

CHEEKWOOD BOTANICAL GARDEN
AND MUSEUM OF ART

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cheekwood Botanical Garden
and Museum of Art

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Cheekwood Botanical Garden and Museum of Art which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended 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.

AUDITOR'S 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 of 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 Cheekwood Botanical Garden and Museum of Art as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kreft CPAs PLLC

Nashville, Tennessee
June 5, 2014

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,382,386	\$ 2,082,323
Investments	4,716,521	3,707,994
Pledges and accounts receivable	1,592,367	2,618,871
Inventories	107,541	110,643
Prepaid expenses	113,496	286,468
Property, plant and equipment, net	14,717,826	14,236,818
Collections - Notes 1 and 6	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 22,630,137</u>	<u>\$ 23,043,117</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 549,704	\$ 603,877
Notes payable	1,401,483	811,080
Deferred income	<u>414,467</u>	<u>471,790</u>
TOTAL LIABILITIES	<u>2,365,654</u>	<u>1,886,747</u>
COMMITMENTS		
NET ASSETS		
Unrestricted - undesignated	13,476,446	13,240,922
Unrestricted - Board designated endowment	770,356	433,267
Temporarily restricted	2,980,117	4,580,967
Permanently restricted	<u>3,037,564</u>	<u>2,901,214</u>
TOTAL NET ASSETS	<u>20,264,483</u>	<u>21,156,370</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,630,137</u>	<u>\$ 23,043,117</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUES				
Contributions	\$ 1,123,699	\$ 194,898	\$ 60,625	\$ 1,379,222
Volunteer fundraising contributions	326,999	43,000	75,725	445,724
Government grants	150,748	-	-	150,748
Contributions and net revenues from special events	1,735,188	-	-	1,735,188
Changes in value of split-interest gifts	-	29,655	-	29,655
In-kind contributions	116,133	-	-	116,133
Admission fees	1,622,361	-	-	1,622,361
Membership dues	785,268	-	-	785,268
Educational programs	268,508	-	-	268,508
Restaurant, catering and gift shop	1,291,214	-	-	1,291,214
Rental event income	580,418	-	-	580,418
Investment income	410,330	366,219	-	776,549
Gain (loss) on disposal of property, plant and equipment, net	56,667	-	-	56,667
Insurance proceeds	461,879	-	-	461,879
Miscellaneous income	29,188	-	-	29,188
Net assets released resulting from satisfaction of donor restrictions	2,234,622	(2,234,622)	-	-
TOTAL SUPPORT AND REVENUE	11,193,222	(1,600,850)	136,350	9,728,722
FUNCTIONAL EXPENSES				
Program services	8,107,762	-	-	8,107,762
Administrative	1,275,913	-	-	1,275,913
Fundraising	1,236,934	-	-	1,236,934
TOTAL FUNCTIONAL EXPENSES	10,620,609	-	-	10,620,609
CHANGE IN NET ASSETS	572,613	(1,600,850)	136,350	(891,887)
NET ASSETS - BEGINNING OF YEAR	13,674,189	4,580,967	2,901,214	21,156,370
NET ASSETS - END OF YEAR	\$ 14,246,802	\$ 2,980,117	\$ 3,037,564	\$ 20,264,483

See accompanying notes to financial statements.

2012

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 1,043,568	\$ 2,788,062	\$ 38,300	\$ 3,869,930
348,267	224,000	495	572,762
182,747	-	-	182,747
2,268,675	-	-	2,268,675
-	34,743	-	34,743
126,813	-	-	126,813
761,872	-	-	761,872
732,904	-	-	732,904
242,959	-	-	242,959
1,113,693	-	-	1,113,693
521,292	-	-	521,292
227,031	131,318	-	358,349
(671,067)	-	-	(671,067)
-	-	-	-
15,182	5,000	-	20,182
900,246	(900,246)	-	-
<u>7,814,182</u>	<u>2,282,877</u>	<u>38,795</u>	<u>10,135,854</u>
5,599,869	-	-	5,599,869
951,848	-	-	951,848
<u>1,651,744</u>	<u>-</u>	<u>-</u>	<u>1,651,744</u>
<u>8,203,461</u>	<u>-</u>	<u>-</u>	<u>8,203,461</u>
(389,279)	2,282,877	38,795	1,932,393
<u>14,063,468</u>	<u>2,298,090</u>	<u>2,862,419</u>	<u>19,223,977</u>
<u>\$ 13,674,189</u>	<u>\$ 4,580,967</u>	<u>\$ 2,901,214</u>	<u>\$ 21,156,370</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (891,887)	\$ 1,932,393
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	686,159	634,179
Contributions restricted or designated for long-term purposes	(181,350)	(443,288)
Loss (gain) on disposal of property, plant and equipment, net	(56,667)	671,067
Realized and unrealized gains on investments	(734,706)	(299,026)
Decrease (increase) in:		
Pledges and accounts receivable - operating	754,004	(1,493,710)
Inventories	3,102	17,087
Prepaid expenses	172,972	(135,854)
Increase (decrease) in:		
Accounts payable and accrued expenses	(54,173)	(91,492)
Deferred income	<u>(656)</u>	<u>(34,497)</u>
TOTAL ADJUSTMENTS	<u>588,685</u>	<u>(1,175,534)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(303,202)</u>	<u>756,859</u>
INVESTING ACTIVITIES		
Purchases of investment securities	(5,936,316)	(1,584,111)
Proceeds from sale of investment securities	5,662,495	1,183,953
Purchase of property, plant and equipment	(1,167,167)	(425,486)
Proceeds from sale of property, plant and equipment	<u>-</u>	<u>1,723,117</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,440,988)</u>	<u>897,473</u>
FINANCING ACTIVITIES		
Proceeds from contributions restricted or designated for:		
Investment in permanently restricted net assets	136,350	38,795
Investment in capital improvements	67,500	259,593
Investment in Artist in Residency program	250,000	359,400
Payments on notes payable	(20,656)	(1,423,018)
Net proceeds (repayments) on line of credit	<u>611,059</u>	<u>(552,601)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>1,044,253</u>	<u>(1,317,831)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(699,937)</u>	<u>336,501</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,082,323</u>	<u>1,745,822</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,382,386</u>	<u>\$ 2,082,323</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	\$ 43,286	\$ 42,303
Gain on sale - leaseback	\$ -	\$ 340,267
NONCASH INVESTING TRANSACTION		
Contribution of collection items	\$ 20,000	\$ -

