

CHEEKWOOD BOTANICAL GARDEN
AND MUSEUM OF ART

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2014 AND 2013

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows	5
Statement of Functional Expenses for the Year Ended December 31, 2014.....	6
Statement of Functional Expenses for the Year Ended December 31, 2013.....	7
Notes to Financial Statements	8 - 28
 <u>ADDITIONAL INFORMATION</u>	
Independent Auditor's Report on Additional Information.....	29
Cheekwood Statement of Financial Position (excluding Swan Ball).....	30
Cheekwood Statement of Activities (excluding Swan Ball)	31
Swan Ball Statement of Financial Position	32
Swan Ball Statement of Activities.....	33

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, 2014 and 2013, 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, 2014 and 2013, 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
May 11, 2015

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,634,837	\$ 1,382,386
Investments	5,012,442	4,716,521
Pledges and accounts receivable	1,857,484	1,592,367
Inventories	76,323	107,541
Prepaid expenses	160,966	113,496
Property, plant and equipment, net	14,293,005	14,717,826
Collections - Notes 1 and 6	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 24,035,057</u>	 <u>\$ 22,630,137</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 292,458	\$ 443,500
Notes payable	2,015,093	1,401,483
Deferred income	<u>569,501</u>	<u>520,671</u>
 TOTAL LIABILITIES	 <u>2,877,052</u>	 <u>2,365,654</u>
 COMMITMENTS		
NET ASSETS		
Unrestricted - undesignated	11,686,907	12,654,231
Unrestricted - Board designated endowment	796,915	770,356
Unrestricted - Board designated Swan Ball	1,276,872	822,215
Temporarily restricted	3,350,164	2,980,117
Permanently restricted	<u>4,047,147</u>	<u>3,037,564</u>
 TOTAL NET ASSETS	 <u>21,158,005</u>	 <u>20,264,483</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 24,035,057</u>	 <u>\$ 22,630,137</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUES				
Contributions	\$ 1,194,275	\$ 2,012,875	\$ 9,278	\$ 3,216,428
Volunteer fundraising contributions	429,230	-	305	429,535
Government grants	201,850	-	-	201,850
Contributions and net revenues from special events	2,080,336	-	-	2,080,336
Changes in value of split-interest gifts	-	(3,087)	-	(3,087)
In-kind contributions	102,078	-	-	102,078
Admission fees	851,776	-	-	851,776
Membership dues	770,778	-	-	770,778
Educational programs	272,946	-	-	272,946
Restaurant, catering and gift shop	855,488	-	-	855,488
Rental event income	605,293	-	-	605,293
Investment income	137,486	142,465	-	279,951
Gain on disposal of property, plant and equipment, net	54,397	-	-	54,397
Insurance proceeds	-	-	-	-
Miscellaneous income	41,340	-	-	41,340
Net assets released resulting from satisfaction of donor restrictions	782,206	(1,782,206)	1,000,000	-
TOTAL SUPPORT AND REVENUE	<u>8,379,479</u>	<u>370,047</u>	<u>1,009,583</u>	<u>9,759,109</u>
FUNCTIONAL EXPENSES				
Program services	6,606,082	-	-	6,606,082
Administrative	987,496	-	-	987,496
Fundraising	1,272,009	-	-	1,272,009
TOTAL FUNCTIONAL EXPENSES	<u>8,865,587</u>	<u>-</u>	<u>-</u>	<u>8,865,587</u>
CHANGE IN NET ASSETS	(486,108)	370,047	1,009,583	893,522
NET ASSETS - BEGINNING OF YEAR	<u>14,246,802</u>	<u>2,980,117</u>	<u>3,037,564</u>	<u>20,264,483</u>
NET ASSETS - END OF YEAR	<u>\$ 13,760,694</u>	<u>\$ 3,350,164</u>	<u>\$ 4,047,147</u>	<u>\$ 21,158,005</u>

See accompanying notes to financial statements.

