

# **The Garden Conservancy, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2016 and 2015



**BAKER TILLY**

Candor. Insight. Results.

# **The Garden Conservancy, Inc.**

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December 31, 2016 and 2015

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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, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets, and its cash flows for the years ended December 31, 2016 and 2015 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 Virchow Krause, LLP*

Iselin, New Jersey  
April 5, 2017

**The Garden Conservancy, Inc.**

## Statement of Financial Position

December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,077,444	\$ 1,919,241
Pledges receivable, current portion	22,199	65,723
Prepaid expenses	127,456	128,930
Total current assets	1,227,099	2,113,894
<b>Noncurrent Assets</b>		
Pledges receivable, less current portion	12,167	13,105
Investments	18,186,821	16,966,883
Property and equipment, net	387,977	433,834
Other assets	7,393	7,293
Total assets	<u>\$ 19,821,457</u>	<u>\$ 19,535,009</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 247,268	\$ 307,291
Deferred revenue	109,308	5,173
Total current liabilities	356,576	312,464
<b>Net Assets</b>		
Unrestricted - designated by board of directors	1,138,177	1,351,580
Unrestricted - undesignated	6,928,518	6,420,662
Total unrestricted	8,066,695	7,772,242
Temporarily restricted	417,053	469,732
Permanently restricted	10,981,133	10,980,571
Total net assets	19,464,881	19,222,545
Total liabilities and net assets	<u>\$ 19,821,457</u>	<u>\$ 19,535,009</u>

See notes to financial statements

**The Garden Conservancy, Inc.**

Statement of Activities and Changes in Net Assets  
Years Ended December 31, 2016 and 2015

	2016	2015
<b>Changes in Unrestricted Net Assets</b>		
Public support and revenues:		
Contributions	\$ 1,303,057	\$ 1,473,217
Special events and admissions	210,424	399,728
Net assets released from restrictions	407,814	281,775
Open days directory sales and admissions	380,542	395,215
Membership	302,252	282,824
Donated investments	24,359	43,650
Other	35,091	60,774
Total public support and revenues	2,663,539	2,937,183
Expenses:		
Program services	2,940,752	2,789,452
Management and general	534,849	557,549
Fund-raising	108,965	334,604
Total expenses	3,584,566	3,681,605
Excess of expenses over public support and revenues	(921,027)	(744,422)
Other income, net:		
Investment gain - Operating and Endowment Fund	578,918	567,368
Unrealized gain (loss) - Endowment Fund	849,965	(353,165)
Total other income, net	1,428,883	214,203
Increase (decrease) in unrestricted net assets - undesignated	507,856	(530,219)
<b>Changes in Unrestricted Net Assets - Designated by Board of Directors</b>		
Contributions	102,500	86,777
Transfer to undesignated	(315,903)	(100,238)
Decrease in unrestricted net assets - board designated	(213,403)	(13,461)
Increase (decrease) in unrestricted net assets	294,453	(543,680)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	\$10,146	148,561
Admission and special events	6,198	6,737
Membership	4,880	5,385
Transfer from Board designated	-	25,000
Other	17,856	12,636
Net assets released from restrictions for operations	(91,911)	(181,537)
Other income, net:		
Investment gain - Endowment Fund	1,929	6,642
Unrealized gain - Endowment Fund	(1,777)	(3,675)
Total other income, net	152	2,967
(Decrease) Increase in temporarily restricted net assets	(52,679)	19,749
<b>Changes in Permanently Restricted Net Assets</b>		
Public support and revenues:		
Contributions	562	893
Program services	-	(25,035)
Transfer to unrestricted	-	(25,000)
Increase (decrease) in permanently restricted net assets	562	(49,142)
Increase (decrease) in net assets	242,336	(573,073)
<b>Net Assets, Beginning</b>	19,222,545	19,795,618
<b>Net Assets, Ending</b>	\$ 19,464,881	\$ 19,222,545

