
**DONALD DANFORTH PLANT
SCIENCE CENTER AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**



**D O N A L D D A N F O R T H
P L A N T S C I E N C E C E N T E R**
DISCOVERY | COMMUNITY | IMPACT

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Independent Auditors' Report

Board of Directors
Donald Danforth Plant Science
Center and Subsidiary
St. Louis, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Donald Danforth Plant Science Center and Subsidiary (collectively, the Center), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of DSC Investment Holdings, LP, whose statements reflect total assets of approximately \$293,000,000 and \$252,000,000 as of December 31, 2017 and 2016, respectively, and changes in net assets for the year-ended December 31, 2017 of \$27,960,000 and \$16,100,000 for the period beginning April 1, 2016 and ended December 31, 2016. Those statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, were audited by other auditors, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for DSC Investment Holdings, LP, is based solely on the report of the other auditors.

We conducted our audits 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. The financial statements of DSC Investment Holding, LP, were not and were not required to be audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Donald Danforth Plant Science Center and Subsidiary as of December 31, 2017 and 2016 and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2018 on our consideration of Donald Danforth Plant Science Center'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 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 Donald Danforth Plant Science Center's internal control over financial reporting and compliance.

RubinBrown LLP

July 30, 2018

**DONALD DANFORTH PLANT SCIENCE CENTER
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2017	2016
Cash and cash equivalents	\$ 2,629,080	\$ 3,687,315
Contributions receivable - net (Note 5)	9,334,853	8,422,360
Grants receivable	3,031,339	3,165,666
Other current assets	1,683,422	884,530
Prepaid expenses	145,071	168,823
Investments (Notes 2 and 3)	310,200,134	290,470,780
Property and equipment (Note 7)	110,986,313	116,466,802
Total Assets	\$ 438,010,212	\$ 423,266,276

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses (Notes 6 and 11)	\$ 3,608,181	\$ 3,807,025
Retainage payable	127,000	358,183
Bonds payable (Note 6)	6,096,189	6,457,000
Liability under gift annuity agreements (Note 1)	112,310	118,322
Deferred revenue	4,813,005	7,672,876
Total Liabilities	14,756,685	18,413,406

Net Assets

Unrestricted:		
Board-designated endowment funds (Note 4)	44,136,948	36,823,171
Available for operations	14,132,779	14,018,365
Invested in property, net	104,763,124	109,651,619
Total Unrestricted	163,032,851	160,493,155
Temporarily restricted (Note 12)	37,546,472	23,320,509
Permanently restricted - endowment (Note 4)	222,674,204	221,039,206
Total Net Assets	423,253,527	404,852,870
Total Liabilities And Net Assets	\$ 438,010,212	\$ 423,266,276

