LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Financial Statements

March 31, 2013 and 2012

Keiter
Your Opportunity Advisors

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060

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LEWIS GINTER BOTANICAL GARDEN, INC.

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Lewis Ginter Botanical Garden, Inc.
Richmond, Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Lewis Ginter Botanical Garden, Inc. and related organization (collectively, the "Organization"), which comprise the combined statements of financial position as of March 31, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lewis Ginter Botanical Garden, Inc. and related organization as of March 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

November 4, 2013
Glen Allen, Virginia

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Financial Position
March 31, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents:		
Unrestricted	$ 58,394	$ 89,669
Temporarily restricted	3,375,334	1,878,200
Unconditional promises to give:		
Temporarily restricted for capital improvements	526,590	634,474
Accounts receivable	36,745	12,213
Inventory, gift shop	326,038	269,521
Prepaid expenses and other assets	26,339	58,672
Investments:		
Board designated	7,511,822	7,098,536
Temporarily restricted	1,902,650	1,092,049
Permanently restricted	10,764,398	10,764,398
Assets held in trust - deferred compensation plans	776,503	693,632
Assets held in trust - gift annuities	633,561	635,311
Property and equipment, net	24,495,910	25,764,261
Deferred financing costs, net	75,150	78,490
Total assets	$ 50,509,434	$ 49,069,426

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Financial Position, Continued
March 31, 2013 and 2012

Liabilities and Net Assets	2013	2012
Liabilities:		
Accounts payable	$ 65,643	$ 61,379
Accrued expenses	155,318	136,774
Security deposits and deferred rent	163,041	161,651
Deferred membership revenue	285,944	292,857
Deferred travel and education revenue	5,196	5,308
Fair value of interest rate swap	117,399	103,326
Liability under deferred compensation plans	301,222	60,392
Liability under gift annuities	444,943	456,015
Loan payable	3,093,235	3,181,378
Total liabilities	4,631,941	4,459,080
Net assets:		
Unrestricted:		
Undesignated	21,132,800	22,330,153
Board designated	7,511,822	7,098,536
Temporarily restricted	6,468,473	4,417,259
Permanently restricted	10,764,398	10,764,398
Total net assets	45,877,493	44,610,346
Total liabilities and net assets	$ 50,509,434	$ 49,069,426

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2013

	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:					
Public support:					
Contributions	$ 183,775	$ -	$ 3,133,778	$ -	$ 3,317,553
Grants	-	-	10,000	-	10,000
Trust income	229,969	-	-	-	229,969
Revenues:					
Memberships	720,283	-	-	-	720,283
Admissions	971,505	-	3,700	-	975,205
Educational	252,856	-	-	-	252,856
Sponsorships and special events	190,211	-	199,915	-	390,126
Gift shop and plant sales, net of costs of sales of $499,340	518,034	-	-	-	518,034
Facility and rental income	578,771	-	33,556	-	612,327
Investment income, net of fees	27,504	87,915	256,855	-	372,274
Net realized and unrealized gain on investments	118,123	610,736	875,885	-	1,604,744
Other	35,814	-	1,963	-	37,777
Total revenues, gains and other support	3,826,845	698,651	4,515,652	-	9,041,148
Net assets released from restrictions:					
Satisfaction of program restrictions	1,914,666	(10,013)	(1,904,653)	-	-
Satisfaction of capital asset acquisition restrictions	240,067	-	(240,067)	-	-
Investment return designated for operations	570,263	(275,352)	(294,911)	-	-
Total net assets released from restrictions	2,724,996	(285,365)	(2,439,631)	-	-

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities, Continued
Year Ended March 31, 2013