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 1,123,699	\$ 194,898	\$ 60,625	\$ 1,379,222
326,999	43,000	75,725	445,724
150,748	-	-	150,748
1,735,188	-	-	1,735,188
-	29,655	-	29,655
116,133	-	-	116,133
1,622,361	-	-	1,622,361
785,268	-	-	785,268
268,508	-	-	268,508
1,291,214	-	-	1,291,214
580,418	-	-	580,418
410,330	366,219	-	776,549
56,667	-	-	56,667
461,879	-	-	461,879
29,188	-	-	29,188
<u>2,234,622</u>	<u>(2,234,622)</u>	<u>-</u>	<u>-</u>
<u>11,193,222</u>	<u>(1,600,850)</u>	<u>136,350</u>	<u>9,728,722</u>
8,107,762	-	-	8,107,762
1,275,913	-	-	1,275,913
<u>1,236,934</u>	<u>-</u>	<u>-</u>	<u>1,236,934</u>
<u>10,620,609</u>	<u>-</u>	<u>-</u>	<u>10,620,609</u>
572,613	(1,600,850)	136,350	(891,887)
<u>13,674,189</u>	<u>4,580,967</u>	<u>2,901,214</u>	<u>21,156,370</u>
<u>\$ 14,246,802</u>	<u>\$ 2,980,117</u>	<u>\$ 3,037,564</u>	<u>\$ 20,264,483</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 893,522	\$ (891,887)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	713,911	686,159
Contributions restricted or designated for long-term purposes	(59,583)	(181,350)
Gain on disposal of property, plant and equipment, net	(54,397)	(56,667)
Realized and unrealized gains on investments	(216,827)	(734,706)
Decrease (increase) in:		
Pledges and accounts receivable - operating	(527,617)	754,004
Inventories	31,218	3,102
Prepaid expenses	(47,470)	172,972
Increase (decrease) in:		
Accounts payable and accrued expenses	(151,042)	(56,940)
Deferred income	<u>105,497</u>	<u>2,111</u>
TOTAL ADJUSTMENTS	<u>(206,310)</u>	<u>588,685</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>687,212</u>	<u>(303,202)</u>
INVESTING ACTIVITIES		
Purchases of investment securities	(1,887,189)	(5,936,316)
Proceeds from sale of investment securities	1,808,095	5,662,495
Purchase of property, plant and equipment	<u>(291,360)</u>	<u>(1,167,167)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(370,454)</u>	<u>(1,440,988)</u>
FINANCING ACTIVITIES		
Proceeds from contributions restricted or designated for:		
Investment in permanently restricted net assets	9,583	136,350
Investment in capital improvements	62,500	67,500
Investment in Artist in Residency program	250,000	250,000
Payments on notes payable	(264,250)	(20,656)
Proceeds from note payable	250,000	-
Net proceeds from line of credit	<u>627,860</u>	<u>611,059</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>935,693</u>	<u>1,044,253</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,252,451	(699,937)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,382,386</u>	<u>2,082,323</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,634,837</u>	<u>\$ 1,382,386</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	<u>\$ 45,137</u>	<u>\$ 43,286</u>
NONCASH INVESTING TRANSACTION		
Contribution of collection items	<u>\$ 24,500</u>	<u>\$ 20,000</u>