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES For The Years Ended December 31, 2017 And 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenues								
Contributions (Note 5)	\$ 4,986,378	\$ 3,854,925	\$ 1,624,216	\$ 10,464,519	\$ 1,758,839	\$ 6,452,667	\$ 4,371,050	\$ 12,882,456
Private grants	6,401,473	—	—	6,401,473	6,237,486	—	—	6,237,486
Government grants	14,351,003	—	—	14,351,003	14,339,854	—	—	14,339,854
Registration and user fees (Note 9)	2,142,254	—	—	2,142,254	1,654,774	—	—	1,654,774
Other	178,038	—	—	178,038	750,328	—	—	750,328
Net assets released from restrictions (Note 12)	13,283,142	(13,283,142)	—	—	18,083,994	(18,083,994)	—	—
Total Support And Revenues	41,341,288	(9,428,217)	1,624,216	33,537,287	42,825,265	(11,631,417)	4,371,050	35,564,898
Expenses (Note 13)								
Salaries, wages and benefits	18,836,734	—	—	18,836,734	18,773,153	—	—	18,773,153
Equipment rental and maintenance	1,141,743	—	—	1,141,743	761,986	—	—	761,986
Insurance expense	251,178	—	—	251,178	228,679	—	—	228,679
Meetings and conferences	244,033	—	—	244,033	414,760	—	—	414,760
Membership, dues and subscriptions	140,734	—	—	140,734	165,765	—	—	165,765
Occupancy expense	1,428,084	—	—	1,428,084	1,290,846	—	—	1,290,846
Outside services	971,934	—	—	971,934	799,056	—	—	799,056
Personnel expense	552,009	—	—	552,009	533,779	—	—	533,779
Postage and shipping	57,951	—	—	57,951	43,578	—	—	43,578
Printing and publications	113,367	—	—	113,367	148,928	—	—	148,928
Professional fees and consulting	1,406,921	—	—	1,406,921	1,467,686	—	—	1,467,686
Publicity/special events	260,901	—	—	260,901	378,314	—	—	378,314
Subcontract/subrecipient expense	7,410,810	—	—	7,410,810	5,335,091	—	—	5,335,091
Supplies and equipment	1,879,402	—	—	1,879,402	99,317	—	—	99,317
Telecommunications expense	102,902	—	—	102,902	439,679	—	—	439,679
Travel and entertainment	443,551	—	—	443,551	6,543,254	—	—	6,543,254
Depreciation	7,150,565	—	—	7,150,565	284,679	—	—	284,679
Other expense	450,530	—	—	450,530	39,938,281	—	—	39,938,281
Total Expenses	42,843,349	—	—	42,843,349	39,938,281	—	—	39,938,281
Increase (Decrease) In Net Assets Before Net Investment Income, Gains And Losses	(1,502,061)	(9,428,217)	1,624,216	(9,306,062)	2,886,984	(11,631,417)	4,371,050	(4,373,383)
Net Investment Income, Gains and Losses								
Net investment income (Note 2)	4,041,757	23,696,363	(2,033)	27,736,087	2,712,051	17,429,925	(1,760)	20,140,216
Unrealized gain on gift annuity assets (Note 2)	—	—	24,881	24,881	—	—	11,545	11,545
Change in value of gift annuity (Note 1)	—	—	(12,066)	(12,066)	—	—	(12,616)	(12,616)
Loss on write-off of contributions receivable	—	(42,183)	—	(42,183)	—	(5,558)	(18,801)	(24,359)
Total Net Investment Income, Gains And Losses	4,041,757	23,654,180	10,782	27,706,719	2,712,051	17,424,367	(21,632)	20,114,786
Increase In Net Assets	2,539,696	14,225,963	1,684,998	18,400,657	5,599,035	5,792,950	4,349,418	15,741,403
Net Assets - Beginning Of Year	160,493,155	23,320,509	221,039,206	404,852,870	154,894,120	17,527,559	216,689,788	389,111,467
Net Assets - End Of Year	\$ 163,032,851	\$ 37,546,472	\$ 222,674,204	\$ 423,253,527	\$ 160,493,155	\$ 23,320,509	\$ 221,039,206	\$ 404,652,870

See the accompanying notes to consolidated financial statements.

**DONALD DANFORTH PLANT SCIENCE CENTER
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2017	2016
Cash Flows From Operating Activities		
Increase in net assets	\$ 18,400,657	\$ 15,741,403
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Amortization of discount on pledges	(549,091)	(575,591)
Depreciation	7,150,564	6,543,254
Loss on disposal of fixed assets	20,476	47,822
Loss on write-off of contributions receivable	42,183	24,359
Realized and unrealized gains on investments	(29,167,471)	(20,721,375)
Unrealized gain on gift annuity assets	(24,881)	(11,545)
Change in value of gift annuities	12,066	12,616
Contributions restricted for investments in property and equipment	(2,267,317)	(5,569,852)
Contributions restricted for endowment	(1,384,106)	(4,178,099)
Changes in assets and liabilities:		
(Increase) decrease in contributions receivable	(595,626)	852,069
(Increase) decrease in grants receivable	134,327	(436,037)
(Increase) decrease in other assets	(775,140)	2,359,242
Decrease in accounts payable and accrued expenses	(198,844)	(479,679)
Increase (decrease) in deferred revenue	(2,859,871)	4,755,798
Net Cash Used In Operating Activities	(12,062,074)	(1,635,615)
Cash Flows From Investing Activities		
Purchases of investment securities	(85,009,119)	(34,685,293)
Proceeds from sale and maturities of investments	94,472,117	37,099,150
Proceeds from sale of property and equipment	3,000	—
Purchases of property and equipment	(1,924,734)	(10,107,776)
Net Cash Provided By (Used In) Investing Activities	7,541,264	(7,693,919)
Cash Flows From Financing Activities		
Principal payments on bonds payable	(360,811)	(355,000)
Payments on capital lease obligation	—	(52,307)
Payments on gift annuity	(18,078)	(18,077)
Contributions restricted for investments in property and equipment	2,267,317	5,569,852
Proceeds from contributions restricted for endowment	1,574,147	3,699,163
Net Cash Provided By Financing Activities	3,462,575	8,843,631
Net Decrease In Cash And Cash Equivalent s	(1,058,235)	(485,903)
Cash And Cash Equivalent s - Beginning Of Year	3,687,315	4,173,218
Cash And Cash Equivalent s - End Of Year	\$ 2,629,080	\$ 3,687,315

Supplemental Disclosure Of Cash Flow Information (Note 14)

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2017 And 2016

1. Significant Accounting Policies

General

The Donald Danforth Plant Science Center (the Danforth Center) is a nonprofit corporation, organized under the laws of the State of Missouri on January 20, 1998. Under the Danforth Center's by-laws, each of the following organizations is entitled to representation on the Board of Directors: Missouri Botanical Garden, University of Illinois-Urbana/Champaign, University of Missouri-Columbia, Washington University in St. Louis, and Monsanto Company. The Danforth Center's purpose is to promote research in the plant sciences, to provide practical applications of new technology, and to provide educational opportunities to graduate and post-doctoral students.