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Exhibitions and Programs</u>	<u>Restaurant and Gift Shops</u>	<u>Total</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 2,518,736	\$ 841,304	\$ 3,360,040	\$ 293,484	\$ 447,537	\$ 4,101,061
Professional fees and contract services	92,113	17,777	109,890	360,054	8,745	478,689
Exhibitions and public programs	1,069,457	-	1,069,457	-	-	1,069,457
Special events	6,815	849	7,664	-	694,757	702,421
Communication, advertising and donor cultivation	581,650	11,312	592,962	33,403	59,360	685,725
Utilities	279,443	52,428	331,871	2,580	-	334,451
Maintenance and repairs	496,374	9,181	505,555	5,920	50	511,525
Equipment	143,088	24,186	167,274	57,654	13,806	238,734
Supplies	74,421	56,566	130,987	12,586	1,479	145,052
Travel	202,631	1,464	204,095	1,314	616	206,025
Insurance	81,052	8,003	89,055	15,608	-	104,663
Interest expense and bank fees	45,551	29,904	75,455	52,863	4,798	133,116
Permits/fees/miscellaneous	12,857	18,586	31,443	20,053	1,892	53,388
Bad debt expense	-	-	-	-	3,894	3,894
Cost of goods sold	-	781,078	781,078	-	-	781,078
Depreciation	630,566	20,370	650,936	35,223	-	686,159
Future of Cheekwood	-	-	-	385,171	-	385,171
Total	<u>\$ 6,234,754</u>	<u>\$ 1,873,008</u>	<u>\$ 8,107,762</u>	<u>\$ 1,275,913</u>	<u>\$ 1,236,934</u>	<u>\$ 10,620,609</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Exhibitions and Programs</u>	<u>Restaurant and Gift Shops</u>	<u>Total</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,644,521	\$ 749,714	\$ 2,394,235	\$ 428,465	\$ 387,795	\$ 3,210,495
Professional fees and contract services	147,259	17,340	164,599	243,673	11,119	419,391
Exhibitions and public programs	276,936	14	276,950	18,049	-	294,999
Special events	-	-	-	-	1,099,564	1,099,564
Communication, advertising and donor cultivation	365,653	24,059	389,712	48,129	106,256	544,097
Utilities	304,230	44,259	348,489	1,850	-	350,339
Maintenance and repairs	326,098	48,550	374,648	8,919	5,853	389,420
Equipment	38,404	31,021	69,425	38,419	11,988	119,832
Supplies	39,842	51,861	91,703	5,116	3,006	99,825
Travel	18,297	419	18,716	4,626	435	23,777
Insurance	60,256	7,125	67,381	26,610	1,844	95,835
Interest expense and bank fees	17,470	32,765	50,235	69,654	13,949	133,838
Permits/fees/miscellaneous	8,640	22,951	31,591	2,761	3,199	37,551
Bad debt expense	-	360	360	-	100	460
Cost of goods sold	-	645,167	645,167	-	-	645,167
Depreciation	582,395	22,216	604,611	28,755	813	634,179
Special projects	67,802	4,245	72,047	26,822	5,823	104,692
Total	<u>\$ 3,897,803</u>	<u>\$ 1,702,066</u>	<u>\$ 5,599,869</u>	<u>\$ 951,848</u>	<u>\$ 1,651,744</u>	<u>\$ 8,203,461</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Cheekwood Botanical Garden and Museum of Art ("Cheekwood") is a Tennessee not-for-profit corporation whose mission is to preserve the institution as a historical landmark where beauty and excellence in art and horticulture stimulate the mind and nurture the spirit. Located on 55 acres of botanical gardens, the institution provides unique art and garden educational experiences for residents of Middle Tennessee and visitors from across the nation. The financial statements include the accounts and operations of the Swan Ball, an unincorporated group operating under Cheekwood's tax exemptions with the sole purpose of raising funds to support Cheekwood. Swan Ball volunteers administer an annual special event (the "Swan Ball") to benefit Cheekwood.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of Cheekwood on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction. Cheekwood has classified unrestricted net assets as follows:

Undesignated - Cumulative results from activities which have not been designated by management or the Board of Directors for specific purposes.