See accompanying notes to financial statements.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<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	\$ 2,353,557	\$ 581,409	\$ 2,934,966	\$ 409,967	\$ 347,224	\$ 3,692,157
Professional fees and contract services	91,197	22,326	113,523	204,519	15,531	333,573
Exhibitions and public programs	398,056	-	398,056	-	-	398,056
Special events	30,636	750	31,386	-	804,869	836,255
Communication, advertising and donor cultivation	425,479	22,631	448,110	32,175	90,254	570,539
Utilities	284,090	50,676	334,766	31,716	-	366,482
Maintenance and repairs	602,412	7,474	609,886	792	9	610,687
Equipment	64,455	11,446	75,901	37,287	5,784	118,972
Supplies	53,481	30,438	83,919	5,721	543	90,183
Travel	29,625	672	30,297	5,243	174	35,714
Insurance	103,131	10,909	114,040	8,646	-	122,686
Interest expense and bank fees	36,682	17,215	53,897	51,739	4,331	109,967
Miscellaneous	17,986	19,248	37,234	21,093	3,290	61,617
Bad debt expense	-	11,736	11,736	-	-	11,736
Cost of goods sold	1,448	628,012	629,460	-	-	629,460
Depreciation	679,751	19,154	698,905	15,006	-	713,911
Future of Cheekwood	-	-	-	163,592	-	163,592
 Total	 <u>\$ 5,171,986</u>	 <u>\$ 1,434,096</u>	 <u>\$ 6,606,082</u>	 <u>\$ 987,496</u>	 <u>\$ 1,272,009</u>	 <u>\$ 8,865,587</u>

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
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

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2014 AND 2013

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. The 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.

Board designated as Swan Ball - Cumulative results of the Swan Ball designated by the Board of Directors for use by the Swan Ball volunteers to fund Swan Ball activities. Amounts become undesignated and available for use by Cheekwood when funds are transferred from Swan Ball to Cheekwood accounts at the direction of the Swan Ball volunteers and approval from the Board.

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

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

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.

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; however, unrestricted contributions may be designated by the Board of Directors. 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.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2014 and 2013, 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.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 reflected 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 \$275,684 and \$398,240 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

Cheekwood is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

Cheekwood files U.S. Federal Form 990 for organizations exempt from income tax. For the year ended December 31, 2013, Cheekwood began filing U.S. Federal Form 990T, for organizations exempt from income tax with unrelated business income, as well as a State of Tennessee income tax return. 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, 2011 are no longer open to examination.

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 is adjusted annually to the present value of the estimated future cash flows. The valuation is based on the fair value of underlying investments on the reporting date and the actuarial life expectancy of the life income recipient using the discount rate (4% and 6%) in existence at the time of notification by the trustee of Cheekwood's interest.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

There have been no changes in the methodologies used at December 31, 2014 and 2013.

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.

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 BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (continued)

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.

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.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2014 and May 11, 2015, 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 2013 financial statements to conform to the 2014 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, 2014 AND 2013

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:

	2014			
	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	\$ 125,268	\$ -	\$ -	\$ 125,268
Mutual funds:				
Real estate	111,627	-	-	111,627
Large cap	1,646,447	-	-	1,646,447
Long/short fund	276,259	-	-	276,259
Mid cap	-	-	-	-
Small cap	416,802	-	-	416,802
Multi-alternative	133,720	-	-	133,720
Commodities	35,344	-	-	35,344
Ultrashort bond	341,035	-	-	341,035
High yield bond	182,842	-	-	182,842
Intermediate term bond	172,882	-	-	172,882
World bond	141,082	-	-	141,082
Equity securities:				
Mid cap	258,506	-	-	258,506
Value	498,823	-	-	498,823
Growth	499,753	-	-	499,753
Bond index fund	172,052	-	-	172,052
	<u>5,012,442</u>	<u>-</u>	<u>-</u>	<u>5,012,442</u>
Beneficial interests in charitable trusts included in pledges and accounts receivable	<u>-</u>	<u>-</u>	<u>452,283</u>	<u>452,283</u>
	<u>\$ 5,012,442</u>	<u>\$ -</u>	<u>\$ 452,283</u>	<u>\$ 5,464,725</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

	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, 2014 AND 2013

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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:

	<u>2014</u>	<u>2013</u>
<u>Beneficial interests in charitable trusts</u>		
Balance, beginning of year	\$ 455,370	\$ 425,715
Change in value of beneficial interests	<u>(3,087)</u>	<u>29,655</u>
Balance, end of year	<u>\$ 452,283</u>	<u>\$ 455,370</u>

