GANNA WALSKA LOTUSLAND

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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DAMITZ
BROOKS
NIGHTINGALE
TURNER
MORRISSET

INDEPENDENT AUDITOR'S REPORT

Audit Committee of the Board of Trustees
Ganna Walska Lotusland

We have audited the accompanying financial statements of Ganna Walska Lotusland (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activity, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

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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 Ganna Walska Lotusland as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and our report dated July 10, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Damitz, Brooks, Nightingale, Turner & Morrisset

Damitz, Brooks, Nightingale,
Turner & Morrisset
June 12, 2014

GANNA WALSKA LOTUSLAND
Statement of Financial Position
December 31, 2013

(With Summarized Information for 2012)

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Current Assets					
Cash and cash equivalents	$ 501,751	$ -	$ -	$ 501,751	$ 453,133
Inventories	43,149	-	-	43,149	45,848
Pledges receivable	-	44,050	5,000	49,050	13,000
Other receivables	500	-	-	500	69,447
Prepaid expenses	57,119	-	-	57,119	40,529
Total current assets	602,519	44,050	5,000	651,569	621,957
Investments	10,745,619	687,589	1,923,432	13,356,640	12,442,352
Property and equipment	5,889,433	-	-	5,889,433	6,067,777
Total assets	$ 17,237,571	$ 731,639	$ 1,928,432	$ 19,897,642	$ 19,132,086

Liabilities and Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Liabilities					
Accounts payable	$ 39,230	$ -	$ -	$ 39,230	$ 11,415
Accrued liabilities	168,280	-	-	168,280	153,457
Total liabilities	207,510	-	-	207,510	164,872
Net Assets					
Unrestricted					
Board designated for Lotus Society	524,475	-	-	524,475	490,706
Other unrestricted net assets	16,505,586	-	-	16,505,586	16,659,595
	17,030,061	-	-	17,030,061	17,150,301
Temporarily restricted	-	731,639	-	731,639	909,731
Permanently restricted	-	-	1,928,432	1,928,432	907,182
Total net assets	17,030,061	731,639	1,928,432	19,690,132	18,967,214
	$ 17,237,571	$ 731,639	$ 1,928,432	$ 19,897,642	$ 19,132,086

GANNA WALSKA LOTUSLAND

Statement of Activity

Year Ended December 31, 2013

(With Summarized Information for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Revenues, Gains and Other Support					
Contributions	$ 369,398	$ 192,088	$ 1,021,250	$ 1,582,736	$ 736,516
Membership contributions	402,430	-	-	402,430	410,567
Admission fees	379,145	-	-	379,145	343,798
Garden shop	142,812	-	-	142,812	122,957
Investment income	649,299	66,796	-	716,095	1,330,617
Public programs	93,680	-	-	93,680	45,060
Other	27,731	-	-	27,731	25,231
Net assets released from restrictions	436,976	(436,976)	-	-	-
Special events:					
Special events - gross	577,909	-	-	577,909	513,209
Direct special event costs	(258,489)	-	-	(258,489)	(232,195)
Net special event proceeds	319,420	-	-	319,420	281,014
Total revenues, gains, and other support	2,820,891	(178,092)	1,021,250	3,664,049	3,295,760
Expenses					
Garden operations and plant collections	1,925,125	-	-	1,925,125	1,893,066
Management and general	480,228	-	-	480,228	468,741
Fundraising	535,778	-	-	535,778	434,883
Total expenses	2,941,131	-	-	2,941,131	2,796,690
Increase (decrease) in net assets	(120,240)	(178,092)	1,021,250	722,918	499,070
Net assets, beginning of year	17,150,301	909,731	907,182	18,967,214	18,468,144
Net assets, end of year	$ 17,030,061	$ 731,639	$ 1,928,432	$ 19,690,132	$ 18,967,214

GANNA WALSKA LOTUSLAND
Statement of Functional Expenses
Year Ended December 31, 2013
(With Summarized Information for 2012)

