

AMERICAN HORTICULTURAL SOCIETY

AUDITED FINANCIAL STATEMENTS

June 30, 2014

AMERICAN HORTICULTURAL SOCIETY
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Board of Directors
American Horticultural Society
Alexandria, VA

Independent Auditor's Report

We have audited the accompanying financial statements of the American Horticultural Society (the Society), which comprise the statement of position as of June 30, 2014, and the related statements of activities 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's June 30, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, DC
February 24, 2015

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With Summarized Financial Information for June 30, 2013)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 71,318	\$ 68,612
Restricted cash	302,389	593,253
Pledges receivable	18,937	23,597
Prepaid expenses	61,508	73,964
Inventory, at cost	1,250	6,432
Deposit	21,400	21,400
TOTAL CURRENT ASSETS	476,802	787,258
PROPERTY AND EQUIPMENT, net	1,795,577	1,589,874
INVESTMENTS	2,381,773	1,945,433
PLEDGES RECEIVABLE, net of current portion	35,630	48,966
TOTAL ASSETS	\$ 4,689,782	\$ 4,371,531
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 171,570	\$ 312,367
Rental deposits	4,600	6,400
Line of credit	75,000	60,000
Note payable	22,064	20,927
Capital lease obligations	8,371	3,430
Deferred revenue	585,118	462,900
TOTAL CURRENT LIABILITIES	866,723	866,024
NOTE PAYABLE, net of current portion	1,007,960	1,030,027
CAPITAL LEASE OBLIGATIONS, net of current portion	12,616	9,149
TOTAL LIABILITIES	1,887,299	1,905,200
NET ASSETS		
Unrestricted	1,596,945	1,553,265
Temporarily restricted	665,819	593,347
Permanently restricted	539,719	319,719
TOTAL NET ASSETS	2,802,483	2,466,331
TOTAL LIABILITIES AND NET ASSETS	\$ 4,689,782	\$ 4,371,531

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

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
REVENUE					
Membership dues	\$ 739,170			\$ 739,170	\$ 742,174
Educational events	408,840			408,840	523,781
Books and services	53,749			53,749	54,394
Contributions	389,595	\$ 291,599	\$ 220,000	901,194	677,230
Gala	102,653			102,653	104,411
Royalty income	2,765			2,765	2,434
River Farm rental	263,865			263,865	271,617
Net investment income	288,829	6,232		295,061	221,394
Miscellaneous income	6,375			6,375	568
Net assets released from restrictions	225,359	(225,359)		-0-	-0-
TOTAL REVENUE	2,481,200	72,472	\$ 220,000	2,773,672	2,598,003
EXPENSES					
Program Services:					
Membership	439,610			439,610	419,699
Educational programs	572,675			572,675	645,155
Communications	408,480			408,480	425,848
Gardens and buildings	440,040			440,040	383,702
Total Program Services	1,860,805	-0-	-0-	1,860,805	1,874,404
Supporting Services:					
Management and general	314,390			314,390	347,715
Fundraising and development	262,325			262,325	265,184
Total Supporting Services	576,715	-0-	-0-	576,715	612,899
TOTAL EXPENSES	2,437,520	-0-	-0-	2,437,520	2,487,303
CHANGE IN NET ASSETS	43,680	72,472	220,000	336,152	110,700
NET ASSETS, BEGINNING OF YEAR	1,553,265	593,347	319,719	2,466,331	2,355,631
NET ASSETS, END OF YEAR	\$ 1,596,945	\$ 665,819	\$ 539,719	\$ 2,802,483	\$ 2,466,331

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

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 336,152	\$ 110,700
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on investments	(267,969)	(195,662)
Depreciation and amortization	50,393	54,758
Decrease (increase) in restricted cash	290,864	(593,253)
Decrease in pledges receivable	17,996	6,657
Decrease (increase) in prepaid expenses	12,456	(29,039)
Decrease (increase) in inventory	5,182	(479)
(Decrease) increase in accounts payable and accrued expenses	(140,797)	124,871
Decrease in rental deposits	(1,800)	-0-
Increase (decrease) in deferred revenue	122,218	(22,731)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	424,695	(544,178)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(644,343)	(471,869)
Proceeds from sales of investments	475,972	634,254
Purchases of fixed assets	(242,281)	(476,311)
NET CASH USED IN INVESTING ACTIVITIES	(410,652)	(313,926)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on note payable	-0-	889,792
Repayments on note payable	(20,930)	(2,946)
Borrowings on line of credit	298,000	80,000
Repayments on line of credit	(283,000)	(95,000)
Payments on capital lease obligation	(5,407)	(9,193)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(11,337)	862,653
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,706	4,549
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	68,612	64,063
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 71,318	\$ 68,612