NOTE 3 - INVESTMENTS

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

	<u>2014</u>		
	<u>Cost</u>	<u>Unrealized Gain, net</u>	<u>Fair Value</u>
Investments:			
Money market funds	\$ 125,268	\$ -	\$ 125,268
Equity securities	1,231,670	197,465	1,429,135
Mutual funds	<u>3,158,521</u>	<u>299,518</u>	<u>3,458,039</u>
	<u>\$ 4,515,459</u>	<u>\$ 496,983</u>	<u>\$ 5,012,442</u>
	<u>2013</u>		
	<u>Cost</u>	<u>Unrealized Gain, net</u>	<u>Fair Value</u>
Investments:			
Money market funds	\$ 80,954	\$ -	\$ 80,954
Equity securities	900,253	87,691	987,944
Mutual funds	<u>3,230,919</u>	<u>416,704</u>	<u>3,647,623</u>
	<u>\$ 4,212,126</u>	<u>\$ 504,395</u>	<u>\$ 4,716,521</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 3 - INVESTMENTS (CONTINUED)

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

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 63,124	\$ 41,843
Realized gain on investments	224,239	587,695
Unrealized gain (loss) on investments	<u>(7,412)</u>	<u>147,011</u>
Total investment income	<u>\$ 279,951</u>	<u>\$ 776,549</u>

NOTE 4 - PLEDGES AND ACCOUNTS RECEIVABLE

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

	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ 1,359,975	\$ 1,049,321
Other receivables:		
Beneficial interests in charitable trusts	452,283	455,370
Rental and catering clients	18,941	87,676
Other	<u>26,285</u>	<u>-</u>
Total receivables	<u>\$ 1,857,484</u>	<u>\$ 1,592,367</u>

Pledges receivable were due as follows at December 31:

	<u>2014</u>	<u>2013</u>
In less than one year	\$ 834,975	\$ 799,321
In one to five years	<u>525,000</u>	<u>250,000</u>
	<u>\$ 1,359,975</u>	<u>\$ 1,049,321</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Land	\$ 520,000	\$ 520,000
Buildings	24,232,986	24,307,204
Equipment and furnishings	1,995,131	2,048,184
Construction in progress	<u>236,780</u>	<u>18,176</u>
	26,984,897	26,893,564
Less accumulated depreciation	<u>12,691,892</u>	<u>12,175,738</u>
	<u>\$ 14,293,005</u>	<u>\$ 14,717,826</u>

During 2012, Cheekwood sold a building and land 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 each of the years ended December 31, 2014 and 2013, \$56,667 of the gain was recognized with \$172,915 reported as deferred income at December 31, 2014 (\$229,582 in 2013).

Estimated cost to complete construction in progress as of December 31, 2014 is approximately \$150,000.

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 no sales for the year ended December 31, 2014 (\$1,600 in 2013).

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
\$2,500,000 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, 2014). The terms of the note require all unpaid principal and interest to be paid on September 22, 2016. This line is secured by Cheekwood's investments and certain property.	\$ 2,015,093	\$ -
\$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%. (1)	-	597,050
\$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%. (2)	-	250,000
Note payable, amended in 2012, requiring monthly principal and interest payments of \$3,585. The note bore a fixed interest rate of 3.9%. (1)	<u>-</u>	<u>554,433</u>
	<u>\$ 2,015,093</u>	<u>\$ 1,401,483</u>

(1) During 2014, these notes were consolidated into the new \$2.5 million line of credit noted above.

(2) In 2014, this line of credit was paid in full using funds from a \$250,000, non-interest bearing loan from a Board member. The loan from the Board member was also paid in full during 2014.

Interest expense for the year ended December 31, 2014 was \$45,137 (\$43,205 for 2013).