Amounts functioning as endowment - Contributions received with no specific restrictions by donors, but which have been designated by the Board of Directors to function as endowments.

Designated for property, plant and equipment - Investment in land, buildings and equipment, net of related debt.

Various other designations (see Note 8).

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for certain restricted or unrestricted purposes.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Cheekwood also receives grant revenue from various state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Cheekwood reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

Membership dues, at differing levels, are generally collected for a one year period throughout the fiscal year. Dues income is recognized when paid and entitles the member to certain benefits. Memberships are generally not cancelable, and dues collected are non-refundable.

Rental income is derived from rental of the Cheekwood campus for weddings, receptions, etc. Other revenues are received for special events, classes, sponsorships, etc. Revenues received in advance are deferred and recognized in the period the related event or class takes place.

Collections

In accordance with professional standards, Cheekwood has elected that certain objects acquired through purchases and contributions since Cheekwood's inception not be valued in the accompanying Statements of Financial Position. The cost of such objects purchased are reflected as program expenses and treated as decreases in unrestricted net assets in the year in which the items are acquired or as decreases in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds from the sale of any deaccessioned items are classified as temporarily restricted net assets, to be applied toward future art acquisitions. The value of collection items contributed each year by donors is not recorded in the financial statements but is disclosed at estimated fair value as a non-cash activity in the Statement of Cash Flows.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cheekwood considers all highly liquid instruments with original maturities when purchased of three months or less to be cash equivalents, except for money market funds with brokerage firms, which are included in investments.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are reported in pledges and accounts receivable and recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. In 2013 and 2012, management considered this amount to be immaterial and it was not recorded. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Charitable Remainder Trusts

Cheekwood has remainder interests in, and is the named charitable beneficiary of, certain charitable trusts. A charitable remainder trust is a split-interest agreement in which the charitable beneficiary receives its beneficial interest in the donated assets after the primary beneficiary (life income recipient) has received benefits for a specified time period. At the termination of the agreement, the remaining assets in the trust pass to the charitable beneficiary for its use. A temporarily restricted contribution and the related receivable are recognized in the period the trust is established based on the fair value of the assets contributed less the present value of the future payments to be made to the donor or other beneficiaries. Beneficial interests in charitable remainder trusts are based on the actuarial life expectancy of the life income recipient using the discount rate in existence at the time of notification by the trustee of Cheekwood's remainder interest. Discount amortization and any revaluations of expected future payments to the donor or other beneficiaries are recognized as periodic adjustments to the receivable. Corresponding changes in the value of split interest agreements are recognized currently and included in temporarily restricted support.

Investments

Investments are carried at the quoted market value on the last business day of the reporting period. Net realized and unrealized gains and losses are reflected in the Statement of Activities.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist principally of restaurant supplies and gift shop items and are reported at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

Land, buildings, equipment and furnishings are stated at cost or, if donated, at estimated fair value at the date of donation. Cheekwood capitalizes assets with a cost over \$1,000 and an estimated useful life greater than one year. Depreciation of buildings, equipment and furnishings is provided on a straight-line basis over estimated useful lives ranging from five to forty years. Costs of maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except trade-ins) or loss is included in operations for the period. Gains on trade-ins are applied to reduce the cost of the new acquisition.

Donated Services

A substantial number of volunteers have donated significant amounts of their time to Cheekwood's program services and fundraising activities; however, no amounts have been shown in the accompanying financial statements for donated services by volunteers since there is no objective basis by which to measure the value of such services. Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the estimated fair value of the services received.

Advertising costs

Advertising costs are expensed as incurred. Advertising expense amount to \$398,240 and \$290,833 for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

Cheekwood is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. All activities of the Swan Ball (see Note 12) are included in the federal Form 990 filed by Cheekwood.

Cheekwood files U.S. Federal Form 990 for organizations exempt from income tax. Tax returns are subject to audit by the U.S. Internal Revenue Service for three years following the date of filing. Tax returns for years prior to the year ended December 31, 2010 are no longer open to examination.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing Cheekwood's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Fair Value Measurements

Cheekwood classifies its assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs). Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments - Money market funds, mutual funds and equity securities are valued at the closing price reported on the active market which they are traded, and are classified within level 1 of the valuation hierarchy.

Beneficial interest in charitable trusts - The measurement of Cheekwood's beneficial interest in charitable trusts was determined at the date of gift and is adjusted annually for the change in present value of the estimated future cash flows. The valuation is based on the term of the trust or actuarial life expectancy of the life income recipient using the discount rate in existence at the time of notification by the trustee of Cheekwood's interest and is classified within Level 3 of the valuation hierarchy.

There have been no changes in the methodologies used at December 31, 2013 and 2012.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Cheekwood's 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 estimate of fair value at the reporting date.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds

Cheekwood has various endowment funds, which include both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Cheekwood's permanently restricted endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

Interpretation of applicable law - The Board of Directors has interpreted SUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Cheekwood classified 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.

Spending policy - Cheekwood has a policy of appropriating for distribution each year a payout of 4.5% of the moving average, which is based on the rolling average of the portfolio value over the previous three years.