Investment Partnership

DSC Investment Holdings, LP (the Partnership) commenced operations on April 1, 2016, and is a private investment partnership offering an endowment-style investment program for the Danforth Center. The Danforth Center holds a 100% share of the profits and losses of the Partnership through a limited partnership interest. The Danforth Center also holds the rights to remove the general partner of the Partnership, without substantial financial burden, provided that proper notice is given under the terms of the Partnership agreement. The Danforth Center's financial statements have been consolidated with the Partnership (collectively, the Center).

The Partnership invests with a long-term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single-portfolio investment strategy for the investor. This strategy is paired with the investor's own legacy portfolio of investments (the Legacy Investments) which are pooled accounts managed by unaffiliated third parties. The Legacy Investments are Private Equity and Real Estate Asset Funds with capital commitments that predate the formation of the Partnership (Note 3).

Global Endowment Management, LP, a Delaware limited partnership (the Management Company or GEM), manages the Partnership. The Management Company is registered with the United States Securities and Exchange Commission (SEC) as a Registered Investment Adviser (RIA) under the Investment Advisers Act of 1940, as amended.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

The Partnership invests most of its assets, via a master-feeder relationship, in DSC Fund, a Series of Global Endowment Targeted Strategy Fund, LP (the DSC Fund), along with its own portfolio of Legacy Investments. The DSC Fund primarily invests in pooled accounts managed by unaffiliated third parties (the Portfolio Funds) through its affiliated master trading vehicles (the Sub-Partnerships). The Sub-Partnerships also invest directly in securities, forward contracts, future contracts, swap contracts, option contracts and other assets. The Sub-Partnerships are wholly owned by other entities managed by GEM (the Global Endowment Funds). For reporting purposes, the Partnership, the DSC Fund and Sub-Partnerships herein after together are referred to as the "Funds." The Partnership owns 99.99% of the DSC Fund. The consolidated financial statements of the Center should be read in conjunction with the December 31, 2017 and 2016 audited financial statements of the DSC Fund, which are an integral part of these financial statements.

GEF GP, LP, a Delaware limited partnership, (the General Partner) is the sole general partner of the Partnership and the DSC Fund and has no direct equity interest in the Partnership. The Partnership's day-to-day investment and other operations are managed by GEM, which has authority over the Funds' direct investments into securities and other assets, as well as the selection of third party managers or investment vehicles, and makes all decisions relating to the administration of the Partnership.

Estimates And Assumptions

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

Financial Statement Format

The following is a description of the three classes of net assets of the Center:

Unrestricted Net Assets

Unrestricted net assets represent those net assets whose use is not restricted by donors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Included in unrestricted net assets are net assets for which outside agencies or government bodies, rather than a donor, have designated for various purposes under grant awards or contractual agreements. The Center has designated certain gifts and investment income to be held for endowment. However, these amounts have not been restricted by third parties.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent those net assets whose use have been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. At December 31, 2017 and 2016, temporarily restricted net assets include unexpended gifts for capital projects, unexpended gifts and investment income restricted for use by the Enterprise Rent-A-Car Institute of Renewable Fuels, gifts restricted for other special purposes, contributions receivable that are expendable when paid by the donor, and unappropriated donor-restricted endowment earnings (Note 12).

Permanently Restricted Net Assets

Permanently restricted net assets represent net assets that are restricted for permanent endowment by donor stipulation and may not be spent.

Contributions

The Center accounts for contributions by recognizing support when contributions are unconditionally promised. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts pledged that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. Amounts pledged that are restricted by the donor for permanent endowment are reported as permanently restricted support that increases that net asset class. Contributions receivable are reviewed periodically by management for collectability. Based on management's assessment, no allowance for uncollectible contributions is considered necessary.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

Grants

Grant revenue relates to obligations for the performance of specific research activities. Revenue is recognized as the Center meets its obligations under the contracts, and revenue is deferred when payments are received prior to performance of the designated research activities.

Grants receivable are reviewed periodically by management for collectability. Based on management's assessment, no allowance for uncollectible grants receivable is considered necessary.

Cash And Cash Equivalents

The Center considers all demand deposits and overnight investments to be cash equivalents. Cash equivalents are stated at cost, which approximates market. The Center invests its cash with financial institutions with strong credit ratings. Such accounts are subject to Federal Deposit Insurance Corporation (FDIC) insurance coverage up to \$250,000. At December 31, 2017 and 2016, the Center had deposits in its operating checking account which exceeded the FDIC insurance limit by \$2,378,580 and \$4,209,750, respectively.