See notes to financial statements

**The Garden Conservancy, Inc.**

## Statement of Cash Flows

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	<u>\$ 242,336</u>	<u>\$ (573,073)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	45,857	44,707
Realized gain on investments	(580,847)	(216,700)
Unrealized gain (loss) on investments	(848,188)	353,165
Fair value of donated investments	(24,359)	(43,650)
Changes in assets and liabilities:		
Accounts receivable	-	9,000
Pledges receivable	44,462	167,547
Prepaid expenses	1,474	(47,966)
Accounts payable and accrued expenses	(60,023)	117,330
Other assets	(100)	-
Deferred revenue	<u>104,135</u>	<u>(14,326)</u>
Net cash used in operating activities	<u>(1,075,253)</u>	<u>(203,966)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(42,483)
Net sales (purchases) of investments	<u>233,456</u>	<u>(103,583)</u>
Net cash provided by (used in) investing activities	<u>233,456</u>	<u>(146,066)</u>
Net decrease in cash and cash equivalents	(841,797)	(350,032)
<b>Cash and Cash Equivalents, Beginning</b>	<u>1,919,241</u>	<u>2,269,273</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 1,077,444</u></u>	<u><u>\$ 1,919,241</u></u>

*See notes to financial statements*

## **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 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 April 5, 2017, 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. \$24,359 and \$43,650 in stock donations were received for the years ended December 31, 2016 and 2015, 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, 2016 and 2015.

## **The Garden Conservancy, Inc.**

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Notes to Financial Statements  
December 31, 2016 and 2015

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. \$718,077 and \$615,577 are included in the endowment fund as of December 31, 2016 and 2015, respectively. In addition, the Conservancy has set aside \$420,100 and \$736,003 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, 2016 and 2015

## 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% of the fair value of its endowment funds based on a twelve quarter rolling average at June 30 of the immediate preceding year. In 2016, the Conservancy amended their endowment spending policy formula to be based on the combined total of 20 percent of the average market value of the fund over twelve rolling quarters at June 30 of the immediate preceding year and 80 percent of the approved disbursement for the immediate preceding year.

	<u>2016</u>	<u>2015</u>
Endowment Fund:		
Fair value	<u>\$ 16,393,029</u>	<u>\$ 14,726,776</u>
Draw	<u>\$ 837,479</u>	<u>\$ 662,661</u>

## 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, 2016 and 2015, 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 2013.

### **Recent Accounting Pronouncement**

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 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 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.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Conservancy will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2018. The Conservancy has not yet determined the impact of adoption of ASU No. 2014-09 on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Conservancy's leasing activities. The Organization will be required to retrospectively adopt the guidance in ASU No. 2016-02 for years beginning after December 15, 2019. The Conservancy has not yet determined the impact of adoption of ASU No. 2016-02 on its financial statements.

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Conservancy is assessing the impact this standard will have on its 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.

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 Garden Conservancy, Inc.**

## Notes to Financial Statements

December 31, 2016 and 2015

The following table sets forth, by level within the fair value hierarchy, the Conservancy's investments at fair value as of December 31, 2016 and December 31, 2015:

<b>Investments at Fair Value as of December 31, 2016</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Commingled Fund, Bond fund	\$ -	\$ 4,696,821	\$ -	\$ 4,696,821
Mutual Fund, Index	5,973,716	-	-	5,973,716
Equity Securities:				
Energy	144,416	-	-	144,416
Materials	447,476	-	-	447,476
Industrials	1,304,058	-	-	1,304,058
Consumer discretionary	764,445	-	-	764,445
Consumer staples	1,364,299	-	-	1,364,299
Healthcare	760,445	-	-	760,445
Financials	1,761,985	-	-	1,761,985
Information technology	969,160	-	-	969,160
Total	<u>\$ 13,490,000</u>	<u>\$ 4,696,821</u>	<u>\$ -</u>	<u>\$ 18,186,821</u>
<b>Investments at Fair Value as of December 31, 2015</b>				
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	<u>\$ 12,423,606</u>	<u>\$ 4,543,277</u>	<u>\$ -</u>	<u>\$ 16,966,883</u>

## The Garden Conservancy, Inc.

### Notes to Financial Statements December 31, 2016 and 2015

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, 2016.

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.

	<b>December 31, 2016 Fair Value (in 000's)</b>	<b>December 31, 2015 Fair Value (in 000's)</b>	<b>Redemption Frequency (if Currently Eligible)</b>	<b>Redemption Notice Period</b>
Commonfund Multi-Strategy Bond fund	\$ 4,696,821	\$ 4,543,277	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, 2016 and 2015, the Conservancy did not have any assets whose fair value was measured using Level 3 inputs.