	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Expenses and losses:					
Program services:					
Operations	$ 728,760	$ -	$ -	$ -	$ 728,760
Horticulture	1,640,163	-	-	-	1,640,163
Education	1,146,466	-	-	-	1,146,466
Conservatory	516,873	-	-	-	516,873
Volunteer programs	40,730	-	-	-	40,730
Visitor services	723,442	-	-	-	723,442
Public relations and events	528,866	-	-	-	528,866
Fund raising	256,280	-	-	-	256,280
Development	733,972	-	-	-	733,972
Gift shop	362,486	-	-	-	362,486
Administrative	960,973	-	-	-	960,973
Gifts in kind	96,110	-	-	-	96,110
Total expenses	7,735,121	-	-	-	7,735,121
Loss on gift annuities liability adjustment	-	-	24,807	-	24,807
Loss on fair value of interest rate swap	14,073	-	-	-	14,073
Total expenses and losses	7,749,194	-	24,807	-	7,774,001
Change in net assets	(1,197,353)	413,286	2,051,214	-	1,267,147
Net assets at beginning of year	22,330,153	7,098,536	4,417,259	10,764,398	44,610,346
Net assets at end of year	$ 21,132,800	$ 7,511,822	$ 6,468,473	$ 10,764,398	$ 45,877,493

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities
Year Ended March 31, 2012

	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:					
Public support:					
Contributions	$ 220,046	$ -	$ 1,161,678	$ 110,000	$ 1,491,724
Trust income	249,406	-	-	-	249,406
Revenues:					
Memberships	670,984	-	-	-	670,984
Admissions	872,574	-	-	-	872,574
Educational	200,816	-	-	-	200,816
Sponsorships and special events	180,909	-	285,924	-	466,833
Gift shop and plant sales, net of costs of sales of $482,545	492,057	-	-	-	492,057
Facility and rental income	537,605	-	32,825	-	570,430
Investment income, net of fees	10,205	109,611	126,810	-	246,626
Net realized and unrealized (loss) gain on investments	(28,855)	101,708	664,073	-	736,926
Gift annuities liability adjustment	40,962	-	-	-	40,962
Other	36,490	-	-	-	36,490
Total revenues, gains and other support	3,483,199	211,319	2,271,310	110,000	6,075,828
Net assets released from restrictions:					
Satisfaction of program restrictions	1,432,568	(31,566)	(1,401,002)	-	-
Satisfaction of capital asset acquisition restrictions	1,193,981	-	(1,193,981)	-	-
Investment return designated for operations	494,228	(336,002)	(158,226)	-	-
Total net assets released from restrictions	3,120,777	(367,568)	(2,753,209)	-	-

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statement of Activities, Continued
Year Ended March 31, 2012

	Undesignated	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Expenses and loss:					
Program services:					
Operations	$ 779,042	$ -	$ -	$ -	779,042
Horticulture	1,379,988	-	-	-	1,379,988
Education	1,124,472	-	-	-	1,124,472
Conservatory	477,308	-	-	-	477,308
Volunteer programs	33,637	-	-	-	33,637
Visitor services	673,186	-	-	-	673,186
Public relations and events	441,921	-	-	-	441,921
Fund raising	278,109	-	-	-	278,109
Development	551,310	-	-	-	551,310
Gift shop	400,187	-	-	-	400,187
Administrative	701,512	-	-	-	701,512
Gifts in kind	68,397	-	-	-	68,397
Total expenses	6,909,069	-	-	-	6,909,069
Loss on fair value of interest rate swap	112,527	-	-	-	112,527
Total expenses and loss	7,021,596	-	-	-	7,021,596
Change in net assets	(417,620)	(156,249)	(481,899)	110,000	(945,768)
Net assets at beginning of year	22,747,773	7,254,785	4,899,158	10,654,398	45,556,114
Net assets at end of year	$ 22,330,153	$ 7,098,536	$ 4,417,259	$ 10,764,398	$ 44,610,346

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows
Years Ended March 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 1,267,147	$ (945,768)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,673,441	1,623,315
Net realized and unrealized gains on investments	(1,604,744)	(736,926)
Change in fair value of interest rate swap	14,073	112,527
Endowment contribution	-	(110,000)
(Increase) decrease in assets:		
Unconditional promises to give	107,884	519,079
Accounts receivable	(24,532)	28,724
Inventory, gift shop	(56,517)	(39,196)
Prepaid expenses and other assets	32,333	19,559
Increase (decrease) in liabilities:		
Accounts payable	4,264	28,913
Accrued expenses	18,544	13,962
Security deposits and deferred rent	1,390	26,123
Deferred membership revenue	(6,913)	17,590
Deferred travel and education revenue	(112)	(3,095)
Liability under deferred compensation plans	240,830	60,392
Net cash flows provided by operating activities	1,667,088	615,199
Cash flows from investing activities:		
Purchase of property and equipment	(401,750)	(1,250,693)
Sales of investments, net	380,857	616,291
Net cash flows used in investing activities	(20,893)	(634,402)