Investments

Investments are comprised of money market accounts, equity and fixed income mutual funds, other debt instruments, and alternative investments such as hedge funds, real asset funds, and private equity funds. Marketable investments are carried at market value as quoted on major securities exchanges plus accrued income. Investments for which quoted market prices are not available are carried at net asset value as determined by the investment managers or fund managers, and reviewed by management. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the consolidated statement of financial position. Investment securities received as gifts are recorded at estimated fair value at the date of donation. Dividend and interest income are recognized when earned.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

Investment Valuation - Investment In DSC Fund

The Investment Manager's Valuation Committee (the Committee) is responsible for valuing the Funds' assets. The Committee will ensure that positions are valued in accordance with the requirements of the governing documents of the managed funds and applicable accounting standards. The Committee members include the following GEM employees: the Chief Executive Officer, the Chief Operating Officer (Committee Chair), the Chief Financial Officer, the Chief Compliance Officer, the Compliance Associate, the Director of Investment Operations, the Associate Director of Investment Operations, the Fund Controller and other personnel involved with performance, valuation assessment and asset allocation review and reporting. Investment principals, including the Chief Investment Officer, may attend Committee meetings by invitation to provide market information and insights, but they do not have decision-making authority.

The Committee meets quarterly to review and approve the net asset values (NAVs) of the Funds prior to dissemination to the Partnership's investor. Investments in open-ended money market and other mutual funds are valued at NAV each business day.

The investment in DSC Fund is recorded at the Partnership's reported interest in the net asset value of DSC Fund as determined by the General Partner. The underlying investments in DSC Fund are valued in accordance with the DSC Fund's valuation policies.

The Funds' investments are subject to various risk factors including market, credit, currency and industry risk. Market risk represents the potential loss in value of financial instruments caused by movements in market variables, such as interest rates. Other risks affecting these investments include, but are not limited to, increasing competition, rapid changes in technology and changes in economic conditions. These risk factors could have a material effect on the ultimate realizable value of the Funds' investments. Investing outside the U.S. may involve certain risks not typically associated with domestic investment. The Funds' investments are subject to the risk of restrictions being imposed by foreign governments on the repatriation of cash and income, currency devaluation and to political uncertainties. Additionally, investing in emerging markets or countries with limited or developing markets may subject the Funds' investments to a further degree of risk and volatility than in developed markets. Approximately one-third of the Partnership's investments are illiquid due to the long term horizon of the investments and contractual restrictions on redemptions.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

Legacy Investments' Valuation

The Legacy Investments are valued at their net asset value (NAV) as determined by GEM. The Legacy Investments are generally valued by GEM based on the investments' NAV or its equivalent. GEM closely monitors the NAVs received from the Legacy Investments' managers, which includes a quarterly detailed review by the Valuation Committee. GEM seeks to value all investments at their current fair value and reference U.S. GAAP as a primary guideline. GEM values the investments in Legacy Investments at NAV and determines if the NAV provides the best indication of fair value based on several factors; these include, but are not limited to, the portfolio fund's liquidity, the nature of any portfolio fund's underlying assets and the accounting basis for which the financial statements are prepared. At times, GEM may determine the Legacy Investments' NAV may not be the most representative figure of fair value. In these circumstances, the Legacy Investments' valuation will be determined in accordance with the valuation policies approved by GEM's Valuation Committee. At December 31, 2017 and 2016, all Legacy Investments were valued at NAV.

Gift Annuities

Charitable gift annuities are irrevocable gifts under which the Center agrees in turn to pay a life annuity to the donor or designated beneficiary. Contribution revenue for a charitable gift annuity is recognized at the date of the agreement, net of the liability recorded for the present value of the estimated future payments to be made. At December 31, 2017 and 2016, investments held to fund annuity obligations were \$240,545 and \$235,775, respectively. For the years ended December 31, 2017 and 2016, the change in value of gift annuity obligations resulted in a decrease in net assets of \$12,066 and \$12,616, respectively.

Property And Equipment

Property and equipment are stated at cost less accumulated depreciation. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets (3 to 10 years). Buildings and related improvements are depreciated using the straight-line method over the estimated useful lives of the respective assets (15 to 40 years). Asset purchases are capitalized if the total cost of the asset or the sum of the cost of the components equals or exceeds \$5,000 and the asset has a useful life of at least three years.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

Valuation Of Long-Lived Assets

The Center periodically evaluates the carrying value of its long-lived assets when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies and management estimates. Refer to Note 13 for the functional allocation of expenses by the applicable program services and supporting activities.