The following schedule summarizes the unrestricted investment return included in the accompanying statement of activities and changes in net assets for December 31, 2016 and 2015.

	<b>2016</b>	<b>2015</b>
Interest and dividends income	\$ 382,063	\$ 350,668
Realized gain	196,855	216,700
Unrealized gain (loss), net	849,965	(353,165)
Total	<u>\$ 1,428,883</u>	<u>\$ 214,203</u>



## The Garden Conservancy, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 4. Pledges Receivable

Pledges receivable consist of the following:

	2016	2015
Receivable in less than one year	\$ 22,199	\$ 65,723
Receivable in one year	\$ 3,500	\$ 6,000
Receivable in two years	3,500	3,500
Receivable in three years	3,500	2,500
Receivable in four years	2,500	2,500
	13,000	14,500
Less discounts to present value	(833)	(1,395)
Long-term portion of pledges receivable	\$ 12,167	\$ 13,105

The discount rate used on long-term pledges receivable is 5% at December 31, 2016 and December 31, 2015.

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, 2016 and 2015.

### 5. Property and Equipment, Net

Property and equipment, net is comprised of the following:

	December 31, 2016		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 215,000	\$ -	\$ 215,000
Buildings	135,000	(23,890)	111,110
Building improvements	46,376	(8,357)	38,019
Office, garden and computer equipment	158,206	(134,358)	23,848
Total	\$ 554,582	\$ (166,605)	\$ 387,977



## The Garden Conservancy, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

	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>

Depreciation and amortization expense was \$45,857 and \$44,707 for the years ended December 31, 2016 and 2015, respectively.

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 Lone Chase for public enjoyment and education. The net carrying value of Chase was \$364,129 and \$370,546 as of December 31, 2016 and 2015, 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.

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Gardens of Alcatraz	\$ 12,021	\$ 16,362
George W. Rowe Fund for Education	50,832	61,101
Green Gables	79,864	82,358
Elizabeth Lawrence House and Garden	54,189	56,315
Rocky Hills	23,986	24,795
Rocky Hills Documentation Fund	16,861	21,377
Frederic Rheinstein Fund	125,389	130,000
Keil Cove	13,837	16,473
Thomas Eby Property	14,824	17,460
Pearl Fryar Topiary Garden	15,250	13,491
Open Days Fund	-	30,000
Humes Garden	10,000	-
Total	<u>\$ 417,053</u>	<u>\$ 469,732</u>

## The Garden Conservancy, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 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, Prudent Management of Institutional Funds Act ("NYPMIFA"). 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 composition of endowment net assets and changes in endowment net assets as of and for the years ended December 31, 2016 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	\$ 5,903,742	\$ 615,577	\$ 10,980,571	\$ 38,926	\$ 17,538,816
Investment return:					
Investment income	382,063	-	-	-	382,063
Realized gain	196,781	-	-	1,929	198,710
Unrealized gain (loss)	849,965	-	-	(1,777)	848,188
Total investment return	1,428,809	-	-	152	1,428,961
Contributions	-	102,500	562	-	103,062
Appropriation of endowment assets for expenditures	(920,953)	-	-	(4,517)	(925,470)
Endowment net assets, end of year	<u>\$ 6,411,598</u>	<u>\$ 718,077</u>	<u>\$ 10,981,133</u>	<u>\$ 34,561</u>	<u>\$ 18,145,369</u>

Investment income in the above does not include gains from the operating fund of \$74 for the year ended December 31, 2016.

## The Garden Conservancy, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

The appropriation of endowment assets for expenditures includes the following:

Endowment investment management fees \$ 83,475

The composition of endowment net assets and changes in endowment net assets as of and for the year 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	\$ 14,582	\$ 18,048,830
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>\$ 38,926</u>	<u>\$ 17,538,816</u>

Investment income in the above does not include losses from the operating fund of \$616 for the year ended December 31, 2015.

The appropriation of endowment assets for expenditures includes the following:

Endowment investment management fees \$ 81,142

### 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, Peckerwood in Hempstead, Texas, 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.