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Combined Statements of Cash Flows, Continued
Years Ended March 31, 2013 and 2012

	2013	2012
Cash flows from financing activities:		
Assets held in trust - deferred compensation plans	$ (82,871)	$ (693,632)
Assets held in trust - gift annuities	1,750	(479,607)
Liability under gift annuities	(11,072)	340,395
Payment on loan payable	(88,143)	(84,253)
Receipt of endowment contribution	-	110,000
Net cash used in financing activities	(180,336)	(807,097)
Change in cash and cash equivalents	1,465,859	(826,300)
Cash and cash equivalents:		
Beginning of year	1,967,869	2,794,169
End of year	$ 3,433,728	$ 1,967,869
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 99,302	$ 99,563

See accompanying notes to combined financial statements.

LEWIS GINTER BOTANICAL GARDEN, INC.

Notes to Combined Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization: Lewis Ginter Botanical Garden, Inc. is a Virginia non-stock corporation located in Richmond, Virginia, established by court decree to create, operate, manage and improve the Lewis Ginter Botanical Garden as a public park and botanical garden consistent with the charitable intent expressed under the will of Grace E. Arents. Lewis Ginter Botanical Garden, Inc. is supported through contributions, trust income and grants, in addition to its membership, admissions and income from plant sales, gift shop operations, and similar activities.

During 2000, the Lewis Ginter Botanical Garden Foundation was established as a 509(a)(3) supporting organization to exclusively support Lewis Ginter Botanical Garden, Inc. and its operations.

The accompanying combined financial statements include the resources and the financial activities of Lewis Ginter Botanical Garden, Inc. and its related organization, the Lewis Ginter Botanical Garden Foundation (collectively, the "Organization"). The activities conducted by the related organization are reflected in the temporarily restricted activities in the accompanying financial statements. All significant transactions and accounts are eliminated.

Estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers as cash equivalents all short-term, highly liquid investments with maturities of three months or less at date of acquisition.

Classification of Net Assets: The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") accounting guidance for financial statements of not-for-profit organizations, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted reflected based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

> **Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include the revenues and expenses of the primary operations of the Organization. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board designated within unrestricted net assets. Board-designated assets totaled $7,511,822 at June 30, 2013 and $7,098,536 at June 30, 2012.

1. Summary of Significant Accounting Policies, Continued:

Classification of Net Assets, Continued:

Temporarily Restricted Net Assets: Net assets that are subject to donor or grant-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that require the Organization maintain them permanently.

Recognition of Contributions and Grants: Contributions and grants are recognized when the donor makes a promise to give to the Organization that is in substance unconditional. All other donor-restricted contributions and grants are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted.

The Organization uses the reserve method of accounting for bad debts. The amount of doubtful accounts at March 31, 2013 and 2012 was immaterial, and no reserve was considered necessary.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statements of financial position. Certain less marketable investments are generally carried at values determined by the respective investment managers. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the combined financial statements. Unrealized gains and losses are included in the combined statements of activities.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and unconditional promises to give. The Organization places its cash and cash equivalents with financial institutions located in Richmond, Virginia. At times, these balances are in excess of the FDIC insurance limit.

Promises to give are from individuals, corporations and foundations located primarily in the Richmond metropolitan area. The Organization believes its credit risk related to these promises to give are limited due to the nature of its donors.

Inventory: Inventory is stated at the lower of cost (first-in, first-out basis) or market.