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

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization The American Horticultural Society (the Society) is organized in the District of Columbia as a not-for-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Society's purpose is to unite and supplement the many phases and efforts of American horticulture, to represent them nationally and internationally, and to encourage and promote American horticulture. The Society's significant sources of support include membership dues, contributions, educational events and River Farm rentals.

The Society's major programs are as follows:

Membership – This program includes providing services and outreach in support of the Society's members throughout the United States and internationally. Member communications and other benefits provide supporters with the information and inspiration they need to be successful gardeners – enriching their lives and having a positive impact on their communities. In addition, these activities contribute to the organizational objectives of helping more Americans enjoy the rewards of gardens and gardening, celebrating the diversity of horticulture in America, and encouraging earth-friendly gardening practices. Reciprocal agreements with public gardens and horticultural organizations extend the Society's reach.

Educational Programs – These activities focus on sharing the art and science of horticulture with a special emphasis on gardening with children and youth. Since 1993, the Society has hosted the National Children and Youth Garden Symposium that is committed to bridging the growing divide that separates young people from the natural world. The Society's internship program provides valuable hands-on experience for college students, helping to shape the horticultural leaders of tomorrow. Online, reciprocal admissions, travel study, seed exchange, and other special programs offer members the opportunity to explore their passion for gardens and gardening. The Society's national awards programs encourage excellence and honor the achievements of individuals and organizations that have made significant contributions to horticulture in America.

Communications – These programs include the Society's flagship publication, The American Gardener magazine. Providing useful and authoritative information, The American Gardener demonstrates the Society's commitment to communicating, standardizing, and enriching the language of horticulture through a variety of media. The Society's website and internet presence provides a wealth of gardening information as well as updates on the Society's programs. With more than 100 books devoted to the world of ornamental plants published under the AHS banner, the Society is a leader in creating authoritative gardening reference books that put the most current horticultural information in the hands of professional and amateur gardeners across America.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Gardens and Buildings – These programs include the operation, stewardship, and ongoing enhancement of the Society’s 25-acre headquarters property, River Farm. A site of regional, national, horticultural, and historic significance, River Farm is open to visitors and serves as a venue for educational programs, exhibits, civic meetings, and special events. The property’s gardens and natural areas include many demonstration areas and models promoting horticultural innovation, practical experimentation, sustainability, and conservation. The Gardens and Buildings staff also provides content and coordination in support of the Society’s on-site and national programs.

**Basis of
Presentation**

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code. The Society is exempt from the payment of taxes on income other than net unrelated business income. No provision for income taxes is required at June 30, 2014, as the Society had no net unrelated business income.

The Society requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Society does not believe its financial statements include, or reflect, any uncertain tax positions.

The Society’s Form 990, Return of Organization Exempt from Income Tax, the Form 990-T, Federal Exempt Organization Unrelated Business Income Tax Return and the Virginia Form 500, Virginia Corporation Tax Returns are subject to examination by the taxing authorities, generally for three years after they are filed.

**Cash and Cash
Equivalents**

Cash and cash equivalents consists of demand deposits, excluding restricted cash.

**Pledges
Receivable**

The Society records pledges receivable at estimated net realizable value. Allowances for doubtful accounts are estimated based on the length of time outstanding and past history with donors. Pledges receivable are written off against the allowance when deemed uncollectible by management.

Inventory

Inventory consists primarily of books, magazines and merchandise. Inventory is stated at the lower of market or cost using the first-in, first-out method.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

**Property and
Equipment**

Property and equipment are recorded at cost. The Society capitalizes property and equipment purchases greater than \$500. Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets (10 to 40 years for buildings and building improvements and 3 to 10 years for furniture and equipment). Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated property and equipment is recorded at fair market value at the date of donation.