	Program Services	Supporting Services			
	Garden Operations and Plant Collections	Management and General	Fundraising	Total 2013	Total 2012
Salaries and wages	$ 985,853	$ 271,726	$ 291,203	$ 1,548,782	$ 1,503,903
Payroll taxes and benefits	267,780	91,598	74,826	434,204	368,667
Total salaries and benefits	1,253,633	363,324	366,029	1,982,986	1,872,570
Professional services	10,138	63,402	-	73,540	97,529
General administrative expenses	112,409	17,920	92,336	222,665	169,767
Facilities	77,883	18,510	32,728	129,121	128,955
Insurance	15,531	5,313	4,288	25,132	24,919
Agricultural materials and supplies	85,688	-	-	85,688	70,333
Public progams and education	56,367	-	-	56,367	61,352
Public relations, advertising, and promotion	12,509	3,376	36,373	52,258	62,972
Garden shop	73,681	-	-	73,681	68,577
Depreciation	227,286	8,383	4,024	239,693	239,716
	$ 1,925,125	$ 480,228	$ 535,778	$ 2,941,131	$ 2,796,690

The accompanying notes are an integral part of these financial statements.

GANNA WALSKA LOTUSLAND

Statement of Cash Flows

Year Ended December 31, 2013

(With Summarized Information for 2012)

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets	$ 722,918	$ 499,070
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	239,693	239,715
Net realized gain on investments	(258,753)	(207,147)
Net increase in unrealized gain on investments	(75,754)	(726,200)
Loss on disposal of equipment	9,989	-
Contribution of securities	(5,054)	(20,073)
(Increase) decrease in:		
Inventories	2,699	23,739
Pledges receivable	(36,050)	20,500
Other assets	52,357	(42,288)
Increase (decrease) in:		
Accounts payable	27,815	(54,238)
Accrued liabilities	14,823	4,931
Net cash provided (used) by operating activities	694,683	(261,991)
Cash flows from investing activities		
Purchase of property and equipment	(72,838)	(97,252)
Proceeds from sale of equipment	1,500	-
Net change in cash held for investment	8,991	278,950
Purchase of investments	(2,684,436)	(232,359)
Proceeds from sales of investments	2,100,718	464,419
Net cash provided (used) by investing activities	(646,065)	413,758
Net increase in cash and cash equivalents	48,618	151,767
Cash and cash equivalents, beginning of year	453,133	301,366
Cash and cash equivalents, end of year	$ 501,751	$ 453,133

GANNA WALSKA LOTUSLAND
Notes to Financial Statements
December 31, 2013
(With Summarized Information for 2012)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ganna Walska Lotusland (the Organization) is a non-profit organization founded by Madame Ganna Walska to assume ownership and operation of her 37-acre estate, known as Lotusland, located in Santa Barbara, California. The Organization's mission is to preserve and enhance plant collections, foster and increase knowledge of rare plants and contribute to conservation efforts worldwide. The Organization began operations in 1985. The land use permit, issued by the County of Santa Barbara, limits the number of visitors to Lotusland to 15,000 regular visitors each year. The Organization's activities are supported by investment income, contributions, grants, program fees and membership contributions.

Financial Statement Presentation

Accounting principles generally accepted in the United States of America (GAAP) require that the Organization report information regarding its financial position and activities according to three classes of net assets based on the existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets generally result from unrestricted contributions, membership and admission fees, and investment income less expenses incurred in providing services, fundraising and other administrative expenses.

Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period or for a specific purpose. When a restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets consist of assets where the donor has imposed permanent restrictions on use of the principal of assets donated. The unrealized gains and investment income on funds not restricted by the donor are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. (Note 4)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not broken out by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and cash in money market funds with an original maturity of three months or less, and excludes cash and cash equivalents held by investment custodians.

Inventories

Inventories consist primarily of books as well as other items available for sale to the general public in the gift shop. Inventories are valued at cost on a first-in, first-out basis. The cost at December 31, 2013 and 2012 is not in excess of market value.

Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges receivable at December 31, 2013 and 2012, respectively. Pledges receivable are due in each future respective year as follows:

2014	$ 45,050
2015	1,000
2016	1,000
2017	1,000
2018	1,000
	$ 49,050

Pledges receivable consist primarily of promises from individuals and organizations within Southern California.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investments

Investments are carried at fair value. Dividends and interest income are shown net of investment advisory fees of approximately $60,000 for the years ended December 31, 2013 and 2012.