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Purchased property and equipment is stated at cost. The Organization follows the practice of capitalizing all material expenditures for property and equipment. Material donated assets are stated at the lower of appraised or market value at the time of the donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Estimated useful lives by asset class are as follows:

Antiques	Nondepreciable
Buildings	40 years
Leasehold improvements	15 years
Furniture and fixtures	5 years
Equipment	5 years
Library books	Nondepreciable
Master plan development	40 years
Vehicles	3 years

Deferred Financing Costs: Deferred financing costs are amortized over the term of the related borrowings by a method that approximates the effective interest method. The Organization obtained a loan payable during 2011 which resulted in deferred financing costs of $83,500. Accumulated amortization amounted to $8,350 as of March 31, 2013 and $5,010 as of March 31, 2012. Amortization expense amounted to $3,340 in each of 2013 and 2012. Estimated amortization for the next five years is approximately $16,700.

Development Expenses: Development expenditures relate primarily to the management of membership benefits with goods and services and administration processing provided in return for dues.

Contributed Materials and Services: The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed, amounted to $96,110 in 2013 and $68,397 in 2012 and have been recognized in the combined financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations and various committee assignments. The value of these services are not recognized in the combined financial statements, but are estimated by management to amount to $577,753 in 2013 and $525,473 in 2012.

Tax Status: Lewis Ginter Botanical Garden, Inc. is exempt from income taxes under Section 509(a)(2) of the Internal Revenue Code, and Lewis Ginter Botanical Garden Foundation is exempt from income taxes under Section 509(a)(3) of the Internal Revenue Code. Lewis Ginter Botanical Garden, Inc. and Lewis Ginter Botanical Garden Foundation have been determined to be charitable organizations which qualifies contributions, bequests and legacies as deductions by the donor for income, estate and gift tax purposes.

1. Summary of Significant Accounting Policies, Continued:

Tax Status, Continued: Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at March 31, 2013 and 2012. The Organization's tax returns since 2010 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Subsequent Events: Management has evaluated subsequent events through November 4, 2013, the date the combined financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying combined financial statements.

2. Unconditional Promises to Give:

At March 31, 2013 and 2012, unconditional promises to give were as follows:

	2013	2012
Receivable in less than one year	$ 332,604	$ 247,953
Receivable in two to four years	200,000	404,000
	532,604	651,953
Less discount (3.10% in 2013 and 3.00% in 2012)	6,014	17,479
Total unconditional promises to give	$ 526,590	$ 634,474

Unconditional promises to give have been recognized as temporarily restricted net assets. Uncollectible promises are expected to be insignificant.

3. Investments:

At March 31, 2013 and 2012, the carrying value and market value of investments were as follows:

	2013		2012	
	Cost Value	Market Value	Cost Value	Market Value
Cash and cash equivalents	$ 1,298,174	$ 1,298,174	$ 1,222,061	$ 1,222,061
Equities	5,047,395	6,286,561	5,294,151	5,881,333
Fixed income	1,326,844	1,451,335	1,339,059	1,384,755
Richmond Fund	10,502,478	11,142,800	10,400,811	10,466,834
	$ 18,174,891	$ 20,178,870	$ 18,256,082	$ 18,954,983

3. Investments, Continued:

The Organization invests its assets to preserve the purchasing power of the principal, and to earn a fair return relative to the risks of investing under the overall balanced approach to include cash equivalents, equities, and fixed income securities. A reasonable time frame is generally considered a full market or economic cycle, or a three- to five-year period. Due in part to the University of Richmond's (the "University") performance record in accomplishing these objectives with its own endowment, in 2011, the Organization entered into an investment partnership with the University called The Richmond Fund, L.P. (the "Richmond Fund"). The general partner of the Richmond Fund is the Richmond Fund Management Company, LLC, a subsidiary of Spider Management Company, LLC ("SMC"), the investment company for the University's endowment. A rate of return agreement is used to equalize the quarterly rate of return of the University's pooled endowment managed by SMC and the Richmond Fund's rate of return.

Under the Organization's endowment spending policy, a percentage of the trailing three-year average of the December 31st fair market value of General Endowment, as well as the restricted endowments, was appropriated to support current operations. The endowment draw percentage for the General Endowment in 2012-13 was 3%, and for the restricted endowments, including the Greenhouse Structure Endowment, was 4%.