Investment return objective, risk parameters and strategies - Cheekwood has adopted investment and spending policies to establish asset allocation targets, investment objectives and guidelines and the degree of investment risk the Board deems acceptable.

The primary investment objective of the endowment is to provide long term growth of capital sufficient to meet Cheekwood's current and future spending obligations and to protect the endowment from long term effects of inflation. To achieve its investment objectives, Cheekwood acknowledges that risk tolerance and diversification are overriding guiding principles of its investment policy and that the primary objectives of diversification across uncorrelated asset classes are to enhance long term total return and reducing portfolio volatility.

Cheekwood recognizes that higher returns require an acceptance of the potential for higher volatility. Cheekwood is willing to accept a moderate level of volatility, based on the target allocation of the assets, in order to optimize total return within an acceptable risk tolerance. In order to reduce volatility, the assets will be diversified fully across a range of approved asset classes. These include small, medium and large capitalization domestic equities, international equities from emerging and developed markets and fixed income securities.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (continued)

The asset allocation target is 20% to 70% large cap growth equity, 0% to 10% mid cap and small cap equity, 0% to 15% international and emerging market equity, 20% to 50% fixed income, and 0% to 15% non-traditional.

Currently, the majority of endowment monies are held in an investment account, and a small portion is held in cash.

Functional Allocation of Expenses

The following program and supporting services are included in the accompanying financial statements:

Program Services - expenses related to providing a premiere cultural resource for Tennessee residents and visitors to Middle Tennessee. Cheekwood provides arts, gardens and nature to students of all ages through a significant commitment to educational programming. Cheekwood programs are blended through two distinctive areas:

Exhibitions and Programs - Cheekwood provides a wide variety of activities inspired by its extensive indoor and outdoor collections. The Museum of Art, accredited by the American Association of Museums, is housed in the former Cheek residence and named to the National Register of Historic Places. It offers a spectrum of American and European art and decorative arts through its permanent collection, traveling exhibitions, and Woodland Sculpture Trail. Cheekwood encompasses 55 acres of woodland, pastoral and landscaped gardens and is designated as a level IV Arboretum by the Tennessee Urban Forestry Council. The historic gardens designed by Bryant Fleming in 1930, mingle harmoniously with specialized gardens featuring outstanding collections of plants that thrive in this area of the country, including boxwoods, dogwoods, and plants native to the Southeastern United States. These offerings are brought alive regularly through classes, lectures, family days and festivals.

Restaurant and Gift Shops - The Pineapple Room Restaurant and Gift Shop offer visitors of Cheekwood an oasis to enjoy delicious food and beverages and take away a souvenir of their day's experience. This service area also provides rental and catering facilities to further open Cheekwood to the public through the hosting of events on the grounds.

Supporting Services

Administrative - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative duties.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services (continued)

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Direct expenses are allocated to applicable functional classifications. Indirect expenses are allocated to functional classifications based on objectively determinable factors (e.g. square footage, time, etc.), or reasonable subjective methods determined by management.

Sales Taxes Collected

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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.

Events Occurring After Reporting Date

Cheekwood has evaluated events and transactions that occurred between December 31, 2013 and June 5, 2014, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to conform to the 2013 presentation. These reclassifications had no effect on the results of operations previously reported.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 2 - FAIR VALUE MEASUREMENTS

The following table sets forth Cheekwood's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31:

	2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market funds	\$ 80,954	\$ -	\$ -	\$ 80,954
Mutual funds:				
Real estate	45,468	-	-	45,468
Large cap	2,132,701	-	-	2,132,701
Long/short fund	229,388	-	-	229,388
Mid cap	117,496	-	-	117,496
Small cap	238,487	-	-	238,487
Multi-alternative	90,614	-	-	90,614
Commodities	45,908	-	-	45,908
Ultrashort bond	337,842	-	-	337,842
High yield bond	177,996	-	-	177,996
Intermediate term bond	163,971	-	-	163,971
World bond	67,752	-	-	67,752
Equity securities:				
Mid cap	117,284	-	-	117,284
Value	326,017	-	-	326,017
Growth	378,868	-	-	378,868
Bond index fund	165,775	-	-	165,775
	4,716,521	-	-	4,716,521
Beneficial interests in charitable trusts included in pledges and accounts receivable	-	-	455,370	455,370
	<u>\$ 4,716,521</u>	<u>\$ -</u>	<u>\$ 455,370</u>	<u>\$ 5,171,891</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Money market funds	\$ 70,608	\$ -	\$ -	\$ 70,608
Mutual funds:				
Real estate	47,121	-	-	47,121
Large cap	2,059,874	-	-	2,059,874
Long/short fund	47,260	-	-	47,260
Small cap	212,625	-	-	212,625
Multi-alternative	45,600	-	-	45,600
Commodities	43,996	-	-	43,996
Equity securities:				
Mid cap	204,145	-	-	204,145
Bond index fund	976,765	-	-	976,765
	3,707,994	-	-	3,707,994
Beneficial interests in charitable trusts included in pledges and accounts receivable	-	-	425,715	425,715
	<u>\$ 3,707,994</u>	<u>\$ -</u>	<u>\$ 425,715</u>	<u>\$ 4,133,709</u>

A summary of the changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) follows for the years ended December 31:

	2013	2012
<u>Beneficial interests in charitable trusts</u>		
Balance, beginning of year	\$ 425,715	\$ 390,972
Change in value of beneficial interests	<u>29,655</u>	<u>34,743</u>
Balance, end of year	<u>\$ 455,370</u>	<u>\$ 425,715</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 3 - INVESTMENTS

The investments consist of the following for the years ended December 31:

	2013		
	Cost	Unrealized Gain (Loss), net	Fair Value
Investments:			
Money market funds	\$ 80,954	\$ -	\$ 80,954
Equity securities	900,253	87,691	987,944
Mutual funds	3,230,919	416,704	3,647,623
	<u>\$ 4,212,126</u>	<u>\$ 504,395</u>	<u>\$ 4,716,521</u>

	2012		
	Cost	Unrealized Gain (Loss), net	Fair Value
Investments:			
Money market funds	\$ 70,608	\$ -	\$ 70,608
Equity securities	1,136,197	44,713	1,180,910
Mutual funds	2,141,851	314,625	2,456,476
	<u>\$ 3,348,656</u>	<u>\$ 359,338</u>	<u>\$ 3,707,994</u>

A summary of investment income (loss) follows for the years ended December 31:

	2013	2012
Interest and dividend income	\$ 41,843	\$ 59,323
Realized gain on investments	587,695	60,443
Unrealized gain on investments	147,011	238,583
Total investment income	<u>\$ 776,549</u>	<u>\$ 358,349</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 4 - PLEDGES AND ACCOUNTS RECEIVABLE

Pledges and accounts receivable consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 1,049,321	\$ 2,150,071
Other receivables:		
Beneficial interests in charitable trusts	455,370	425,715
Rental and catering clients	87,676	35,894
Other	<u>-</u>	<u>7,191</u>
Total receivables	<u>\$ 1,592,367</u>	<u>\$ 2,618,871</u>

Pledges receivable were due as follows at December 31:

	<u>2013</u>	<u>2012</u>
In less than one year	\$ 799,321	\$ 1,362,071
In one to five years	<u>250,000</u>	<u>788,000</u>
	<u>\$ 1,049,321</u>	<u>\$ 2,150,071</u>

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Land	\$ 520,000	\$ 520,000
Buildings	24,307,204	24,157,338
Equipment and furnishings	2,048,184	1,180,414
Construction in progress	<u>18,176</u>	<u>21,527</u>
	26,893,564	25,879,279
Less accumulated depreciation	<u>12,175,738</u>	<u>11,642,461</u>
	<u>\$ 14,717,826</u>	<u>\$ 14,236,818</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2012, Cheekwood sold two parcels of land. The first parcel, which included a building, was sold for \$350,000. Upon the sale of the property, Cheekwood entered into a three year lease agreement with the buyer for one dollar per year, which includes a three year renewal option. Under the lease agreement, Cheekwood is responsible for all utilities, maintenance, repairs, insurance and property taxes related to the building. The resulting gain of approximately \$340,000 was accounted for as a sale/leaseback transaction, and will be recognized over the six year lease term. For the year ended December 31, 2013, \$56,667 of the gain was recognized (\$54,018 in 2012), with \$229,582 reported as deferred income at December 31, 2013 (\$286,249 in 2012). The second parcel of land was sold for \$1,375,000, resulting in a net loss of \$725,000, which was fully recognized in 2012.

NOTE 6 - COLLECTIONS

The collections at Cheekwood consist of a wide range of media from different periods and cultures, with special emphasis on American art from the 18th through the 20th centuries, American and English Silver, Worcester porcelain, and contemporary outdoor sculpture. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sale to be used to acquire other items for collections. There were approximately \$1,600 in sales for the year ended December 31, 2013 (\$1,400 in 2012).

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
\$1,000,000 line of credit requiring monthly interest payments on the outstanding principal balance at the rate of 2.0% above the LIBOR rate with a minimum of 3.0% (effective rate of 3.0% at December 31, 2013). The terms of the note require all unpaid principal and interest to be paid on November 26, 2014. This line is secured by Cheekwood's investments.	\$ 597,050	\$ 235,991
\$250,000 line of credit requiring monthly interest payments on the outstanding principal balance at the rate of 2.0% above the LIBOR rate with a minimum of 3.0% (effective rate of 3.0% at December 31, 2013). The terms of the note require all unpaid principal and interest to be paid on March 31, 2014. This line is secured by Cheekwood's investments.	250,000	-
Note payable, amended in 2012, requiring monthly principal and interest payments of \$3,585. All unpaid interest and principal are due September 30, 2017. The note bears a fixed interest rate of 3.9%.	<u>554,433</u>	<u>575,089</u>
	<u>\$ 1,401,483</u>	<u>\$ 811,080</u>

A schedule of annual principal maturities of all notes payable at December 31, 2013, follows:

For the year ending December 31,

2014	\$ 868,846
2015	22,661
2016	23,561
2017	<u>486,415</u>
	<u>\$ 1,401,483</u>

In 2014, the \$250,000 line of credit was paid in full using funds from a \$250,000, non-interest bearing loan from a Board member. This loan is to be paid in full on September 30, 2014.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 8 - NET ASSETS