Indirect Costs

Certain management, general, administrative, and facility support expenses are allocated to specific programs. Indirect costs are recovered to the extent allowed under each program. In addition, certain property and equipment expenditures are charged to the individual grants.

Development And Public Relations (Fundraising)

The Center does not allocate fundraising costs to specific programs. Direct costs of special events are recorded in publicity/special events in the statement of activities.

Income Taxes

The Danforth Center is exempt from federal and state income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income tax expense has been included in the accompanying consolidated financial statements.

The Danforth Center's federal tax returns for years 2014 and later remain subject to examination by taxing authorities.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

The Partnership is subject to the provisions of ASC 740, *Income Taxes*, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken by the Partnership (including whether or not to file a tax return) to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority upon examination. The guidance establishes a minimum threshold for financial statement recognition such that tax positions not deemed to meet the minimum threshold would be recorded as a tax expense, inclusive of interest and penalties, if any, on the consolidated statement of activities.

As of December 31, 2017, the Partnership did not have a liability for any uncertain tax positions. In general, the Partnership's tax positions for open tax years remain subject to examination by the tax authorities in the jurisdictions in which the Funds operate.

Subsequent Events

Management evaluates subsequent events through the date the consolidated financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Investments

As of December 31, 2017 and 2016, the Center had investments held with investment managers for the purpose of maximizing the return on assets. Investments are comprised of unrestricted funds available for operations or board-designated for endowment, and permanently restricted funds, the income from which is either unrestricted or donor restricted for specific purposes. Investment income (loss) for the years ended December 31, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 177,152	\$ 733,513
Investment management fees	(1,608,536)	(1,314,672)
Realized and unrealized gains on investments and annuity assets	29,192,352	20,732,920
	<u>\$ 27,760,968</u>	<u>\$ 20,151,761</u>

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

Such investments as of December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Investment in DSC Fund	\$ 246,168,097	\$ 190,348,735
Private equity funds (Legacy Investments)	39,907,069	45,514,558
Lewis and Clark Plant Sciences Fund	4,634,645	—
Real asset funds	13,633	4,477,047
Money market accounts	9,358,961	29,947,420
Bond mutual funds	8,295,890	93,900
Hedge funds	—	14,306,940
International and domestic stock mutual funds	494,306	349,831
International stock index funds	25,622	20,615
Domestic stock index funds	107,022	103,943
FDIC-insured certificates of deposit	—	498,000
U.S. government agency securities	1,194,889	1,633,784
Subscription receivable	—	1,182,005
Corporate fixed income securities	—	1,994,002
	<u>\$ 310,200,134</u>	<u>\$ 290,470,780</u>

Net asset classification of investments at December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 15,798,582	\$ 18,201,212
Unrestricted-board designated endowment (Note 4)	44,136,948	36,823,171
Temporarily restricted endowment (Notes 4 and 12)	31,078,062	17,834,008
Permanently restricted endowment (Note 4)	219,186,542	217,612,389
	<u>\$ 310,200,134</u>	<u>\$ 290,470,780</u>

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

3. Fair Value Measurements

The following are the major categories of financial and nonfinancial assets and liabilities measured at fair value on a recurring basis using quoted prices in active markets (Level 1); significant observable inputs for similar assets and liabilities (Level 2); and significant unobservable inputs (Level 3):

Description	December 31, 2017	Level 1	Level 2	Level 3
Investments:				
Money market accounts	\$ 9,358,961	\$ 9,358,961	\$ —	\$ —
International and domestic stock mutual funds	494,306	494,306	—	—
International stock index funds	25,622	25,622	—	—
Domestic stock index funds	107,022	107,022	—	—
U.S. government agency securities	1,194,889	1,194,889	—	—
Investments measured at net asset value and investments not included in the fair value table:				
Private equity funds	39,907,069	—	—	—
Investment in DSC Fund	246,168,097	—	—	—
Lewis and Clark Plant Sciences Fund	4,634,645	—	—	—
Real asset funds	13,633	—	—	—
Bond mutual fund	8,295,890	—	—	—
Total Investments	\$ 310,200,134	\$ 11,180,800	\$ —	\$ —

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements *(Continued)*

Description	December 31, 2016	Level 1	Level 2	Level 3
Investments:				
Money market accounts	\$ 29,947,420	\$ 29,947,420	\$ —	\$ —
Bond mutual funds	—	—	—	—
Marketable alternative investment funds	—	—	—	—
International and domestic stock mutual funds	349,831	349,831	—	—
International stock index funds	20,615	20,615	—	—
Domestic stock index funds	103,943	103,943	—	—
FDIC-insured certificates of deposit	498,000	498,000	—	—
Corporate fixed income securities	1,994,002	—	1,994,002	—
U.S. government agency securities	1,633,784	1,633,784	—	—
Investments measured at net asset value:				
Private equity funds	45,514,558	—	—	—
Investment in DSC Fund	190,348,735	—	—	—
Real asset funds	4,477,047	—	—	—
Subscription receivable	1,182,005	—	—	—
Bond mutual funds	93,900	—	—	—
Hedge funds	14,306,940	—	—	—
Total Investments	\$ 290,470,780	\$ 32,553,593	\$ 1,994,002	\$ —