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Notes to Financial Statements  
December 31, 2016 and 2015

### 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. 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, 2016 and 2015 was \$54,308 and \$51,922, 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, 2017. The Conservancy also rents office space in California. The lease expires on February 28, 2018. Office space rentals are at a fixed monthly rent. The Conservancy also rents various equipment through 2021.

Future minimum lease obligations for the non-cancelable leases for years ending subsequent to December 31, 2016 are summarized as follows:

2017	\$	74,866
2018		20,055
2019		5,413
2020		2,689
2021		295
Total		<u>\$ 103,318</u>

## The Garden Conservancy, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

Lease expenses were \$114,016 and \$102,535 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 are as follows:

	2016	2015
Management and general	\$ 534,849	\$ 557,549
Fundraising	108,965	334,604
Program	2,940,752	2,789,452
Total	<u>\$ 3,584,566</u>	<u>\$ 3,681,605</u>

**The Garden Conservancy, Inc.**

Combining Schedule of Financial Position  
December 31, 2016

	Operating Fund	Endowment Fund	Eliminating Entries	Combined Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 289,067	\$ 788,377	\$ -	\$ 1,077,444
Pledges receivable, current portion	22,199	-	-	22,199
Due from endowment fund	841,996	-	(841,996)	-
Prepaid expenses	127,456.00	-	-	127,456
Total current assets	1,280,718	788,377	(841,996)	1,227,099
<b>Property and Equipment</b>				
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	(166,605)	-	-	(166,605)
Total property and equipment, net	387,977	-	-	387,977
<b>Other Assets</b>				
Pledges receivable, less current portion	-	12,167	-	12,167
Investments	-	18,186,821	-	18,186,821
Other assets	7,393	-	-	7,393
Total other assets	7,393	18,198,988	-	18,206,381
Total assets	<u>\$ 1,676,088</u>	<u>\$ 18,987,365</u>	<u>\$ (841,996)</u>	<u>\$ 19,821,457</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 247,268	\$ -	\$ -	\$ 247,268
Due to operating fund	-	841,996	(841,996)	-
Deferred revenue	109,308	-	-	109,308
Total current liabilities	356,576	841,996	(841,996)	356,576
<b>Net Assets</b>				
Unrestricted - designated by board of directors	420,100	718,077	-	1,138,177
Unrestricted - undesignated	516,920	6,411,598	-	6,928,518
Temporarily restricted	382,492	34,561	-	417,053
Permanently restricted	-	10,981,133	-	10,981,133
Total net assets	1,319,512	18,145,369	-	19,464,881
Total liabilities and net assets	<u>\$ 1,676,088</u>	<u>\$ 18,987,365</u>	<u>\$ (841,996)</u>	<u>\$ 19,821,457</u>

**The Garden Conservancy, Inc.**

Combining Schedule of Financial Position  
December 31, 2015

	Operating Fund	Endowment Fund	Eliminating Entries	Combined Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 702,627	\$ 1,216,614	\$ -	\$ 1,919,241
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
<b>Property and Equipment</b>				
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
<b>Other Assets</b>				
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>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
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
<b>Net Assets</b>				
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 Activities and Changes in Net Assets  
Year Ended December 31, 2016

