

NAPLES BOTANICAL GARDEN, INC.

**FINANCIAL STATEMENTS AND REPORTS
REQUIRED BY THE AUDITOR GENERAL
OF THE STATE OF FLORIDA**

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

**NAPLES BOTANICAL GARDEN, INC.
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	23
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	24
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	26
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS	29
MANAGEMENT LETTER	32

INDEPENDENT AUDITORS' REPORT

Board of Directors
Naples Botanical Garden, Inc.
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Naples Botanical Garden, Inc. (the Garden), (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years ended September 30, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of the year ended September 30, 2014 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit of the year ended September 30, 2013 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Garden as of September 30, 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.

Other Matters

Other Information

Our audit for the year ended September 30, 2014 was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of state financial assistance as required by Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Garden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Garden's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Naples, Florida
March 31, 2015

**NAPLES BOTANICAL GARDEN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 93,944	\$ 2,223,731
Accounts Receivable	77,642	4,025
Grants Receivable	1,044,193	8,660
Unconditional Promises to Give, Net	9,354,634	8,512,493
Investments, Unrestricted	54,819	-
Prepaid Expenses	168,703	114,942
Inventory	92,620	48,720
Cash and Investments, Endowment	1,927,881	1,109,982
Property and Equipment, Net	31,535,693	32,248,506
Construction In Process	12,305,130	1,333,898
	<u> </u>	<u> </u>
Total Assets	<u>\$ 56,655,259</u>	<u>\$ 45,604,957</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Other Liabilities	\$ 1,684,995	\$ 645,247
Deferred Revenue	871,462	702,298
Notes Payable	5,414,614	386,848
Total Liabilities	<u>7,971,071</u>	<u>1,734,393</u>
NET ASSETS		
Unrestricted	37,048,759	33,605,339
Temporarily Restricted	9,914,455	9,165,005
Permanently Restricted	1,720,974	1,100,220
	<u> </u>	<u> </u>
Total Net Assets	<u>48,684,188</u>	<u>43,870,564</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 56,655,259</u>	<u>\$ 45,604,957</u>

See accompanying Notes to Financial Statements.

**NAPLES BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 1,548,425	\$ 3,896,764	\$ 620,754	\$ 6,065,942
Grant Revenue	1,278,314	-	-	1,278,314
In-Kind Contributions	290,375	-	-	290,375
Investment Return	3,645	218,341	-	221,986
Admissions and Other Income	1,246,940	-	-	1,246,940
Sales	415,964	-	-	415,964
Special Events, Net	520,485	-	-	520,485
Total Public Support and Revenues	<u>5,304,148</u>	<u>4,115,105</u>	<u>620,754</u>	<u>10,040,006</u>
Released from Restrictions	<u>3,365,655</u>	<u>(3,365,655)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenues, and Reclassifications	8,669,803	749,450	620,754	10,040,006
EXPENSES				
Program Services	4,502,276	-	-	4,502,276
Management and General	277,935	-	-	277,935
Fundraising	446,171	-	-	446,171
Total Expenses	<u>5,226,382</u>	<u>-</u>	<u>-</u>	<u>5,226,382</u>
CHANGES IN NET ASSETS	3,443,421	749,450	620,754	4,813,624
Net Assets - Beginning of Year	33,605,339	9,165,005	1,100,220	43,870,564
Transfer of Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u><u>\$ 37,048,759</u></u>	<u><u>\$ 9,914,455</u></u>	<u><u>\$ 1,720,974</u></u>	<u><u>\$ 48,684,188</u></u>

See accompanying Notes to Financial Statements.