Fair Value Measurements

Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures* issued by the Financial Accounting Standards Board (FASB) defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash: Valued at face value (Level 1)

Cash equivalents – money market funds: Valued at face value (Level 1)

Mutual and exchange traded funds: Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property and Equipment

Property and equipment are carried at cost, or if acquired by gift, at the estimated fair value on the date of donation. Expenditures for land improvements and major renewals that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of property and equipment as follows:

	Years
Land improvements	10-40
Buildings and structures	10-40
Furniture and equipment	3-20

Collections

In accordance with GAAP, the Organization does not capitalize donated or purchased collections or recognize them as revenues or gains. GAAP provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service, rather than financial gain, and are protected, kept unencumbered, cared for, and preserved and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Membership Contributions

Membership contributions are recorded when received.

Contributed Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributed Services

The Organization recognizes contribution revenue for specialized services that would otherwise be purchased by the Organization in an amount equal to the fair value of those services. The following amounts were contributed and recognized as revenue in 2013:

Service Donated	Fair Value	Purpose
Accounting services	$ 11,000	General

The following amounts were contributed and recognized as revenue in 2012:

Service Donated	Fair Value	Purpose
Accounting services	$ 2,000	General

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs, as docents, in the gift shop and several other areas. In 2013 and 2012, respectively, 270 and 230 volunteers donated 15,534 and 13,034 hours in support of the Organization's program services and fundraising activities, valued at an estimated $350,291 and $288,500 (the value of an hour of volunteer time is calculated annually by the Independent Sector). No amounts have been recorded in these financial statements for volunteer services, as they do not meet the criteria requisite under GAAP.

Functional Expenses

Direct expenses are charged to the appropriate program or supporting function. Indirect expenses have been allocated to programs, management and general, and fundraising based on salaries, square footage, or total direct costs.

Tax Exempt Status

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code. Beginning January 1, 2009, the Internal Revenue Service has determined that the Organization can reasonably be expected to qualify as a publicly supported charity, subject to an advance ruling period of sixty months ending December 31, 2013. The Organization was not subject to excise tax during this period, and grantors and donors may rely on the determination that the Organization is a public charity. The Organization expects to receive a final determination from the IRS during 2014 that it is a publicly supported charity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Uncertain Tax Positions

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization files tax returns in the U.S. federal jurisdiction and in the state of California. The Organization's tax returns from the year 2010 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2009 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statue of limitations remains open and has determined that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization had no unrecognized tax benefits related to tax positions taken during the years ended December 31, 2013 and 2012 or for prior periods.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain items in the 2012 financial statements were reclassified in order to conform to the 2013 presentation.

Subsequent Events

Management has evaluated subsequent events through June 12, 2014, the date that the financial statements were available to be issued.

2. INVESTMENTS

Investments consist of the following as of:

December 31, 2013	Cost	Fair Value (Level 1)	Excess of Fair Value over Cost
Cash equivalents	$ 451,370	$ 451,370	$ -
U.S. bond mutual funds	4,849,878	4,934,362	84,484
Int'l bond mutual funds	593,998	671,840	77,842
U.S. equity mutual funds	2,565,115	3,028,905	463,790
Int'l equity mutual funds	3,841,672	4,220,978	379,306
U.S. exchange traded funds	43,355	44,131	776
U.S. equities	5,054	5,054	-
	$ 12,350,442	$ 13,356,640	$ 1,006,198

December 31, 2012	Cost	Fair Value (Level 1)	Excess of Fair Value over Cost
Cash equivalents	$ 460,362	$ 460,362	$ -
U.S. bond mutual funds	4,266,154	4,714,978	448,824
Int'l bond mutual funds	526,166	615,611	89,445
U.S. equity mutual funds	2,801,718	3,023,587	221,869
Int'l equity mutual funds	3,453,561	3,619,789	166,228
U.S. exchange traded funds	2,409	3,010	601
U.S. equities	1,538	5,015	3,477
	$ 11,511,908	$ 12,442,352	$ 930,444