Transfers between classification levels may occur because of changes in the availability of observable market data, fluctuations in market activity for securities, or the removal of restrictions related to securities. It is the Partnership's policy to recognize transfers in and transfers out at the fair value on the actual date of such classification change. For the period April 1, 2016 (commencement of operations) to December 31, 2016, there were no significant transfers between Level 1, Level 2 and Level 3 investments.

During 2017 and 2016, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Center's assets.

The Center has adopted ASC 820-10-15-4, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its equivalent)*. Under this guidance, a reporting entity is permitted, as a practical expedient, to estimate the fair value of certain portfolio investments on the basis of the net asset value per share. In the normal course of business, the Center holds certain investments that would qualify for the usage of this practical expedient.

As permitted by ASU 2015-07, certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient, and therefore, have not been classified in the fair value hierarchy.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

Investment Commitments

The Legacy Investments have committed capital totaling \$76,682,308, of which \$62,491,176 was invested at December 31, 2017. The remaining \$14,191,132 may be called at any time.

DSC Fund has committed capital to investment partnerships totaling \$77,419,557, of which \$62,701,753 was invested at December 31, 2017. The remaining \$14,717,804 may be called at any time.

The Center has committed capital totaling \$20,000,000 to invest in the Lewis and Clark Plant Sciences Fund, of which \$5,319,792 was invested at December 31, 2017. The remaining \$14,680,208 can be called at any time with consent of the investors committee prior to December 31, 2022.

4. Endowment Funds

The purpose of the endowment is to fund Center projects in accordance with the Center's overall purpose to promote research in the plant sciences, to provide practical applications of new technology, and to provide educational opportunities for graduate and post-doctoral students.

The Center's net asset classification of donor-restricted endowment funds is in accordance with the Board of Directors' interpretation of the laws of the State of Missouri. The Center's interpretation of applicable laws over unrealized gains or losses on endowment funds is that donor restrictions on the use of income from endowments extend to the net appreciation or depreciation on the endowment investments.

The Center's Investment Committee of the Board of Directors has adopted a spending policy on income from endowment funds and the Investment Committee monitors, adjusts, and approves the annual spending distribution (the Draw). The objective of the spending policy is to provide for growth and maintain the intergenerational purchasing power of the endowment, while dampening the severity of the impact that both rising and falling markets have on spending levels.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

Each year, the Draw from Endowment is based on the following Policy Draw Calculation: (i) 70% of the prior year Draw adjusted for inflation plus 0.5% and (ii) 30% of 4.5% of endowment market value as of March 31 of the prior year. The inflation measure equals core inflation, excluding food and energy. The Investment Committee has the authority to adjust the Draw amount in light of evolving trends with respect to investment performance and the needs of the Center.

The amount of income made available to spend from endowments restricted to a specific purpose is determined following the spending policy adopted by the Center's Investment Committee. Investment income includes interest and dividends, as well as gains and losses.

The long-term investment objective for the endowment is to achieve a total return that is equal to or exceeds the Center's financial requirements over the long term. Specifically, the objective is to earn a total rate of return that will meet or exceed the sum of the endowment's spending rate, anticipated inflation, investment management consulting fees, and administrative costs. To achieve the endowment objective, the endowment's assets are invested to generate appreciation and/or dividend and interest income and are diversified among several asset classes.

At December 31, the endowment investments were composed as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 31,078,062	\$ 219,186,542	\$ 250,264,604
Board-designated endowment funds	44,136,948	—	—	44,136,948
Total Funds	\$ 44,136,948	\$ 31,078,062	\$ 219,186,542	\$ 294,401,552

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 17,834,008	\$ 217,612,389	\$ 235,446,397
Board-designated endowment funds	36,823,171	—	—	36,823,171
Total Funds	\$ 36,823,171	\$ 17,834,008	\$ 217,612,389	\$ 272,269,568

In addition, endowment assets include promises to give from donors of \$3,352,875 and \$3,302,805 at December 31, 2017 and 2016, respectively.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