NAPLES BOTANICAL GARDEN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 1,534,690	\$ 4,352,464	\$ 146,321	\$ 6,033,475
Grant Revenue	193,601	-	-	193,601
In-Kind Contributions	211,736	-	-	211,736
Investment Return	(24,877)	179,469	-	154,592
Admissions and Other Income	1,086,388	-	-	1,086,388
Sales	291,205	-	-	291,205
Special Events, Net	358,214	-	-	358,214
Total Public Support and Revenues	<u>3,650,957</u>	<u>4,531,933</u>	<u>146,321</u>	<u>8,329,211</u>
Released from Restrictions	<u>7,827,612</u>	<u>(7,827,612)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenues, and Reclassifications	11,478,569	(3,295,679)	146,321	8,329,211
EXPENSES				
Program Services	3,991,542	-	-	3,991,542
Management and General	284,855	-	-	284,855
Fundraising	458,146	-	-	458,146
Total Expenses	<u>4,734,543</u>	<u>-</u>	<u>-</u>	<u>4,734,543</u>
CHANGES IN NET ASSETS	6,744,026	(3,295,679)	146,321	3,594,668
Net Assets - Beginning of Year	26,861,313	12,210,684	1,203,899	40,275,896
Transfer of Funds	<u>-</u>	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 33,605,339</u>	<u>\$ 9,165,005</u>	<u>\$ 1,100,220</u>	<u>\$ 43,870,564</u>

See accompanying Notes to Financial Statements.

**NAPLES BOTANICAL GARDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 140,327	\$ 8,333	\$ 13,554	\$ 162,214
Bank Charges	47,407	4,735	5,716	57,858
Butterfly House	6,848	-	-	6,848
Capital Campaign	-	-	7,671	7,671
Cost of Sales	205,580	-	-	205,580
Depreciation	662,561	63,168	67,542	793,271
Insurance	107,365	7,958	12,944	128,267
Interest	40,113	-	-	40,113
Maintenance and Repairs	159,134	10,813	14,262	184,209
Office and Administrative	140,202	11,372	16,043	167,617
Payroll and Benefitis	2,072,605	153,635	249,882	2,476,122
Plant and Garden Supplies	469,451	-	-	469,451
Postage and Shipping	36,000	2,668	4,340	43,008
Printing	45,525	3,375	5,489	54,389
Professional Fees	40,479	3,000	4,880	48,359
Programs	208,905	-	29,407	238,312
Telephone	25,377	1,881	3,060	30,318
Travel and Entertainment	32,448	2,405	3,912	38,765
Utilities	61,949	4,592	7,469	74,010
	<u>\$ 4,502,276</u>	<u>\$ 277,935</u>	<u>\$ 446,171</u>	<u>\$ 5,226,382</u>

See accompanying Notes to Financial Statements.

NAPLES BOTANICAL GARDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

	Program	Administrative	Fundraising	Total
Advertising	\$ 103,204	\$ 6,437	\$ 10,496	\$ 120,137
Bank Charges	33,798	4,019	4,764	42,581
Capital Campaign	-	-	33,705	33,705
Cost of Sales	150,294	-	-	150,294
Depreciation	668,707	63,754	68,169	800,630
Insurance	108,241	10,320	11,034	129,595
Interest	104,927	5	8	104,940
Maintenance and Repairs	130,848	11,326	12,110	154,284
Office and Administrative	180,187	14,331	35,751	230,268
Payroll and Benefits	1,833,165	158,417	258,402	2,249,984
Plant and Garden Supplies	287,635	-	-	287,635
Postage and Shipping	20,943	1,810	2,952	25,705
Printing	49,517	4,280	6,980	60,777
Programs	207,941	-	-	207,941
Professional Fees	18,414	1,592	2,596	22,602
Telephone	26,295	2,273	3,707	32,274
Travel and Entertainment	15,340	1,326	2,162	18,829
Utilities	52,086	4,966	5,310	62,362
	<u>\$ 3,991,542</u>	<u>\$ 284,855</u>	<u>\$ 458,146</u>	<u>\$ 4,734,543</u>

See accompanying Notes to Financial Statements.