Unrestricted net assets consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Accumulated deficit from unrestricted operations	\$ (1,518,467)	\$ (1,656,056)
Unexpended balance of cumulative distributions received from Swan Ball	9,305	6,243
Net assets of the Swan Ball not transferred to Cheekwood	822,215	1,229,006
Amounts functioning as endowment	770,356	433,267
Amounts invested in property, plant, and equipment, less related debt	<u>14,163,393</u>	<u>13,661,729</u>
	<u>\$ 14,246,802</u>	<u>\$ 13,674,189</u>

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2013</u>	<u>2012</u>
Future years' operations	\$ 549,618	\$ 956,142
Museum of art	390,621	388,773
Artist-in-residency program	1,114,181	1,116,951
Botanical garden	281,899	588,051
Beneficial interests in trusts	455,370	425,715
Future development	76,311	1,095,561
Future exhibits	56,600	-
Historic room restoration	25,654	-
Other	<u>29,863</u>	<u>9,774</u>
Total temporarily restricted net assets	<u>\$ 2,980,117</u>	<u>\$ 4,580,967</u>

During 2011, Cheekwood entered into an agreement to create an artist-in-residency program by establishing an endowment fund to pay for the expenses of the program. A donor agreed to fund the program with \$1,000,000 to be paid over four years and agreed that, until the full amount is received, Cheekwood could make partial withdrawals from the corpus in order to meet cash flow requirements of the program. As a result, the full amount is being reflected in temporarily restricted net assets until the year in which the full \$1,000,000 is received, at which time the balance remaining in the corpus will be transferred to permanently restricted net assets. As of December 31, 2013, \$750,000 has been received and \$250,000 is reflected as a pledge receivable.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 9 - ENDOWMENT

The endowment net asset composition by type of fund was as follows, as of December 31, 2013 and 2012:

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,083,872	\$ 3,037,564	\$ 4,121,436
Board-designated endowment funds	<u>770,356</u>	<u>-</u>	<u>-</u>	<u>770,356</u>
Total	<u>\$ 770,356</u>	<u>\$ 1,083,872</u>	<u>\$ 3,037,564</u>	<u>\$ 4,891,792</u>

	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 525,786	\$ 2,901,214	\$ 3,427,000
Board-designated endowment funds	<u>433,267</u>	<u>-</u>	<u>-</u>	<u>433,267</u>
Total	<u>\$ 433,267</u>	<u>\$ 525,786</u>	<u>\$ 2,901,214</u>	<u>\$ 3,860,267</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 9 - ENDOWMENT (CONTINUED)

A summary of changes in endowments follows for the years ended December 31, 2013 and 2012:

2013				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2013	\$ 433,267	\$ 525,786	\$ 2,901,214	\$ 3,860,267
Interest and dividend income	21,701	20,142	-	41,843
Realized gain on investment	310,600	277,073	-	587,673
Unrealized gain on investment	78,006	69,004	-	147,010
Contributions	-	-	136,350	136,350
Cash collected on pledge to be permanently restricted upon full collection - see Note 8	-	250,000	-	250,000
Bank fees	(9,698)	(8,652)	-	(18,350)
Appropriation of endowment assets for expenditure	<u>(63,520)</u>	<u>(49,481)</u>	<u>-</u>	<u>(113,001)</u>
Endowment net assets, December 31, 2013	<u>\$ 770,356</u>	<u>\$ 1,083,872</u>	<u>\$ 3,037,564</u>	<u>\$ 4,891,792</u>
2012				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2012	\$ 268,564	\$ 250,000	\$ 2,862,419	\$ 3,380,983
Interest and dividend income	21,811	23,698	-	45,509
Realized gain on investment	48,004	26,198	-	74,202
Unrealized gain on investment	157,205	81,422	-	238,627
Contributions	-	-	38,795	38,795
Cash collected on pledge to be permanently restricted upon full collection - see Note 8	-	250,000	-	250,000
Bank fees	(9,125)	(6,377)	-	(15,502)
Appropriation of endowment assets for expenditure	<u>(53,192)</u>	<u>(99,155)</u>	<u>-</u>	<u>(152,347)</u>
Endowment net assets, December 31, 2012	<u>\$ 433,267</u>	<u>\$ 525,786</u>	<u>\$ 2,901,214</u>	<u>\$ 3,860,267</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 10 - OPERATING LEASES

Cheekwood leases a portion of its office equipment under non-cancelable operating leases which expire at various times through November 2016, and require specified minimum rental payments. Also see Note 5 regarding lease of property that was sold during 2012.

A schedule of future minimum lease commitments under all noncancelable operating leases as of December 31, 2013, follows:

For the year ending December 31,

2014	\$ 16,997
2015	16,997
2016	<u>10,628</u>
Total future minimum lease payments	<u>\$ 44,622</u>

Total rental expense incurred under all such agreements amounted to \$25,672 and \$27,863 for the year ended December 31, 2013 and 2012, respectively.

NOTE 11 - RETIREMENT PLAN

Cheekwood sponsors a Section 403(b) retirement plan for the benefit of eligible employees. Under the plan, employees may contribute a specified amount or percentage of their annual compensation, not to exceed statutory limits. Cheekwood's contribution equals 100% of the employees' contribution, limited to 5% of their annual compensation. Cheekwood's matching contributions for the year ended December 31, 2013 and 2012 totaled \$62,384 and \$20,618 respectively.

