,058
Other Assets			
Pledges receivable, less current portion	-	19,712	19,712
Investments	-	16,956,115	16,956,115
Other assets	7,293	-	7,293
Total other assets	7,293	16,975,827	16,983,120
Total assets	<u>\$ 1,956,245</u>	<u>\$ 18,048,833</u>	<u>\$ 20,005,078</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 189,961	\$ -	\$ 189,961
Deferred revenue	19,499	-	19,499
Total current liabilities	209,460	-	209,460
Net Assets			
Unrestricted - designated by board of directors	794,464	570,577	1,365,041
Unrestricted - undesignated	516,920	6,433,961	6,950,881
Temporarily restricted	435,401	14,582	449,983
Permanently restricted	-	11,029,713	11,029,713
Total net assets	1,746,785	18,048,833	19,795,618
Total liabilities and net assets	<u>\$ 1,956,245</u>	<u>\$ 18,048,833</u>	<u>\$ 20,005,078</u>

The Garden Conservancy, Inc.

Combining Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2015

	Operating Fund	Endowment Fund	Undesignated Combined	Unrestricted Designated by Board of Directors		Temporarily Restricted		Permanently Restricted		Elimination	Combined Totals
				Operating Fund	Endowment Fund	Operating Fund	Documentation Fund	Endowment Fund	GC Endowment Fund	RH Endowment Fund	
Public Support and Revenues											
Contribution	\$ 1,473,217	\$ -	\$ 1,473,217	\$ 41,777	\$ 45,000	\$ 148,561	\$ -	\$ -	893	\$ -	\$ 1,709,448
Special events and admissions	399,728	-	399,728	-	-	6,737	-	-	-	-	406,465
Net assets released from restriction	281,775	-	281,775	(100,238)	-	(177,914)	(3,623)	-	-	-	-
Open day's directory, sales and admissions	395,215	-	395,215	-	-	-	-	-	-	-	395,215
Grants from endowment fund	662,661	-	662,661	-	-	-	-	-	-	(662,661)	-
Membership	282,824	-	282,824	-	-	5,385	-	-	-	-	288,209
Donated investments	43,650	-	43,650	-	-	-	-	-	-	-	43,650
Other	60,774	-	60,774	-	-	12,636	-	-	-	-	73,410
Total public support and revenues	3,599,844	-	3,599,844	(58,461)	45,000	(4,595)	(3,623)	-	893	-	2,916,397
Expenses											
Program services	2,789,452	-	2,789,452	-	-	-	-	-	-	25,035	2,814,487
Management and general	476,407	81,142	557,549	-	-	-	-	-	-	-	557,549
Grants to endowment fund	-	662,661	662,661	-	-	-	-	-	-	(662,661)	-
Fund raising	334,604	-	334,604	-	-	-	-	-	-	-	334,604
Total expenses	3,600,463	743,803	4,344,266	-	-	-	-	-	-	25,035	3,706,640
Excess of Expenses Under (Over)											
Public Support and Revenues	(619)	(743,803)	(744,422)	(58,461)	45,000	(4,595)	(3,623)	-	893	(25,035)	(790,243)
Other Income (Loss), Net											
Transfer from (to) - Unrestricted Board Designated	-	-	-	-	-	-	25,000	-	-	(25,000)	-
Investment income (loss)	619	566,749	567,368	-	-	-	-	6,642	-	-	574,010
Unrealized loss	-	(353,165)	(353,165)	-	-	-	-	(3,675)	-	-	(356,840)
Total other income (loss)	619	213,584	214,203	-	-	-	25,000	2,967	-	(25,000)	217,170
(Decrease) increase in net assets	-	(530,219)	(530,219)	(58,461)	45,000	(4,595)	21,377	2,967	893	(50,035)	(573,073)
Net Assets, Beginning	516,920	6,433,961	6,950,881	794,464	570,577	435,401	-	14,582	10,979,678	50,035	19,795,618
Net Assets, Ending	\$ 516,920	\$ 5,903,742	\$ 6,420,662	\$ 736,003	\$ 615,577	\$ 430,806	\$ 21,377	\$ 17,549	\$ 10,980,571	\$ -	\$ 19,222,545

The Garden Conservancy, Inc.

Combining Schedule of Activities and Changes in Net Assets
Year Ended December 31, 2014

	Operating Fund	Endowment Fund	Undesignated Combined	Unrestricted Designated by Board of Directors		Temporarily Restricted		Permanently Restricted		Combined Totals
				Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	GC Endowment Fund	RH Endowment Fund	
Public Support and Revenues										
Contribution	\$ 1,814,739	\$ -	\$ 1,814,739	\$ 630,792	\$ -	\$ 91,076	\$ -	4,806	\$ 1,200	\$ 2,542,613
Special events and admissions	510,228	-	510,228	-	-	21,964	-	-	-	532,192
Net assets released from restriction	263,634	-	263,634	-	-	(263,634)	-	-	-	-
Open day's directory, sales and admissions	404,896	-	404,896	-	-	-	-	-	-	404,896
Grants from endowment fund	-	-	-	-	-	-	-	-	-	-
Membership	271,947	-	271,947	-	-	7,506	-	-	-	279,453
Donated investments	96,985	-	96,985	-	-	100,000	-	-	-	196,985
Other	35,160	-	35,160	-	-	13,164	-	-	-	48,324
Total public support and revenues	3,397,589	-	3,397,589	630,792	-	(29,924)	-	4,806	1,200	4,004,463
Expenses										
Program services	2,536,850	-	2,536,850	-	-	-	-	-	50,000	2,586,850
Management and general	507,648	78,374	586,022	-	-	-	-	-	-	586,022
Grants to funds	-	-	-	-	-	-	-	-	-	-
Fund raising	387,040	-	387,040	-	-	-	-	-	-	387,040
Other	-	-	-	-	-	-	-	-	-	-
Total expenses	3,431,538	78,374	3,509,912	-	-	-	-	-	50,000	3,559,912
Excess of Expenses Under (Over)	-									
Public Support and Revenues	(33,949)	(78,374)	(112,323)	630,792	-	(29,924)	-	4,806	(48,800)	444,551
Other Income (Loss), Net										
Transfer from (to) - Unrestricted Board Designated	-	-	-	-	-	-	-	-	-	-
Investment income (loss)	(305)	513,282	512,977	(179)	-	-	5,876	-	-	518,674
Unrealized gain	-	879,590	879,590	-	-	-	1,176	-	-	880,766
Gain on disposal of property	34,254	-	34,254	-	-	-	-	-	-	34,254
Total other income (loss)	33,949	1,392,872	1,426,821	(179)	-	-	7,052	-	-	1,433,694
Increase (decrease) in net assets	-	1,314,498	1,314,498	630,613	-	(29,924)	7,052	4,806	(48,800)	1,878,245
Net Assets, Beginning	516,920	5,119,463	5,636,383	163,851	570,577	465,325	7,530	10,974,872	98,835	17,917,373
Net Assets, Ending	\$ 516,920	\$ 6,433,961	\$ 6,950,881	\$ 794,464	\$ 570,577	\$ 435,401	\$ 14,582	\$ 10,979,678	\$ 50,035	\$ 19,795,618