NAPLES BOTANICAL GARDEN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 4,813,624	\$ 3,594,668
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Used by Operating Activities:		
Discount to Net Present Value of Unconditional Promises to Give	415,252	(301,025)
Allowance for Uncollectible Accounts	8,144	(281,096)
Realized (Gains) Loss on Investments	(6,409)	19,041
Loss on Disposal of Property and Equipment	-	8,550
Unrealized (Gains) on Investments	(193,597)	(157,167)
Contributed Securities	(2,140,025)	(7,100,297)
Depreciation	793,271	800,630
Bad Debt Recovery	4,557	(63,782)
(Increase) Decrease in:		
Accounts Receivable	(73,617)	29,235
Grants Receivable	(1,035,533)	53,892
Unconditional Promises to Give	(4,370,000)	(3,460,133)
Prepaid Expenses	(53,761)	(2,533)
Inventory	(43,900)	4,820
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	1,039,748	446,670
Retainage Payable	-	-
Deferred Revenue	169,164	(50,215)
Net Cash Used by Operating Activities	(673,082)	(6,458,742)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(80,458)	(74,786)
Proceeds from Sale of Property and Equipment	-	2,873
Increase in Construction in Process	(10,971,232)	(1,241,903)
Purchase of Investments	(2,837,818)	(22,302)
Proceeds from Sale of Investments	25,081	7,081,256
Net Cash Provided (Used) by Investing Activities	(13,864,427)	5,745,138
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	5,027,766	-
Payments on Notes Payable	-	(5,421,568)
Proceeds from Contributions for Long-Term Investment	7,379,956	7,927,739
Net Cash Provided by Financing Activities	12,407,722	2,506,171
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,129,787)	1,792,567
Cash and Cash Equivalents - Beginning of Year	2,223,731	431,164
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 93,944	\$ 2,223,731
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Contributions of Securities	\$ 2,140,025	\$ 7,100,297
Cash Paid for Interest	\$ 30,131	\$ 103,746

See accompanying Notes to Financial Statements.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Naples Botanical Garden, Inc. (the Garden) was founded in 1993, and incorporated as a nonprofit organization in the State of Florida in 1994, with the mission “to connect people and plants through display, education, conservation and science.” The Garden is in the process of creating a world-class tropical garden that combines exotic cultivated gardens from acclaimed international landscape designers with over 90 acres of restored natural habitat. The Garden is a community resource, conducting classes for all ages, displays to engage the community, and special events that support our mission. The Garden project will cost approximately \$50 million and is being completed in phases as funds are secured through a comprehensive capital campaign.

The Garden is supported primarily through donor contributions, governmental grants, membership dues, admission charges, fund-raising activities, and programs.

Basis of Accounting

The financial statements of the Garden have been prepared using the accrual basis of accounting, which recognizes revenues when earned and expenses as incurred.

Financial Statement Presentation

The accompanying financial statements have been prepared to focus on the Garden as a whole and to present balances and transactions according to the existence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets not subject to donor-imposed restrictions. Such assets are available for any purpose consistent with the Garden’s mission.

Temporarily Restricted – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Garden and/or passage of time. Such assets normally fund specific expenditures of an operating or capital nature.

Permanently Restricted – Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the Garden. Such assets are normally restricted to long-term investment with income earned and appreciation available for specific or general Garden purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Garden considers all unrestricted bank and similar deposits, demand accounts, money market funds, and short-term investments with an original maturity of three months or less to be cash equivalents. The Garden maintains bank accounts with balances, which, at times may exceed federally insured limits.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Time and use restricted contributions from donors are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

Investments

Investments are initially recorded at cost if purchased or, if donated, at fair market value on the date received. The Garden carries investments at the fair value determined by quoted market prices on the last day of the year. Realized and unrealized gains and losses are netted and recognized as changes in unrestricted net assets unless their use is temporarily or permanently restricted by donor-imposed stipulations.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Collections

The Garden's collections include living plants, books, and prints. The Garden capitalizes plant collections purchased as part of construction of new Gardens and expenses collections purchased as replacements and additions. The Garden's collections are maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain. Collections are valuable assets of the Garden and are protected, kept unencumbered, cared for, and preserved. The proceeds of items in collections that are sold are used to acquire other items for collections.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give, Net

Contributions are recognized when the donor makes a promise to give to the Garden that is, in substance, unconditional. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of estimated future cash flows, using risk-free interest rates applicable to the years in which the promises are to be received. The Garden establishes an allowance for possible uncollectible promises based on prior years' experience and management's analysis of specific promises.