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 8 - NET ASSETS

Unrestricted net assets consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Unrestricted-undesignated:		
Accumulated deficit from unrestricted operations	\$ (2,615,388)	\$ (1,518,467)
Unexpended balance of cumulative distributions received from Swan Ball	9,290	9,305
Amounts invested in property, plant, and equipment, less related debt	<u>14,293,005</u>	<u>14,163,393</u>
	11,686,907	12,654,231
Board designated:		
Amounts designated as Swan Ball	1,276,872	822,215
Amounts functioning as endowment	<u>796,915</u>	<u>770,356</u>
	<u>\$ 13,760,694</u>	<u>\$ 14,246,802</u>

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

	<u>2014</u>	<u>2013</u>
Future years' operations	\$ 266,118	\$ 549,618
Museum of art	396,533	390,621
Artist-in-residency program	48,693	1,114,181
Botanical garden	345,048	281,899
Beneficial interests in trusts	452,283	455,370
Future development	83,928	76,311
Future exhibits	753,861	56,600
Historic room restoration	777,805	25,654
Other	<u>225,895</u>	<u>29,863</u>
Total temporarily restricted net assets	<u>\$ 3,350,164</u>	<u>\$ 2,980,117</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 8 - NET ASSETS (CONTINUED)

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 pledged amount (plus unspent earnings) was being reflected in temporarily restricted net assets until 2014, during which the final payment was received. Since the unspent earnings on the program exceeded the original endowment gift of \$1,000,000, \$1,000,000 was transferred from temporarily restricted net assets to permanently restricted net assets in 2014, in accordance with the terms of the donation. The excess earnings after the transfer remain as a temporarily restricted balance at December 31, 2014.

NOTE 9 - ENDOWMENT

The endowment net asset composition by type of fund was as follows, as of December 31, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 290,729	\$ 4,047,147	\$ 4,337,876
Board-designated endowment funds	<u>796,915</u>	<u>-</u>	<u>-</u>	<u>796,915</u>
Total	<u>\$ 796,915</u>	<u>\$ 290,729</u>	<u>\$ 4,047,147</u>	<u>\$ 5,134,791</u>

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 9 - ENDOWMENT (CONTINUED)

A summary of changes in endowments follows for the years ended December 31, 2014 and 2013:

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ 770,356	\$ 1,083,872	\$ 3,037,564	\$ 4,891,792
Interest and dividend income	30,794	32,042	-	62,836
Realized gain on investment	110,157	114,082	-	224,239
Unrealized loss on investment	(3,753)	(3,659)	-	(7,412)
Contributions	-	-	9,583	9,583
Transfer from temporarily restricted to permanently restricted - see Note 8	-	(1,000,000)	1,000,000	-
Cash collected on pledge to be permanently restricted upon full collection - see Note 8	-	250,000	-	250,000
Bank fees	(10,616)	(11,003)	-	(21,619)
Appropriation of endowment assets for expenditure	<u>(100,023)</u>	<u>(174,605)</u>	<u>-</u>	<u>(274,628)</u>
Endowment net assets, December 31, 2014	<u>\$ 796,915</u>	<u>\$ 290,729</u>	<u>\$ 4,047,147</u>	<u>\$ 5,134,791</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 9 - ENDOWMENT (CONTINUED)

	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>

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, 2014, follows:

For the year ending December 31,

2015	\$ 16,997
2016	<u>10,628</u>
Total future minimum lease payments	<u>\$ 27,625</u>

Total rental expense incurred under all such agreements amounted to \$34,355 and \$25,672 for the years ended December 31, 2014 and 2013, respectively.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

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 years ended December 31, 2014 and 2013 totaled \$81,439 and \$62,384 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, administered by an unincorporated volunteer group. 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.