NOTE 12 - AFFILIATED ORGANIZATIONS AND SPECIAL EVENTS

The Horticulture Society of Middle Tennessee (HSMT) and the Antiques and Garden Show are affiliated but autonomously operating organizations with a primary objective of supporting Cheekwood. Accordingly, these organizations contribute significant portions of their net revenues to Cheekwood annually. Cheekwood is also beneficiary of activities of the Swan Ball and Friends of Cheekwood, unincorporated volunteer groups. Contributions and revenues from HSMT, Friends of Cheekwood, and the Antiques and Garden Show are reported in volunteer fundraising contributions in the period received. No significant direct benefits to donors are applicable to these activities.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 12 - AFFILIATED ORGANIZATIONS AND SPECIAL EVENTS (CONTINUED)

Following is a summary of contributions provided by these parties:

	<u>2013</u>	<u>2012</u>
Horticulture Society of Middle Tennessee	\$ 30,725	\$ 30,495
Garden Club of Nashville	173,000	274,000
Antique and Garden Show	<u>187,736</u>	<u>194,962</u>
Contributions from affiliated parties	<u>\$ 391,461</u>	<u>\$ 499,457</u>

Following is a summary of the activity of the Swan Ball for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Contributions	\$ 1,100,105	\$ 1,646,943
Special event revenues	797,473	1,012,035
Interest income	1,117	1,503
Direct benefits to donors	<u>(163,507)</u>	<u>(391,806)</u>
Contributions and net revenues from special events	1,735,188	2,268,675
Less: fundraising expenses	<u>(688,892)</u>	<u>(1,069,810)</u>
	<u>\$ 1,046,296</u>	<u>\$ 1,198,865</u>

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Cheekwood maintains cash at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2013, Cheekwood's depositor accounts exceeded the FDIC insurance limits by approximately \$1,143,000.

At December 31, 2013, the investments were held under custodial care by one brokerage and investment company. These investments are not insured by the FDIC or any other government agency and are subject to investment risk, including loss of principal. The investments are insured by the Securities Investor Protection Corporation ("SIPC"), which insures investor losses attributable to bankruptcy or fraudulent practices of brokerage firms up to \$500,000 (including \$250,000 in cash).

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2013 AND 2012

NOTE 13 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Contributions received from one source during the year ended December 31, 2013, and two sources during the year ended December 31, 2012, represented 10% and 34% of total volunteer fundraising and contribution revenue, respectively. At December 31, 2013, pledges receivable from two sources represented 72% of total pledges receivable. At December 31, 2012, pledges receivable from three sources represented 74% of total pledges receivable.

NOTE 14 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

Two donors have established donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Cheekwood Botanical Garden and Museum of Art. The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in the financial statements of Cheekwood. Income distributions from these funds are recognized by Cheekwood in the year received. Such distributions amounted to approximately \$13,820 during the year ended December 31, 2013 (\$11,200 during 2012). Total assets held in these funds amounted to \$306,760 at December 31, 2013 (\$284,553 at December 31, 2012).

NOTE 15 - OTHER MATTERS

Cheekwood occasionally contracts with businesses controlled by or affiliated with members of its Board of Directors, and/or their family members, for outside services in the ordinary course of business, including insurance coverage, banking relationships and occasional other professional services. In management's opinion, the effect of these relationships on the nature and terms of the business arrangements entered into with the providers of these services was not significant.

NOTE 16 - ESTATE GIFT

During 2012, a donor notified Cheekwood of his intention to sell his home and donate the proceeds to Cheekwood. Subsequently, the donor passed; however, the donor's will named another organization as the recipient of his home upon his death. The donor's home has since been sold and the proceeds are currently in probate court with the other organization to determine the rightful recipient of the proceeds. Due to this uncertainty, no amounts have been reflected in the accompanying financial statements.

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
Cheekwood Botanical Garden
and Museum of Art

We have audited the financial statements of Cheekwood Botanical Garden and Museum of Art ("Cheekwood") as of and for the year ended December 31, 2013 and 2012, and have issued our report thereon dated June 5, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The following statements of financial position of Cheekwood - excluding Swan Ball (a component of Cheekwood) and statements of financial position of Swan Ball (only) as of December 31, 2013 and 2012, and the related statements of activities for the respective components, for the years then ended, are presented for the purposes of additional analysis and are 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 audits 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.

KraftCPAs PLLC

Nashville, Tennessee
June 5, 2014

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

(EXCLUDING SWAN BALL)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 437,198	\$ 723,872
Investments	4,716,521	3,707,994
Pledges and accounts receivable	1,592,367	2,618,871
Inventories	106,231	108,673
Prepaid expenses	52,894	214,947
Property, plant and equipment, net	14,717,826	14,236,818
Collections - Notes 1 and 6	-	-
TOTAL ASSETS	<u>\$ 21,623,037</u>	<u>\$ 21,611,175</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 549,704	\$ 586,482
Notes payable	1,401,483	811,080
Deferred income	<u>229,582</u>	<u>286,249</u>
TOTAL LIABILITIES	<u>2,180,769</u>	<u>1,683,811</u>
COMMITMENTS		
NET ASSETS		
Unrestricted	13,424,587	12,445,183
Temporarily restricted	2,980,117	4,580,967
Permanently restricted	<u>3,037,564</u>	<u>2,901,214</u>
TOTAL NET ASSETS	<u>19,442,268</u>	<u>19,927,364</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,623,037</u>	<u>\$ 21,611,175</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