Property and Equipment, Net

The Garden records property and equipment at cost when purchased or at fair market value when donated. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Garden reports expirations of donor restrictions when the assets are acquired. The Garden reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Garden capitalizes acquisitions over \$2,500 and uses the straight-line method of depreciation calculated over the estimated useful lives of 3-10 years for furniture and equipment, 20 years for landscaping, and 40 years for buildings.

Contributed Services and Goods

Contributed services meeting the requirement for recognition in the financial statements are recorded at the fair market value of professional services rendered. For the years ended September 30, 2014 and 2013, the financial statements reflect donated legal, accounting, and consulting services of approximately \$-0-, \$2,250, and \$3,159, respectively; and \$3,000, \$13,000, and \$209,000, respectively, in donated goods and other services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Garden with educational programs, fund-raising activities, and various committee assignments; however, no amounts have been reflected in the financial statements as these services do not meet the requirement for recognition. The Garden received approximately 33,218 and 33,100 volunteer hours during the years ended September 30, 2014 and 2013, respectively.

The Garden's financial statements also reflect contributed plants, trees and other goods for the development of the garden totaling approximately \$267,000 and \$197,000 for the years ended September 30, 2014 and 2013, respectively.

NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service has determined that the Garden is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3). In addition, the Internal Revenue Service has determined that the Garden is not a private foundation within the meaning of section 509(a) of the code. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The retail store that the Garden operates is subject to such unrelated business income taxes.

The Garden has not been examined by the IRS. The Garden's tax returns from the tax years ended September 30, 2011 through September 30, 2013 are open to examination by the IRS.

Inventory

Inventories on the statements of financial position are stated at lower of cost or market determined by the first-in, first-out method. Inventory recorded on the Garden's financial statements is purchased and is for sale at the retail store.

Advertising Costs

Advertising costs incurred by the Garden are expensed as incurred and totaled \$162,215 and \$120,137 for the year ended September 30, 2014 and 2013, respectively.

Functional Expenses

The costs of providing various support to the Garden's operations, as well as management and general activities, have been summarized on a functional basis. Certain costs have been allocated among the programs and supporting services benefited.

Estimates

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

Fair Value Measurement

The Garden measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Garden may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

Financial assets and liabilities recorded on the Statements of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 - Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 - Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

Subsequent Events

In preparing these financial statements, the Garden has evaluated events and transactions for potential recognition or disclosure through March 31, 2015, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments were comprised of the following as of September 30, 2014 and 2013:

	2014	
	Cost	Fair Market Value
Equities	\$ 55,016	\$ 54,819
Mutual Funds - Common Stock	806,949	1,328,314
	<u>\$ 861,965</u>	<u>\$ 1,383,133</u>

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 INVESTMENTS (CONTINUED)

	2013	
	Cost	Fair Market Value
Mutual Funds - Common Stock	\$ 782,412	\$ 1,109,982
	\$ 782,412	\$ 1,109,982

Investments are comprised in the aforementioned table and are held in the following accounts:

	2014	2013
Investments, Unrestricted	\$ 54,819	\$ 9,762
Investments Restricted for Endowment	1,322,778	1,100,220
Cash included in Cash and Investments, Endowment	605,103	-
Total Investments	\$ 1,982,700	\$ 1,109,982

The Garden invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended September 30, 2014 and 2013:

	2014	2013
Interest and Dividends	\$ 24,718	\$ 26,402
Investment Fees	(2,739)	(9,936)
Realized Gain (Loss)	6,410	(19,041)
Increase In Unrealized Appreciation	193,597	157,167
	\$ 221,986	\$ 154,592