Following is a summary of contributions provided by these parties:

	<u>2014</u>	<u>2013</u>
Horticulture Society of Middle Tennessee	\$ 40,305	\$ 30,725
Garden Club of Nashville	-	173,000
Antique and Garden Show	<u>331,370</u>	<u>187,736</u>
Contributions from affiliated parties	<u>\$ 371,675</u>	<u>\$ 391,461</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

NOTE 12 - AFFILIATED ORGANIZATIONS AND SPECIAL EVENTS (CONTINUED)

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

	<u>2014</u>	<u>2013</u>
Contributions	\$ 1,091,200	\$ 1,100,105
Special event revenues	1,366,236	797,473
Interest income	1,219	1,117
Direct benefits to donors	<u>(378,319)</u>	<u>(163,507)</u>
Contributions and net revenues from special events	2,080,336	1,735,188
Less: fundraising expenses	<u>(802,117)</u>	<u>(688,892)</u>
	<u>\$ 1,278,219</u>	<u>\$ 1,046,296</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, 2014, Cheekwood's depositor accounts exceeded the FDIC insurance limits by approximately \$2,826,000.

At December 31, 2014, 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).

Contributions received from one source during the years ended December 31, 2014 and 2013, represented 27% and 10% of total volunteer fundraising and contribution revenue, respectively. At December 31, 2014 and 2013, pledges receivable from two sources represented 74% and 72% of total pledges receivable, respectively.

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

NOTES TO FINANCIAL STATEMENT (CONTINUED)

DECEMBER 31, 2014 AND 2013

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 \$14,600 during the year ended December 31, 2014 (\$13,820 during 2013). Total assets held in these funds amounted to \$301,745 at December 31, 2014 (\$306,760 at December 31, 2013).

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, 2014 and 2013, and have issued our report thereon dated May 11, 2015, 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, 2014 and 2013, 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
May 11, 2015

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

(EXCLUDING SWAN BALL)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,203,734	\$ 437,198
Investments	5,012,442	4,716,521
Pledges and accounts receivable	1,857,484	1,592,367
Inventories	75,668	106,231
Prepaid expenses	92,822	52,894
Property, plant and equipment, net	14,293,005	14,717,826
Collections - Notes 1 and 6	-	-
TOTAL ASSETS	<u>\$ 22,535,155</u>	<u>\$ 21,623,037</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 292,458	\$ 443,500
Notes payable	2,015,093	1,401,483
Deferred income	<u>346,471</u>	<u>335,786</u>
TOTAL LIABILITIES	<u>2,654,022</u>	<u>2,180,769</u>
COMMITMENTS		
NET ASSETS		
Unrestricted - undesignated	11,686,907	12,654,231
Unrestricted - Board designated endowment	796,915	770,356
Temporarily restricted	3,350,164	2,980,117
Permanently restricted	<u>4,047,147</u>	<u>3,037,564</u>
TOTAL NET ASSETS	<u>19,881,133</u>	<u>19,442,268</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,535,155</u>	<u>\$ 21,623,037</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

(EXCLUDING SWAN BALL)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUES				
Contributions	\$ 1,194,275	\$ 2,012,875	\$ 9,278	\$ 3,216,428
Volunteer fundraising contributions	429,230	-	305	429,535
Government grants	201,850	-	-	201,850
Changes in value of split-interest gifts	-	(3,087)	-	(3,087)
In-kind contributions	102,078	-	-	102,078
Admission fees	851,776	-	-	851,776
Membership dues	770,778	-	-	770,778
Educational programs	272,946	-	-	272,946
Restaurant, catering and gift shop	855,488	-	-	855,488
Rental event income	605,293	-	-	605,293
Investment income	137,486	142,465	-	279,951
Gain on disposal of property, plant and equipment, net	54,397	-	-	54,397
Insurance proceeds	-	-	-	-
Miscellaneous income	41,340	-	-	41,340
Net assets released resulting from satisfaction of donor restrictions	782,206	(1,782,206)	1,000,000	-
TOTAL SUPPORT AND REVENUE	6,299,143	370,047	1,009,583	7,678,773
FUNCTIONAL EXPENSES				
Program services	6,606,082	-	-	6,606,082
Administrative	987,496	-	-	987,496
Fundraising	469,892	-	-	469,892
TOTAL FUNCTIONAL EXPENSES	8,063,470	-	-	8,063,470
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	(1,764,327)	370,047	1,009,583	(384,697)
CONTRIBUTION FROM SWAN BALL	823,562	-	-	823,562
CHANGE IN NET ASSETS	(940,765)	370,047	1,009,583	438,865
NET ASSETS - BEGINNING OF YEAR	13,424,587	2,980,117	3,037,564	19,442,268
NET ASSETS - END OF YEAR	\$ 12,483,822	\$ 3,350,164	\$ 4,047,147	\$ 19,881,133