The following is a reconciliation of the beginning and ending balances of the Center's endowment investments for 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, January 1, 2016	\$ 32,053,620	\$ 11,260,748	\$ 213,913,226	\$ 257,227,594
Net investment income	2,918,376	17,091,125	—	20,009,501
Appropriated for expenditure	(1,384,013)	(10,517,865)	—	(11,901,878)
Addition to board-designated endowment	3,235,188	—	—	3,235,188
Contributions	—	—	3,699,163	3,699,163
Endowment investments, December 31, 2016	36,823,171	17,834,008	217,612,389	272,269,568
Net investment income	4,010,187	23,621,368	—	27,631,555
Appropriated for expenditure	(1,625,020)	(10,377,314)	—	(12,002,334)
Addition to board-designated endowment	4,928,610	—	—	4,928,610
Contributions	—	—	1,574,153	1,574,153
Endowment investments, December 31, 2017	\$ 44,136,948	\$ 31,078,062	\$ 219,186,542	\$ 294,401,552

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 Center to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies existed as of December 31, 2017 and 2016.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

5. Contributions Receivable

As of December 31, 2017 and 2016, the Center has contributions receivable under varying terms over the periods as listed below:

	2017	2016
Less than one year	\$ 3,831,195	\$ 4,360,194
One to five years	6,352,906	4,451,832
Six to ten years	1,000,000	1,000,000
	11,184,101	9,812,026
Less: Discount	1,849,248	1,389,666
Net	\$ 9,334,853	\$ 8,422,360

The discount amortization of \$549,091 and \$575,591 in 2017 and 2016, respectively, is recorded as a temporarily restricted contribution of \$308,980 and \$382,640, respectively, and a permanently restricted contribution of \$240,110 and \$192,951, respectively. Contributions receivable are discounted at the time of the pledge. Discount rates used range from 6.1% to 7.1%.

6. Bonds Payable

In December 2011, the Center entered into an agreement with the Missouri Development Finance Board (MDFB) to finance the construction of a greenhouse. The financing is being provided in the form of \$7,500,000 Series 2011 Revenue Bonds from MDFB. The bonds bear interest at 65% of the sum of the ask rate for the United States Swap Rate (as of the Bond Indexed Put Date) as reported by the Board of Governors of the Federal Reserve Release plus 2.0% (fixed at 2.63% through December 21, 2021), and mature on January 1, 2032. The bonds are unsecured. Beginning February 1, 2012, interest payments were due monthly through January 1, 2014. Thereafter, payments of principal and interest are payable quarterly through maturity. As of December 31, 2017 and 2016, principal of \$6,096,189 and \$6,457,000, respectively, is payable.

Effective May 1, 2018, the original purchaser of the bond indenture has exercised its right to increase the Indexed Put Rate as a result of the decrease in the maximum corporate tax rate. The 2.63% fixed rate through December 21, 2021 has been adjusted to 3.2%. This effectively changes the sum of the ask rate from 65% to 79%.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

In accordance with the bond agreement, the Center was required to establish a Debt Service Fund, a Cost of Issuance Fund, and a Project Fund. The Debt Service Fund shall be expended solely for the payment of bond principal and interest. Deposits are made into the Debt Service Fund immediately before payments of principal and interest on the bonds are due. There was no balance in the Debt Service Fund at December 31, 2017 or 2016. The Cost of Issuance Fund shall be used solely for the purpose of paying the Issuance Costs. The Cost of Issuance Fund was funded. In 2012, the Cost of Issuance Fund was liquidated. The Project Fund shall be used solely for the purposes of paying greenhouse construction costs. The Project Fund was liquidated in 2014.

The bond agreement requires the Center to maintain a Debt Service Coverage Ratio of at least 1.00 for each rolling four consecutive fiscal quarters. The Debt Service Coverage Ratio is determined by dividing Revenues minus Expenses for such period by Debt Service, as these terms are defined in the bond agreement. For purposes of calculating the Debt Service Coverage Ratio, revenues include draw from endowment and exclude investment income (loss) on endowment investments. The bond agreement also requires the Center to maintain a Liquidity Ratio of at least 2.00. The Liquidity Ratio is the ratio determined by dividing the total of unencumbered and unrestricted cash, cash equivalents and marketable securities by funded debt (sum of borrowed money, capital lease obligations, and undrawn letter of credit). As of December 31, 2017 and 2016, the Center was in compliance with both ratios.

The scheduled maturities of the bonds payable at December 31, 2017 are as follows:

Year	Amount
2018	\$ 371,189
2019	378,000
2020	386,000
2021	394,000
2022	404,000
Thereafter	4,163,000
	\$ 6,096,189

Interest expense on the bonds for 2017 and 2016 was \$166,872 and \$142,823, respectively. Accrued interest of \$40,964 and \$34,982 at December 31, 2017 and 2016, respectively, is included in accounts payable and accrued expenses.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

7. Property And Equipment

Property and equipment as of December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 11,400,000	\$ 11,400,000
Buildings and improvements	127,132,651	123,788,446
Lab equipment	22,297,458	17,945,084
Furniture and equipment	8,007,450	7,835,374
Construction in process	311,493	6,966,697
Total property and equipment	169,149,052	167,935,601
Less: Accumulated depreciation	58,162,739	51,468,799
Net property and equipment	<u>\$ 110,986,313</u>	<u>\$ 116,466,802</u>

Depreciation expense amounted to \$7,150,565 and \$6,543,254 during 2017 and 2016, respectively.