Investment income consists of the following for the years ended December 31,:

	2013	2012
Interest and dividends, net	$ 381,588	$ 397,270
Net realized gain	258,753	207,147
Net change in unrealized gain	75,754	726,200
	$ 716,095	$ 1,330,617

3. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows at December 31,:

	2013	2012
Land	$ 3,418,370	$ 3,418,370
Land improvements	2,608,474	2,624,620
Buildings and structures	3,048,280	3,048,280
Furniture and equipment	680,386	644,505
	9,755,510	9,735,775
Less accumulated depreciation	(3,866,077)	(3,667,998)
	$ 5,889,433	$ 6,067,777

Depreciation expense for the years ended December 31, 2013 and 2012 was $239,693 and $239,715, respectively.

4. ENDOWMENT FUNDS

Endowment funds and related income restrictions are as follows at December 31,:

		2013		
	Income Restriction	Unrestricted	Temporarily Restricted	Permanently Restricted
Lotus Society fund	None	$ 524,475	$ 197,062	$ 852,112
Topiary Garden Endowment fund	Topiary Garden	-	3,281	1,000,000
Theater Garden Endowment fund	Theater Garden	-	4,097	52,765
Internship Fellowship fund	Internship	-	3,680	12,055
Cactus Garden Endowment fund	Cactus Garden	-	129	11,500
Total endowment funds		$ 524,475	$ 208,249	$ 1,928,432

4. ENDOWMENT FUNDS (Cont.)

	Income Restriction	2012 Unrestricted	2012 Temporarily Restricted	2012 Permanently Restricted
Lotus Society fund	None	$ 490,706	$ 211,029	$ 842,362
Theater Garden Endowment fund	Theater Garden	-	6,978	52,765
Internship Fellowship fund	Internship	-	2,990	12,055
Total endowment funds		$ 490,706	$ 220,997	$ 907,182

The Organization's endowment funds consist of five funds established to support a variety of purposes. Endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the 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 Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The unrealized gains and endowment investment income on funds not restricted by the donor are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

4. ENDOWMENT FUNDS (Cont.)

Endowment net asset composition by type of fund consists of the following as of December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 208,249	$ 1,928,432	$ 2,136,681
Board-designated endowment funds	524,475	-	-	524,475
Total funds	$ 524,475	$ 208,249	$ 1,928,432	$ 2,661,156

Changes in endowment net assets by type of fund consist of the following for the year ended December 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 490,706	$ 220,997	$ 907,182	$ 1,618,885
Investment return:				
Investment income	17,990	47,125	-	65,115
Net depreciation of investments (realized and unrealized)	15,779	19,671	-	35,450
Total investment return	33,769	66,796	-	100,565
Other:				
Contributions	-	-	1,021,250	1,021,250
Appropriation of endowment assets for expenditure	-	(79,544)	-	(79,544)
Total other	-	(79,544)	1,021,250	941,706
Endowment net assets, end of year	$ 524,475	$ 208,249	$ 1,928,432	$ 2,661,156

4. ENDOWMENT FUNDS (Cont.)

Endowment net asset composition by type of fund consists of the following as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 220,997	$ 907,182	$ 1,128,179
Board-designated endowment funds	490,706	-	-	490,706
Total funds	$ 490,706	$ 220,997	$ 907,182	$ 1,618,885

Changes in endowment net assets by type of fund consist of the following for the year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 435,668	$ 156,381	$ 864,753	$ 1,456,802
Investment return:				
Investment income	17,443	36,268	-	53,711
Net depreciation of investments (realized and unrealized)	37,595	78,348	-	115,943
Total investment return	55,038	114,616	-	169,654
Other:				
Contributions	-	-	42,429	42,429
Appropriation of endowment assets for expenditure	-	(50,000)	-	(50,000)
Total other	-	(50,000)	42,429	(7,571)
Endowment net assets, end of year	$ 490,706	$ 220,997	$ 907,182	$ 1,618,885

4. ENDOWMENT FUNDS (Cont.)

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 or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013 or 2012.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average annual rate of return of approximately 8.1 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of approximately 3 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