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 1,123,699	\$ 194,898	\$ 60,625	\$ 1,379,222
326,999	43,000	75,725	445,724
150,748	-	-	150,748
-	29,655	-	29,655
116,133	-	-	116,133
1,622,361	-	-	1,622,361
785,268	-	-	785,268
268,508	-	-	268,508
1,291,214	-	-	1,291,214
580,418	-	-	580,418
410,330	366,219	-	776,549
56,667	-	-	56,667
461,879	-	-	461,879
29,188	-	-	29,188
<u>2,234,622</u>	<u>(2,234,622)</u>	<u>-</u>	<u>-</u>
<u>9,458,034</u>	<u>(1,600,850)</u>	<u>136,350</u>	<u>7,993,534</u>
8,107,762	-	-	8,107,762
1,275,913	-	-	1,275,913
<u>548,042</u>	<u>-</u>	<u>-</u>	<u>548,042</u>
<u>9,931,717</u>	<u>-</u>	<u>-</u>	<u>9,931,717</u>
(473,683)	(1,600,850)	136,350	(1,938,183)
<u>1,453,087</u>	<u>-</u>	<u>-</u>	<u>1,453,087</u>
979,404	(1,600,850)	136,350	(485,096)
<u>12,445,183</u>	<u>4,580,967</u>	<u>2,901,214</u>	<u>19,927,364</u>
<u>\$ 13,424,587</u>	<u>\$ 2,980,117</u>	<u>\$ 3,037,564</u>	<u>\$ 19,442,268</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

SWAN BALL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,431,103	\$ 945,188
Inventories	655	1,310
Prepaid expenses	<u>68,144</u>	<u>60,602</u>
TOTAL ASSETS	<u>\$ 1,499,902</u>	<u>\$ 1,007,100</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Deferred income	\$ 223,030	\$ 184,885
<u>NET ASSETS</u>		
Unrestricted - Board designated	<u>1,276,872</u>	<u>822,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,499,902</u>	<u>\$ 1,007,100</u>

CHEEKWOOD BOTANICAL GARDEN AND MUSEUM OF ART

SWAN BALL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CONTRIBUTIONS AND NET REVENUES		
Contributions	\$ 1,091,200	\$ 1,100,105
Revenues from special events	1,366,236	797,473
Interest income	1,219	1,117
Less direct benefits to donors	<u>(378,319)</u>	<u>(163,507)</u>
TOTAL CONTRIBUTIONS AND NET REVENUES	2,080,336	1,735,188
TOTAL FUNDRAISING EXPENSES	<u>802,117</u>	<u>688,892</u>
EXCESS OF CONTRIBUTIONS AND NET REVENUES OVER FUNDRAISING EXPENSES	1,278,219	1,046,296
CONTRIBUTIONS TO CHEEKWOOD	<u>(823,562)</u>	<u>(1,453,087)</u>
CHANGE IN NET ASSETS	454,657	(406,791)
NET ASSETS - BEGINNING OF YEAR	<u>822,215</u>	<u>1,229,006</u>
NET ASSETS - END OF YEAR	<u>\$ 1,276,872</u>	<u>\$ 822,215</u>