8. Lease Commitments

The Center leases certain computer equipment, office equipment and laboratory equipment with payments ranging from \$148 per month to \$1,649 per month with varying dates through September 2023. Lease expense related to the Center's operating leases was \$33,464 and \$38,384 in 2017 and 2016, respectively.

At December 31, 2017, future minimum rental commitments under all noncancellable operating leases are as follows:

<u>Year</u>	<u>Operating Leases</u>
2018	\$ 26,458
2019	26,458
2020	26,458
2021	20,977
2022	3,055
Thereafter	2,070
	<u>\$ 105,476</u>

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

9. Ground Lease

The Center has entered into a ground lease agreement with Wexford Danforth, LLC, a Maryland limited liability company, to lease the land and site improvements of the BRDG Park development. The Center receives monthly rental income of \$1.158 per rental square footage of the building located on the BRDG Park development throughout the lease term. The lease expires on March 25, 2074. The following is a summary of minimum future rentals to be received under the ground lease agreement:

<u>Year</u>	<u>Amount</u>
2018	\$ 140,236
2019	140,236
2020	140,236
2021	140,236
2022	140,236
Thereafter	7,187,094
	<u>\$ 7,888,274</u>

Total rental income recognized under this agreement was \$140,236 in 2017 and 2016, which is included in registration and user fees in the statement of activities.

10. Benefit Plan

The Center maintains a contributory retirement plan for full-time employees. The Center contributes an amount to the plan on behalf of the employee up to a maximum of 8% of the participating employee's salary. Participants are given various investment options through the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). The employee's right to Center contributions vests after three years of service. The Center contributed \$912,384 and \$903,094 to the plan in 2017 and 2016, respectively.

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (*Continued*)

11. Medical Insurance Program

The Center established a self-insured medical program in 2017 covering substantially all employees. The Center's liability has been limited by the purchase of specific (\$125,000 per claim and aggregate 125% of expected claims based on average enrollment) reinsurance. Expenses are recognized as incurred and totaled approximately \$1,000,000 during 2017. The Company has recorded an incurred but not reported reserve of approximately \$162,000 as of December 31, 2017, which is included in accounts payable and accrued expenses on the Center's balance sheet.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Passage of time	\$ 5,981,979	\$ 5,119,555
Enterprise Rent-A-Car Institute of Renewable Fuels	25,007	25,007
Unappropriated donor-restricted endowment earnings	31,078,062	17,834,008
Other special purpose	461,424	341,939
	<u>\$ 37,546,472</u>	<u>\$ 23,320,509</u>

Net assets released from time and purpose restrictions during 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Construction of long-lived assets	\$ 2,267,317	\$ 5,569,852
Passage of time	348,500	1,217,143
Enterprise Rent-A-Car Institute of Renewable Fuels	1,015,923	1,127,904
Appropriation of donor-restricted endowment earnings for expenditure	9,232,589	9,441,421
Other special purpose	418,813	727,664
	<u>\$ 13,283,142</u>	<u>\$ 18,083,984</u>

DONALD DANFORTH PLANT SCIENCE CENTER AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

13. Functional Expenses

Functional expenses for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Research/science	\$ 36,354,750	\$ 33,155,963
General and administration	4,472,061	4,577,264
Development and public relations	2,016,538	2,205,054
	<u>\$ 42,843,349</u>	<u>\$ 39,938,281</u>

14. Supplemental Cash Flow Information

During 2017 and 2016, interest paid amounted to \$162,060 and \$146,503, respectively.

Additionally, the Center had the following noncash investing and financing activities:

During 2017 and 2016, gifts and grants of equity securities of \$336,244 and \$4,508,538, respectively, were received.

Additionally, construction in process purchases of \$136,647 and \$802,627 are included in accounts payable and accrued expenses at December 31, 2017 and 2016, respectively. Construction in progress purchases of \$127,000 and \$358,183 are included in retainage payable at December 31, 2017 and 2016, respectively.

15. Federal Grant Programs

The Center frequently partners with various universities and academic research institutions on federal grant programs. Three members of the Center's Board of Directors hold leadership positions at three separate Universities that the Center participates with on various federal grants. During 2017 and 2016, federal funds of \$1,457,339 and \$1,403,342, respectively, were passed through to these universities by the Center. Additionally, the Center received pass through funding from one of the universities in 2017 and 2016 that amounted to \$776,861 and \$837,897, respectively.