(EXCLUDING SWAN BALL)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUES				
Contributions	\$ 1,123,699	\$ 194,898	\$ 60,625	\$ 1,379,222
Volunteer fundraising contributions	326,999	43,000	75,725	445,724
Government grants	150,748	-	-	150,748
Changes in value of split-interest gifts	-	29,655	-	29,655
In-kind contributions	116,133	-	-	116,133
Admission fees	1,622,361	-	-	1,622,361
Membership dues	785,268	-	-	785,268
Educational programs	268,508	-	-	268,508
Restaurant, catering and gift shop	1,291,214	-	-	1,291,214
Rental event income	580,418	-	-	580,418
Investment income	410,330	366,219	-	776,549
Loss on disposal of property, plant and equipment, net	56,667	-	-	56,667
Insurance proceeds	461,879	-	-	461,879
Miscellaneous income	29,188	-	-	29,188
Net assets released resulting from satisfaction of donor restrictions	2,234,622	(2,234,622)	-	-
TOTAL SUPPORT AND REVENUE	9,458,034	(1,600,850)	136,350	7,993,534
FUNCTIONAL EXPENSES				
Program services	8,107,762	-	-	8,107,762
Administrative	1,275,913	-	-	1,275,913
Fundraising	548,042	-	-	548,042
TOTAL FUNCTIONAL EXPENSES	9,931,717	-	-	9,931,717
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	(473,683)	(1,600,850)	136,350	(1,938,183)
CONTRIBUTION FROM SWAN BALL	1,453,087	-	-	1,453,087
CHANGE IN NET ASSETS	979,404	(1,600,850)	136,350	(485,096)
NET ASSETS - BEGINNING OF YEAR	12,445,183	4,580,967	2,901,214	19,927,364
NET ASSETS - END OF YEAR	\$ 13,424,587	\$ 2,980,117	\$ 3,037,564	\$ 19,442,268

2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
\$ 1,043,568	\$ 2,788,062	\$ 38,300	\$ 3,869,930
348,267	224,000	495	572,762
182,747	-	-	182,747
-	34,743	-	34,743
126,813	-	-	126,813
761,872	-	-	761,872
732,904	-	-	732,904
242,959	-	-	242,959
1,113,693	-	-	1,113,693
521,292	-	-	521,292
227,031	131,318	-	358,349
(671,067)	-	-	(671,067)
-	-	-	-
15,182	5,000	-	20,182
<u>900,246</u>	<u>(900,246)</u>	<u>-</u>	<u>-</u>
<u>5,545,507</u>	<u>2,282,877</u>	<u>38,795</u>	<u>7,867,179</u>
5,599,869	-	-	5,599,869
951,848	-	-	951,848
<u>582,134</u>	<u>-</u>	<u>-</u>	<u>582,134</u>
<u>7,133,851</u>	<u>-</u>	<u>-</u>	<u>7,133,851</u>
(1,588,344)	2,282,877	38,795	733,328
<u>784,879</u>	<u>-</u>	<u>-</u>	<u>784,879</u>
(803,465)	2,282,877	38,795	1,518,207
<u>13,248,648</u>	<u>2,298,090</u>	<u>2,862,419</u>	<u>18,409,157</u>
<u>\$ 12,445,183</u>	<u>\$ 4,580,967</u>	<u>\$ 2,901,214</u>	<u>\$ 19,927,364</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

SWAN BALL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 945,188	\$ 1,358,451
Inventories	1,310	1,970
Prepaid expenses	<u>60,602</u>	<u>71,521</u>
TOTAL ASSETS	<u>\$ 1,007,100</u>	<u>\$ 1,431,942</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ -	\$ 17,395
Deferred income	<u>184,885</u>	<u>185,541</u>

TOTAL LIABILITIES	184,885	202,936
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NET ASSETS

Unrestricted	<u>822,215</u>	<u>1,229,006</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,007,100</u>	<u>\$ 1,431,942</u>
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CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

SWAN BALL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CONTRIBUTIONS AND NET REVENUES		
Contributions	\$ 1,100,105	\$ 1,646,943
Revenues from special events	797,473	1,012,035
Interest income	1,117	1,503
Less direct benefits to donors	<u>(163,507)</u>	<u>(391,806)</u>
TOTAL CONTRIBUTIONS AND NET REVENUES	1,735,188	2,268,675
TOTAL FUNDRAISING EXPENSES	<u>688,892</u>	<u>1,069,610</u>
EXCESS OF CONTRIBUTIONS AND NET REVENUES OVER FUNDRAISING EXPENSES	1,046,296	1,199,065
CONTRIBUTIONS TO CHEEKWOOD	<u>(1,453,087)</u>	<u>(784,879)</u>
CHANGE IN NET ASSETS	(406,791)	414,186
NET ASSETS - BEGINNING OF YEAR	<u>1,229,006</u>	<u>814,820</u>
NET ASSETS - END OF YEAR	<u>\$ 822,215</u>	<u>\$ 1,229,006</u>