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 3 FAIR VALUE MEASUREMENT

The Garden uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Garden measures fair value, refer to Note 1 – Summary of Significant Accounting Principles. The following table presents the fair value hierarchy for the balances of the assets of the Garden measured at fair value on a recurring basis as of September 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Equities	\$ 54,819	\$ -	\$ -	\$ 54,819
Mutual Funds-Common Stock	1,328,314	-	-	\$ 1,328,314
	<u>\$ 1,383,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,383,133</u>

The following table presents the fair value hierarchy for the balances of the assets the Garden measured at fair value on a recurring basis as of September 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Mutual Funds-Common Stock	\$ 1,109,982	\$ -	\$ -	\$ 1,109,982
	<u>\$ 1,109,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,109,982</u>

NOTE 4 UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give, net at September 30, 2014 and 2013, related to the capital fundraising campaign and consisted of the following:

	<u>2014</u>	<u>2013</u>
Unconditional Promises to Give	\$ 10,224,250	\$ 8,954,156
Less: Discount to Net Present Value	(767,373)	(352,121)
Allowance for Uncollectible Promises	(102,243)	(89,542)
	<u>\$ 9,354,634</u>	<u>\$ 8,512,493</u>

Unconditional promises to give are scheduled to be received as follows:

1 year or less	\$ 1,313,235
2 to 5 years	6,931,015
Thereafter	1,980,000
	<u>\$ 10,224,250</u>

Unconditional promises to give are reflected at present value of estimated future cash flows using discount rates between 1.0% and 6.0%. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2014 and 2013, consisted of the following:

	2014	2013
Land and Improvements	\$ 6,572,615	\$ 6,572,615
Buildings	28,768,296	28,736,041
Equipment	721,057	683,654
Vehicles	57,386	46,586
	36,119,354	36,038,896
Less: Accumulated Depreciation	(4,583,661)	(3,790,390)
	\$ 31,535,693	\$ 32,248,506

NOTE 6 CONSTRUCTION IN PROCESS

In connection with the Garden's Master Plan, construction in process costs have been incurred totaling \$12,305,130 and \$1,333,898 as of September 30, 2014 and 2013, respectively. There was no interest capitalized and included in construction in progress as of September 30, 2014 and 2013.

NOTE 7 NOTES PAYABLE

Notes payable at September 30, 2014 and 2013, consisted of the following:

	2014	2013
Note payable to a financial institution. \$12,000,000 is available. Interest is the greater of 2.75%, or the prime rate less .50%. Prime Interest Rate was 3.25% at September 30, 2014. Requires monthly interest only payments on the outstanding balance due until October 31, 2018, at which time the entire outstanding principal plus accrued interest shall be due and payable.	\$ 5,027,766	\$ -
Note payable to a financial institution. \$500,000 is available. Interest is the greater of 2.75%, or the prime rate less .50%. Prime Interest Rate was 3.25% at September 30, 2014 and 2013. Requires monthly interest only payments with principal balance due on November 1, 2015. The note is secured by all business assets.	386,848	386,848
Total Notes Payable	\$ 5,414,614	\$ 386,848

Subsequent to year-end, the \$500,000 note mentioned above was renewed. See Note 14.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 7 NOTES PAYABLE (CONTINUED)

The estimated principal payments on long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 386,848
2016	-
2017	-
2018	-
2019	5,027,766
Thereafter	-
Total	<u><u>\$ 5,414,614</u></u>

According to the notes, the cash received from payments made on promises to give may only be used by the Garden to make payments on the outstanding notes payable. As of September 30, 2014 and 2013, cash and cash equivalents and investments include \$640,861 and \$1,915,932, respectively, that are restricted for repayment of notes payable.

NOTE 8 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

As of September 30, 2014 and 2013, the Garden had temporarily restricted net assets totaling \$9,674,420 and \$9,165,005, respectively, which are comprised of timing restrictions from net unconditional promises to give totaling \$8,956,439 and \$8,512,493 and amounts restricted for various garden projects totaling \$352,912 and \$265,750, respectively. In addition, the Garden had unappropriated endowment earnings of \$365,069 and \$386,762 included in temporarily restricted nets assets as of September 30, 2014 and 2013, respectively.