5. TEMPORARILY RESTRICTED FUNDS

Funds were temporarily restricted by donors for the following purposes as of December 31,:

	2013	2012
Valentine facilities fund	$ 176,362	$ 201,753
Valentine topiary garden	123,039	150,437
Outreach program	87,048	100,890
Water stairs project fund	81,186	93,796
Volunteer coordinator	-	30,000
Internship funds	16,291	12,373
SBCC work experience fund	9,437	7,500
Plant labelling project fund	9,400	-
Rare and specimen plant fund	6,386	6,386
Rest center fund	5,000	5,000
Japanese garden charette	-	5,000
Professional development fund	5,709	3,800
Water garden tile benches fund	2,543	2,543
Hugunin Family Trust time restriction	-	68,305
Other	1,010	951
	523,411	688,734
The portion of endowment funds subject to a time restriction under UPMIFA:		
Lotus Society	197,041	211,029
	197,041	211,029
The portion of endowment funds subject to a purpose restriction and a time restriction under UPMIFA:		
Topiary Garden	3,281	-
Theater Garden	4,097	6,978
Internship	3,680	2,990
Cactus Garden	129	-
	11,187	9,968
Total temporarily restricted funds	$ 731,639	$ 909,731

6. COLLECTIONS

The Organization's botanical collections are made up of rare and unusual plant specimens assembled in numerous theme gardens which are open to visitors of Lotusland. The Organization employs numerous horticultural professionals to maintain the gardens.

Expenditures for botanical collections were $12,820 and $11,093 for the years ended December 31, 2013 and 2012, respectively, and are included in facilities expenses in the accompanying statement of functional expenses.

Other collections include books and various personal effects of Madame Ganna Walska.

7. EMPLOYEE BENEFIT PLANS

Flexible Benefit Plan

The Organization has a flexible benefit plan (Plan) that permits participants to elect to receive benefits for themselves and their eligible dependents under various component plans, which provide health, dental, life insurance, disability and cancer benefits. It is intended that the Plan qualify under Section 125 of the IRC as a cafeteria plan. The Plan includes a flexible spending account option which allows employee contributions through compensation reduction payments. The Organization pays all administrative costs of the Plan.

Retirement Plan

The Organization has a Retirement Plan (403(b) Plan) which allows employees to participate in the salary reduction purchase of tax-sheltered annuities and investments as described in Section 403(b) of the IRC. Employees may contribute up to the maximum as determined by IRC limits. All non-temporary employees are eligible to participate in the 403(b) Plan after their probationary period. After two years of employment of at least 1,000 hours per year, the Organization matches 50% of the eligible employee's contributions to the 403(b) Plan up to a maximum of 5% of their compensation. Employer contributions were approximately $36,000 and $38,000 for the years ended December 31, 2013 and 2012, respectively.

8. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2013, substantially all of the Organization's cash was maintained in financial institutions and brokerage accounts. Cash balances held in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to $250,000 per institution. Uninsured cash balances at December 31, 2013 totaled approximately $294,000.

In addition, the Organization's investments are exposed to interest rate, market and credit risks. The level of risk associated with certain investment securities and the level of uncertainty related to changes in risks in the near term could materially affect the Organization's Statement of Financial Position and the Statement of Activities.

9. RELATED PARTY TRANSACTIONS

The law firm associated with one of the board members provided legal services to the Organization totaling approximately $207 and $1,593 for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013, $44,050 of the pledges receivable are due from board members.

10. INTENTION TO GIVE

On December 30, 2013, a donor notified the Organization that it intended to provide $100,000 to the Cactus Garden Endowment Campaign. It was the donor's intention that the Organization would receive the gift in equal payments of $20,000 over each of the next five years, beginning in 2014. These funds, however, were gifted by the donor to a donor advised fund held at a community foundation. While the donor does advise where and how the funds should be distributed, once donated, they are fully at the discretion of the community foundation. Therefore, at December 31, 2013 no pledge receivable has been recognized in the accompanying financial statements related to this intended donation. The donation will be recognized when received or when the Organization is notified by the community foundation of a pending payment.