4. Grace E. Arents Trust:

The Organization was established by court decree to carry out the charitable intent of a trust under the will of Grace E. Arents. Lewis Ginter Botanical Garden, Inc. received $229,969 in 2013 and $249,406 in 2012 in bequests from the Grace E. Arents Trust under the will of Grace E. Arents. Based upon unaudited information from the trustee, assets and invested income in the Grace E. Arents Trust account carried a cost value of $4,242,541 and a market value of $5,333,784 at March 31, 2013. At March 31, 2012, the account carried a cost value of $4,120,025 and a market value of $5,000,960. The assets of the Grace E. Arents Trust are not included in the accompanying combined financial statements.

5. Fair Value Measurements:

The Financial Accounting Standards Board ("FASB") has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

5. Fair Value Measurements, Continued:

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets and liabilities carried or disclosed at fair value:

Cash and cash equivalents: Valued at the realizable cash value equivalent to the specific sum of cash held by the Organization at year end.

Equity and fixed income funds: Valued at the net asset value ("NAV") of shares held of the funds by the Organization at year end. The equity fund allocates assets across a broad spectrum of equity strategies, including common stock of U.S. companies and other equity securities of foreign companies in both developed and emerging markets. The fixed income fund allocates assets across a broad spectrum of fixed income sectors, including investing directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. As of March 31, 2013 and 2012, the equity and fixed income funds have no unfunded commitments and can be redeemed within 30 calendar days upon notice with no other redemption restrictions.

Richmond Fund: Valued by the general partner based on several criteria established in the Richmond Fund agreement. The Richmond Fund operates as a fund of funds and as such the general partner reviews the fair values of each underlying fund based on available information. The Richmond Fund undergoes an annual independent audit. Withdrawals from the Richmond Fund are limited to an amount not to exceed 10% of its capital account each quarter by informing the Richmond Fund within 60 days of the redemption date. The Organization must maintain a capital account balance of $5 million for a period of five years from entering the Richmond Fund (March 31, 2011).

Unconditional promises to give: Valued at the original gift amount, less payments and a discount to account for payments expected in future periods beyond one year.

5. Fair Value Measurements, Continued:

Assets held in trust: Valued at the sum of underlying securities in the trust vehicle, which are valued at the closing price reported on the active market on which the individual securities are traded.

Interest rate swap: Valued at the price of currently available derivative instruments with similar terms and maturities.

Liability under deferred compensation plans: Valued at the fair value of the related asset.

Liability under gift annuities: Valued at the sum of estimated future cash flows calculated using observable inputs including the IRC 7520 rate and the Internal Revenue Service mortality tables.

Assets and liabilities measured at fair value on a recurring basis at March 31, 2013 include the following:

	Fair Value Using				Asset/Liabilities
	Level 1	Level 2	Level 3		at Fair Value
Assets:					
Investments:					
Cash and cash equivalents	$ 1,298,174	$ -	$ -		$ 1,298,174
Equities	-	6,286,561	-		6,286,561
Fixed income	-	1,451,335	-		1,451,335
Richmond Fund	-	-	11,142,800	*	11,142,800
	1,298,174	7,737,896	11,142,800		20,178,870
Unconditional promises to give	-	-	526,590		526,590
Assets held in trust	-	1,410,064	-		1,410,064
Total assets	$ 1,298,174	$ 9,147,960	$ 11,669,390		$ 22,115,524
Liabilities:					
Interest rate swap	$ -	$ 117,399	$ -		$ 117,399
Liability under deferred compensation plans	-	301,222	-		301,222
Liability under gift annuities	-	444,943	-		444,943
Total liabilities	$ -	$ 863,564	$ -		$ 863,564

5. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at March 31, 2012 include the following:

	Fair Value Using				Asset/Liabilities
	Level 1	Level 2	Level 3		at Fair Value
Assets:					
Investments:					
Cash and cash equivalents	$ 1,222,061	$ -	$ -		$ 1,222,061
Equities	-	5,881,333	-		5,881,333
Fixed income	-	1,384,755	-		1,384,755
Richmond Fund	-	-	10,466,834	*	10,466,834
	1,222,061	7,266,088	10,466,834		18,954,983
Unconditional promises to give	-	-	634,474		634,474
Assets held in trust	-	1,328,943	-		1,328,943
Total assets	$ 1,222,061	$ 8,595,031	$ 11,101,308		$ 20,918,400
Liabilities:					
Interest rate swap	$ -	$ 103,326	$ -		$ 103,326
Liability under deferred compensation plans	-	60,392	-		60,392
Liability under gift annuities	-	456,015	-		456,015
Total liabilities	$ -	$ 619,733	$ -		$ 619,733

*The Organization's investment in the Richmond Fund of $11,142,800 at March 31, 2013 and $10,466,834 at March 31, 2012 is included in Level 3 above. The asset allocation of the Richmond Fund at March 31, 2013 is as follows:

Assets	Allocation
Equity	50.0 %
Private equity and venture capital	16.2
Real estate	3.6
Real assets	6.5
Cash	3.7
Multi-strategy	10.0
Credit	10.0
	100.0 %

5. Fair Value Measurements, Continued:

The following table provides reconciliation between the beginning and ending balances of assets measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

	Richmond Fund	Unconditional Promises to Give
Balance at April 1, 2011	$ 10,000,000	$ 1,153,553
Payments	-	(575,733)
Change in discount	-	56,654
Interest	114,297	-
Realized gain	566,415	-
Unrealized gain	66,023	-
Fees	(145,901)	-
Distributions	(134,000)	-
Balance at March 31, 2012	10,466,834	634,474
New pledges	-	170,151
Payments	-	(289,500)
Change in discount	-	11,465
Interest	240,355	-
Realized gain	227,168	-
Unrealized gain	574,299	-
Fees	(99,430)	-
Distributions	(266,426)	-
Balance at March 31, 2013	$ 11,142,800	$ 526,590

6. Property and Equipment:

At March 31, 2013 and 2012, property and equipment consisted of the following:

	2013	2012
Antiques	$ 494,721	$ 494,721
Building and ground improvements	44,403,383	43,626,821
Furniture and fixtures	1,510,789	1,498,943
Equipment	1,360,472	1,252,262
Library books	57,513	57,513
Master plan	525,551	525,551
Vehicles	129,001	119,004
Construction in progress	-	571,745
	48,481,430	48,146,560
Less accumulated depreciation	(23,985,520)	(22,382,299)
Net property and equipment	$ 24,495,910	$ 25,764,261

Depreciation expense amounted to $1,670,101 in 2013 and $1,619,975 in 2012.

7. Line of Credit:

The Organization has a $500,000 revolving line of credit (the “Line”) with a commercial bank which expires on November 5, 2013. The Line is unsecured with a negative pledge on substantially all of the Organization’s assets and requires monthly interest payments at the one-month London Interbank Offered Rate (“LIBOR”) plus 1.75% (1.95% at March 31, 2013 and 2012). There was no balance outstanding at March 31, 2013 and 2012.

8. Loan Payable:

During 2011, the Organization obtained a tax-exempt term loan (the “Loan”) from a commercial bank with an original balance of $3,300,000 and an amortization period of up to 25 years. The Loan is payable in monthly installments of approximately $17,400 and bears interest at the sum of 68% of the one-month LIBOR plus 65% of 2%, subject to a floor of 2% (2% at March 31, 2013 and 2012). The Loan is unsecured with a negative pledge on substantially all of the Organization’s assets. Interest expense related to the loan was $63,706 in 2013 and $65,437 in 2012.

8. Loan Payable, Continued:

Scheduled maturities of the Loan at March 31, 2013 are as follows:

Years Ending March 31,	Amount
2014	$ 90,125
2015	94,893
2016	98,379
2017	102,617
2018	106,719
Thereafter	2,600,502
	$ 3,093,235

Under the provisions of the Organization's loan agreement for the Line and the Loan, there are cross-default provisions between the Line and the Loan and the Organization is subject to certain financial covenants including a liquidity ratio and a debt service coverage ratio. At March 31, 2013, the Organization was in compliance with the financial covenants.