As of September 30, 2014 and 2013, the Garden had permanently restricted net assets as follows:

	<u>2014</u>	<u>2013</u>
Investments Restricted for Endowment	\$ 1,322,778	\$ 1,100,220
Unconditional Promises to Give, Net	398,196	-
	<u><u>\$ 1,720,974</u></u>	<u><u>\$ 1,100,220</u></u>

During the years ended September 30, 2014 and 2013, the Garden transferred \$-0- and \$250,000, respectively, from its permanently restricted net assets to temporarily restricted net assets for pledges receivable at the instruction of the donors.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 9 ENDOWMENT

The Garden has a donor restricted endowment fund established for the purposes of providing income to support general operations and to support the Enabling Garden. There is no board-designated endowment. As required by generally accepted accounting principles, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the Garden has interpreted relevant state law 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, the Garden classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, as of September 30, 2014 and 2013, there were no such deficiencies.

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets as of September 30, 2012	\$ 207,293	\$ 723,220	\$ 930,513
Contributions	-	127,000	127,000
Pledge Payments Received	-	250,000	250,000
Investment Return:			
Investment Income	22,302	-	22,302
Net Appreciation (Relized and Unrealized)	157,167	-	157,167
Total Investment Return	179,469	-	179,469
Appropriations	-	-	-
Endowment Net Assets as of September 30, 2013	386,762	1,100,220	1,486,982
Contributions	-	222,558	222,558
Pledge Payments Received	-	-	-
Investment Return:			
Investment Income (Loss)	24,546	-	24,546
Net Appreciation (Relized and Unrealized)	193,795	-	193,795
Total Investment Return	218,341	-	218,341
Endowment Net Assets as of September 30, 2014	\$ 605,103	\$ 1,322,778	\$ 1,927,881

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 9 ENDOWMENT (CONTINUED)

Investment Policies

The Garden has established an investment policy to determine investment or reinvestment of the assets in accordance with such guidelines, policies and procedures that are authorized by the board. These guidelines, policies, and procedures shall attempt to generate a long-term investment return that will contribute to meeting the spending needs of the Garden while maintaining the purchasing power of the investment assets; the Garden's spending and investment policies work together to achieve this objective. The investment policy establishes a long-term investment objective through diversification of asset classes. To achieve its investment objectives over long periods of time, the Garden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Their current investment strategy relies on investment in mutual funds, which provides diversification of assets through the fund and expert investment management. This helps eliminate concentration risks.

NOTE 10 DEFINED CONTRIBUTION RETIREMENT PLAN

The Garden's Retirement Plan (established on January 1, 2002) is a defined contribution plan that operates under Section 403(b) of the Internal Revenue Code (IRC). Retirement benefits for participating employees are provided through Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF). The Garden matches contributions to the retirement plan up to 3% of compensation earned. Compensation taken into account under the Plan cannot exceed the limits of IRC Section 125 or 403(b) through a salary reduction agreement. For the years ended September 30, 2014 and 2013, the Garden made contributions totaling \$34,535 and \$28,626, respectively.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 11 SPECIAL EVENTS

Special events revenue and direct expenses for the years ended September 30, 2014 and 2013 consisted of the following:

	2014	2013
Revenues:		
Hats in the Garden Celebration	\$ 517,752	\$ 551,814
Golf Tournament	167,868	126,505
Caps in the Garden	86,000	70,000
Lego Gala	242,400	-
Other	120,262	31,133
	1,134,282	779,452
Direct Expenses:		
Hats in the Garden Celebration	237,399	233,778
Golf Tournament	86,033	25,636
Caps in the Garden	25,883	38,982
Lego Gala	92,037	-
Other	172,445	122,068
	613,797	421,238
Special Events Revenues, Net of Direct Expenses	\$ 520,485	\$ 358,214

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Garden has contracts for landscaping, architectural design, and various other professional and consulting services.