	Operating Fund	Unrestricted Undesignated Endowment Fund	Undesignated Combined	Unrestricted Designated By Board of Directors		Operating Fund	Temporarily Restricted		Permanently Restricted		Elimination	Combined Totals
				Operating Fund	Endowment Fund		Fund	Fund - Endowment	GC Endowment Fund	RH Endowment Fund		
<b>Public Support and Revenues</b>												
Contribution	\$ 1,303,057	-	\$ 1,303,057	-	\$ -	\$ 10,146	-	-	\$ -	-	-	1,416,265
Special events and admissions	210,424	-	210,424	-	-	6,198	-	-	-	-	-	216,622
Net assets released from restriction	407,814	-	407,814	(315,903)	-	(87,395)	-	(4,516)	-	-	-	-
Open day's directory, sales and admissions	380,542	-	380,542	-	-	-	-	-	-	-	-	380,542
Grants from endowment fund	837,479	-	837,479	-	-	-	-	-	-	-	(837,479)	-
Grants from endowment fund	302,252	-	302,252	-	-	4,880	-	-	-	-	-	307,132
Membership	24,359	-	24,359	-	-	-	-	-	-	-	-	24,359
Donated investments	35,091	-	35,091	-	-	17,856	-	-	-	-	-	52,946
Other	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total public support and revenues</b>	<b>3,501,018</b>	<b>-</b>	<b>3,501,018</b>	<b>(315,903)</b>	<b>102,500</b>	<b>(48,315)</b>	<b>(4,516)</b>	<b>-</b>	<b>562</b>	<b>-</b>	<b>(837,479)</b>	<b>2,397,868</b>
<b>Expenses</b>												
Program services	2,940,752	-	2,940,752	-	-	-	-	-	-	-	-	2,940,752
Management and general	451,374	83,475	534,849	-	-	-	-	-	-	-	-	534,849
Grants to endowment fund	-	837,479	837,479	-	-	-	-	-	-	-	(837,479)	-
Fund raising	108,965	-	108,965	-	-	-	-	-	-	-	-	108,965
<b>Total expenses</b>	<b>3,501,091</b>	<b>920,954</b>	<b>4,422,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(837,479)</b>	<b>3,584,566</b>
<b>Excess of Expenses Under (Over) Public Support and Revenues</b>	<b>(74)</b>	<b>(920,954)</b>	<b>(921,027)</b>	<b>(315,903)</b>	<b>102,500</b>	<b>(48,315)</b>	<b>(4,516)</b>	<b>-</b>	<b>562</b>	<b>-</b>	<b>-</b>	<b>(1,186,698)</b>
<b>Other Income (Loss), Net</b>												
Investment income	74	578,844	578,918	-	-	-	-	-	1,929	-	-	580,847
Unrealized loss	-	849,965	849,965	-	-	-	-	-	(1,777)	-	-	848,188
<b>Total other income (loss)</b>	<b>74</b>	<b>1,428,809</b>	<b>1,428,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>1,429,035</b>
(Decrease) increase in net assets	-	507,855	507,856	(315,903)	102,500	(48,315)	(4,516)	562	-	-	-	242,336
<b>Net Assets, Beginning</b>	<b>516,920</b>	<b>5,903,742</b>	<b>6,420,662</b>	<b>736,003</b>	<b>615,577</b>	<b>430,806</b>	<b>21,377</b>	<b>17,549</b>	<b>10,980,571</b>	<b>-</b>	<b>-</b>	<b>19,222,545</b>
<b>Net Assets, Ending</b>	<b>\$ 516,920</b>	<b>\$ 6,411,597</b>	<b>\$ 6,928,518</b>	<b>\$ 420,100</b>	<b>\$ 718,077</b>	<b>\$ 382,491</b>	<b>\$ 16,861</b>	<b>\$ 17,701</b>	<b>\$ 10,981,133</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,464,881</b>



**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		Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	Temporarily Restricted		Endowment Fund	Elimination	Combined Totals
				Operating Fund	Endowment Fund					Documentations Fund	Endowment Fund			
<b>Public Support and Revenues</b>														
Contribution	\$ 1,473,217	\$ -	\$ 1,473,217	\$ 41,777	\$ 45,000	\$ 148,561	\$ -	\$ -	\$ -	-	-	\$ -	-	\$ 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	-	-	(662,661)	2,916,397
<b>Expenses</b>														
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	-	(662,661)	3,706,640
<b>Excess of Expenses Under (Over) Public Support and Revenues</b>	(619)	(743,803)	(744,422)	(58,461)	45,000	(4,595)	-	(3,623)	-	893	(25,035)	-	-	(790,243)
<b>Other Income (Loss), Net</b>														
Transfer from (to) - Unrestricted Board Designated	-	-	-	-	-	-	-	-	-	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	-	-	-	-	-	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)
<b>Net Assets, Beginning</b>	516,920	6,433,961	6,950,881	794,464	570,577	435,401	-	-	14,582	10,979,678	50,035	-	-	19,795,618
<b>Net Assets, Ending</b>	\$ 516,920	\$ 5,903,742	\$ 6,420,662	\$ 736,003	\$ 615,577	\$ 430,806	\$ -	\$ 21,377	\$ 17,549	\$ 10,980,571	\$ -	\$ -	\$ -	\$ 19,222,545