At any time after September 30, 2017, the commercial bank, at its option, may put the note evidencing the Loan to the Organization at a purchase price of par plus accrued interest to the purchase date with 120 days written notice.

Interest Rate Swap: The Organization entered into an interest rate swap agreement on September 30, 2010. The notional amount is 70% of the balance of the Loan payable, mentioned above, or $2,167,984 as of March 31, 2013, and $2,228,606 as of March 31, 2012. Under this swap agreement expiring on September 30, 2017, the Organization pays a fixed rate of 3.05% and receives a variable rate of 68% of LIBOR plus 1.3% (1.44% on March 31, 2013 and 1.46% on March 31, 2012). The change in the fair value of the interest rate swap is recognized as a yield adjustment and is included as (loss) gain in the fair value of the interest rate swap in the accompanying combined statements of activities to reflect the fair value of the interest rate swap.

FASB guidance requires the recognition of all derivative instruments as either assets or liabilities at fair value in the statements of financial position. In accordance with FASB guidance, the Organization designates interest rate swaps as cash flow hedges of variable-rate borrowings.

8. Loan Payable, Continued:

Cash Flow Hedges: For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of the change in net assets in the same period or periods during which the hedged transaction affects net assets. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are also recognized in current change in net assets.

The effect on the Organization's combined financial statements of gains and losses on derivative instruments designated in cash flow hedging relationships amounted to losses of $14,073 for the year ended March 31, 2013 and $112,527 for the year ended March 31, 2012. During 2013 and 2012, the interest rate swap contract was determined to be effective.

9. Restrictions on Assets:

At March 31, 2013 and 2012, temporarily restricted net assets are available for the following purposes:

	2013	2012
Annual fund gifts	$ 404,584	$ 328,758
Endowment fund income	1,310,120	574,695
Employee benefits	663,227	821,836
Liability under gift annuities	188,618	179,296
Capital improvements	1,880,600	2,512,674
Ethel C. Kelly Bequest	2,021,324	-
	$ 6,468,473	$ 4,417,259

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expended to support the activities of the Organization (see Note 10).

10. Endowment Funds:

There are seven endowment funds at the Organization. These endowment funds were established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters: The objective of the Organization's investment policy is to preserve the purchasing power of the principal, and to earn a return relative to the risks of investing under an overall balanced approach to include cash equivalents, fixed income securities, and equities. A reasonable time frame to achieve these objectives is generally considered a full market or economic cycle, or a three to five-year time period.

10. Endowment Funds, Continued:

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The following represents the target allocation of asset types:

	Minimum	Maximum
Fixed income	25%	50%
Equities	50%	75%
Cash equivalents	5%	30%

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a policy of appropriating for expenditure each year four percent of the endowment funds' average fair value. The average fair value is determined by calculating a trailing three-year average as of the calendar year-end preceding the fiscal year ended. In establishing this policy, the Organization considered the long-term expected return on the endowments. Accordingly, over the long term, the Organization expects the current spending policy to allow the endowments to continue to grow at an average of 3 – 4 percent annually.

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no endowment funds with deficiencies of this nature as of March 31, 2013 and 2012.

Endowment net asset composition by type of fund was as follows as of March 31, 2013:

	Unrestricted		Temporarily	Permanently	
	Undesignated	Designated	Restricted	Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,310,120	$ 10,764,398	$ 12,074,518
Board-designated endowment funds	-	7,511,822	-	-	7,511,822
	$ -	$ 7,511,822	$ 1,310,120	$ 10,764,398	$ 19,586,340

10. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of March 31, 2012:

	Unrestricted Undesignated	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 574,695	$ 10,764,398	$ 11,339,093
Board-designated endowment funds	-	7,098,536	-	-	7,098,536
	$ -	$ 7,098,536	$ 574,695	$ 10,764,398	$ 18,437,629