The Garden received \$500,000 from the State of Florida Division of Cultural Affairs during the year ended September 30, 2008, to fund the construction of a handicapped accessible boardwalk and birding tower. In consideration for the grant funds, the State imposed several restrictive covenants regarding use and disposal of the property for a period of 10 years. In addition, the Garden was required to provide \$2 in matching funds for every \$1 received, or \$1,000,000.

The Garden was awarded \$1,000,000 through two grants from the State of Florida Division of Cultural Affairs during the year ended September 30, 2014, to fund the construction of the Eleanor and Nicholas Chabraja Visitor Center. In consideration for the grant funds, the State imposed several restrictive covenants regarding use and disposal of the property for a period of 10 years. In addition, the Garden was required to provide \$2 in matching funds for every \$1 received, or \$2,000,000.

The Garden has a license agreement with Florida Gulf Coast University for the use of approximately 2.5 acres of land for the Florida Gulf Coast University Research and Education Garden for a period of 50 years commencing in January 2006.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Garden entered an exhibit agreement in July 2014 to arrange for round-trip transportation of approximately 30 pieces of artwork to and from the Garden at a maximum cost of \$2,000 per piece for round-trip shipping. The exhibit is scheduled to display at the Garden from January 8, 2015 through March 8, 2015.

The Garden entered into a lease agreement August 2014 for a Dinosaur Exhibit for a period of 107 days with a total aggregate Rental Fee of \$150,000. The exhibit is scheduled to display March 14, 2015 through July 5, 2015. As of September 30, 2014, \$30,000 of the total aggregate rental fee was paid and recorded as prepaid expenses of the financial statements.

The Garden entered an exhibit agreement in April 2014 which consists of approximately 27 LEGO® brick sculptures that create 13 individual displays and an amount of individual LEGO® bricks for use in educational programming. The exhibit is scheduled for January 15, 2016 through April 10, 2016. The fee for the 12 week minimum loan period is \$80,000. A \$10,000 non-refundable deposit is due upon signing of the Agreement. 50% of the remainder is due 90 days prior to delivery of the exhibit and the remainder is due upon delivery and installation of the exhibit. As of September 30, 2014, \$10,000 of the fee was paid and recorded as prepaid expenses of the financial statements.

Cancellation of the agreement more than 90 days prior to the loan period will result in the forfeiture of deposit. Cancellation of the agreement more than 30 but less than 90 days will result in the forfeiture of the deposit plus 50% of the first payment. Cancellation less than 30 days prior to the loan period will result in the forfeiture of the deposit and the first payment.

NOTE 13 RELATED PARTY TRANSACTIONS AND CONCENTRATIONS

As of September 30, 2014 and 2013, 79% and 78% of promises to give were due from board members, respectively. During the year ended September 30, 2014, one contribution totaling 41% of total contribution revenue was received from a donor. During September 30, 2013, two contributions totaling 38% of total contribution revenue was received from two donors. Promises to give due from board members totaled \$8,127,688 and \$6,970,120 at September 30, 2014 and 2013, respectively.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year-end, the Garden renewed the line of credit described in Note 7. The maturity date was extended until October 31, 2016 on the \$500,000 note payable. No changes were made to interest rates, payment terms, or collateral; however, there were modifications to certain loan agreement covenants.

SUPPLEMENTARY INFORMATION



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Naples Botanical Garden, Inc.
Naples, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits continued in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Naples Botanical Garden, Inc. (the Garden), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Garden's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Garden's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garden's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Garden's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
Naples Botanical Garden, Inc.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Naples, Florida
March 31, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Directors
Naples Botanical Garden, Inc.
Naples, Florida

Report on Compliance for Each Major State Project

We have audited Naples Botanical Garden, Inc.'s (the Garden) compliance with the types of compliance requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Garden's major state projects for the year ended September 30, 2014. The Garden's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Garden's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, Rules of the Auditor General for Nonprofit and For-profit Organization Audits. Those standards and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Garden's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state projects. However, our audit does not provide a legal determination of the Garden's compliance.

Opinion on Each Major State Project

In our opinion, the Garden complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Chapter 10.650.