Changes in endowment net assets were as follows for the year ended March 31, 2013 and 2012:

	Unrestricted Undesignated	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Net assets, April 1, 2011	$ -	$ 7,254,785	$ 106,494	$ 10,654,398	$ 18,015,677
Investment income (loss):					
Investment income	-	109,611	126,810	-	236,421
Unrealized gain on investments, net	-	101,708	82,271	-	183,979
Realized gain on investments, net	-	-	566,415	-	566,415
Fees	-	(22,742)	(148,439)	-	(171,181)
Total investment gain	-	188,577	627,057	-	815,634
New gifts	-	-	-	110,000	110,000
Appropriations for expenditure	-	(344,826)	(158,856)	-	(503,682)
Net assets, March 31, 2012	-	7,098,536	574,695	10,764,398	18,437,629
Investment income (loss):					
Investment income	-	110,808	256,855	-	367,663
Unrealized gain on investments, net	-	610,736	648,717	-	1,259,453
Realized gain on investments, net	-	-	227,168	-	227,168
Fees	-	(22,893)	(102,404)	-	(125,297)
Total investment income	-	698,651	1,030,336	-	1,728,987
Appropriations for expenditure	-	(285,365)	(294,911)	-	(580,276)
Net assets, March 31, 2013	$ -	$ 7,511,822	$ 1,310,120	$ 10,764,398	$ 19,586,340

11. Commitments and Contingencies:

The Organization has a perpetual lease on property willed to the City of Richmond (the "City"). The City was directed by Grace E. Arents, under her will, to establish a botanical garden and public park on the property. The lease is conditional upon the Organization maintaining the property as a botanical garden and public park; no other consideration is required under the lease.

From time to time, the Organization is involved in litigation arising from the normal course of business. The Organization believes it has sufficient insurance coverage to cover any potential losses incurred.

The Organization also leases a postage meter under an operating lease. The lease requires monthly payments of $181 and expires in August 2018. Future minimum lease payments under the lease are as follows:

Years Ending March 31,	Amount
2014	$ 2,172
2015	2,172
2016	2,172
2017	2,172
2018	814
	$ 9,502

Rental expense on operating leases amounted to $4,559 for the year ended June 30, 2013 and $10,633 for the year ended June 30, 2012.

12. Retirement Plan:

The Organization has a defined contribution retirement plan covering all eligible employees. Contributions are made only by the Organization and are discretionary as determined by the Board of Directors annually. The Organization made contributions of $69,056 in 2013 and $63,962 in 2012.

13. Deferred Compensation Plans:

During 2012, the Organization established deferred compensation plans for a certain key employee under Section 457(b) and 457(f) of the Internal Revenue Code. The Organization contributes to the plans in accordance with Internal Revenue Service guidelines.

Under the 457(b) plan, the Organization will contribute annually the maximum permitted by IRS regulations until the key employee's retirement. The Organization contributed $11,245 to this plan during 2013 and $10,745 to this plan during 2012.

Under the 457(f) plan, the Organization made a one-time contribution of $667,500 (funded by a restricted gift) to a trust, which will be invested and used to fund the plan's liability. The contribution and related investment income will be earned by the key employee over approximately a three-year period, beginning December 29, 2011. On March 31, 2015, the trust will be closed and the proceeds paid to the key employee if all parameters in the plan agreement are followed.

The balance in the deferred compensation plans' assets amounted to $776,503 at March 31, 2013 and $693,632 at March 31, 2012. The deferred compensation plans' liabilities amounted to $301,222 at March 31, 2013 and $60,392 at March 31, 2012.

14. Advertising:

All costs related to marketing and advertising are charged to operations in the year incurred and amounted to $150,607 in 2013 and $136,411 in 2012.

15. Guarantees:

Pursuant to its Articles of Incorporation, the Organization has certain obligations to indemnify its offices and directors for certain events or occurrences that happen by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of the Organization. The term of the indemnification period is for the officer's or director's lifetime. The maximum liability under these obligations is limited by the Code of Virginia. In addition, the Organization's insurance policies serve to limit its exposure.