Report on Internal Control Over Compliance

Management of the Garden is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Garden's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Garden's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of Chapter 10.650. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Naples, Florida
March 31, 2015

**NAPLES BOTANICAL GARDEN, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014**

<u>Grantor/Contract</u>	<u>CFSA NUMBER</u>	<u>GRANT/ CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
STATE OF FLORIDA,			
DEPARTMENT OF STATE AND SECRETARY OF STATE			
<i>Direct</i>			
Cultural Affairs -			
Cultural Facilities Program Grant - Phase I	45.014	14.9007	\$ 500,000
Cultural Facilities Program Grant - Phase II	45.014	15.9.300.585	465,194
Total Programs - Cultural Affairs			<u>965,194</u>
General Program Support -			
(Formerly Cultural and Museum Grant)	45.061	15.6.170.372	79,000
General Programs			
Total General Program Support	45.061	14.6.170.283	<u>25,979</u> 104,979
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 1,070,173</u></u>

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2014**

NOTE 1 PURPOSE OF SCHEDULE

The Schedule of Expenditures of State Financial Assistance (the Schedule) is a supplementary schedule to Naples Botanical Garden, Inc.'s basic financial statements and is presented for the purpose of additional analysis. The Schedule is required by Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, and *Schedule of Expenditures of State Financial Assistance*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of State Financial Assistance includes the state grant activity of the Garden.

State Financial Assistance – Pursuant to the Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to non-state entities to carry out a state project. State financial assistance includes all types of state assistance as stated in the rules of the Florida Department of Financial Services, established in consultation with the comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance, provided directly by state awarding agencies or indirectly by recipients of state awards. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of State Financial Assistance – Chapter 69I-5, Rules of the Florida Department of Financial Services, Florida Administrative code requires the Schedule to show the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). State financial assistance projects that have not been assigned a CSFA number are indicated with an "N/A".

Type A and Type B Programs

State Programs

Each non-state entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in any fiscal year is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes). Chapter 69I-5 establishes the level of expenditures to be used in defining Type A and Type B state financial assistance projects. Type A assistance projects are defined on a sliding scale. For the Garden, Type A programs are defined as those programs with expenditures in excess of \$300,000 or 3% of total state awards, whichever is larger, expended for the fiscal year. Type B assistance projects are defined as all projects that are not Type A projects.

**NAPLES BOTANICAL GARDEN, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The state financial assistance expenditures included in the Schedule are reported using the accrual basis of accounting.

**NAPLES BOTANICAL GARDEN, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 STATE PROJECTS
 YEAR ENDED SEPTEMBER 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued;

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ X _____ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes _____ X _____ none reported
- Noncompliance material to financial statements noted? _____ yes _____ X _____ no

State Financial Assistance

Internal control over major federal programs and state projects:

- Material weakness(es) identified? _____ yes _____ X _____ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes _____ X _____ none reported

Type of auditors’ report issued on compliance for major federal programs and state projects:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.654 (1)(h)4, Rules of the Auditor General?

_____ yes _____ X _____ no

**NAPLES BOTANICAL GARDEN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE PROJECTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

Section I – Summary of Auditors' Results (Continued)

Identification of major programs/projects:

CSFA Number	Name of State Project
45.014	Cultural Facilities Grant Program

Dollar threshold used to distinguish between
Type A or Type B programs/projects was:

Major State Project	\$ <u>300,000</u>
---------------------	-------------------

**NAPLES BOTANICAL GARDEN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE PROJECTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2014**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major State Projects

Our audit disclosed no matters required to be reported related to State projects required to be disclosed under Chapter 10.650, Rules of Auditor General.

Section IV – Other Issues

No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

MANAGEMENT LETTER

Board of Directors
Naples Botanical Garden, Inc.
Naples, Florida

Report on the Financial Statements

We have audited the financial statements of Naples Botanical Garden, Inc., as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 31, 2015.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* and Chapter 10.650, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosure in that report and schedule, which is dated September 30, 2014, should be considered in conjunction with the management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connections with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, member of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the board of directors, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Naples, Florida
March 31, 2015