Investments

Investments are reported at the fair value based on quoted market prices. Realized and unrealized gains and losses are included with investment income in the statement of activities. Investment income is reported as an increase or decrease in unrestricted net assets, unless restricted by donor or law. However, investment earnings are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the investment earnings are recognized.

**Revenue
Recognition**

Unconditional contributions are recorded as support, at fair value, when received or when promised. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the existence and/or nature of the restriction. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions received and spent in the same year are reported as unrestricted.

Donated securities are recorded at fair value on the date of donation and are generally sold immediately; unsettled sales of contributed securities are reported as a receivable.

Membership dues, over a set dollar amount, include a contribution component. The dues portion received in advance of the dues period are deferred and recognized as revenue over the members' respective membership year. The contribution component is recognized when received.

Revenue from educational events, books, services, and River Farm rentals is recognized when earned. Amounts received in advance are reported as deferred revenue.

**Donated
Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society.

Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the programs and supporting services benefited based upon the function directly benefited or based upon management's estimates of the proportion of these costs applicable to each function.

Prior Year Information The financial statements include certain prior year summarized comparative totals as of and for the year ended June 30, 2013. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassifications Certain 2013 amounts have been reclassified for comparative purposes.

NOTE B - INVESTMENTS

Net investment income for the year ended June 30, 2014 is comprised of the following:

Description	Amount
Interest and dividends	\$ 42,605
Realized and unrealized gains	267,969
	310,574
Less: investment fees	(15,513)
Net investment income	\$ 295,061

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could materially affect the reported balance of investments and net assets in the statement of financial position, and amounts reported in the statement of activities.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE C - FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following presents the Society's investments measured at fair value as of June 30, 2014:

Description	(Level 1)	(Level 2)	Total
Common stock	\$ 891,170		\$ 891,170
Exchange traded funds	213,189		213,189
Corporate bonds		\$ 309,971	309,971
Money market funds	62,628		62,628
Vanguard Total Stock Market Index Adm	469,702		469,702
Other mutual funds - stocks	117,215		117,215
Other mutual funds - bonds	317,898		317,898
Total investments	\$ 2,071,802	\$ 309,971	\$ 2,381,773

The fair values of common stock, money market funds, mutual funds, are determined generally based on quoted market prices in active markets.

The Society's level 2 investments are valued from readily-available pricing sources for comparable instruments.

NOTE D - INTEREST AND SUPPLEMENTAL CASH FLOW INFORMATION

Interest expense paid during the year ended June 30, 2014 was approximately \$62,000.

During the year ended June 30, 2014, the Society entered into a capital lease agreement for office equipment valued at approximately \$13,800.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE E - PLEDGES RECEIVABLE

The Society had pledges receivable as of June 30, 2014 as follows:

Description	Amount
Receivable in less than one year	\$ 26,437
Receivable in one to five years	35,630
Total pledges receivable	62,067
Less: allowance for doubtful accounts	(7,500)
Net pledges receivable	\$ 54,567

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2014:

Description	Amount
Land	\$ 647,008
Land improvements	820,671
Building and building improvements	725,606
Furniture and equipment	186,008
Equipment under capital leases	35,798
	2,415,091
Less: accumulated depreciation	(619,514)
Property and equipment, net	\$ 1,795,577

NOTE G - NOTE PAYABLE

On November 29, 2011, the Society secured approximately \$1,200,000 (the Loan) from a bank to finance water, sewer, and technology infrastructure improvements. The proceeds of the Loan were to be paid as construction progressed. The Loan was payable in monthly installments of interest only at an interest rate of 5.25% on the outstanding principal balance until May 29, 2013 (the Conversion Date). Beginning on the Conversion Date through November 29, 2022, the Loan is payable in monthly payments of principal and interest at 5.25%. On November 29, 2022 and every five years thereafter, the interest rate will be adjusted to the greater of the weekly average yield on five-year United States Treasury securities plus 2.75% or 4.50%. The Loan will mature on November 29, 2037, and is secured by the Society's property, all improvements, and fixtures. In addition, the Society has assigned the right, title and interest to all of the rents issued and profits of the premises as security under the Loan. The Loan contains various restrictive covenants pertaining to insurance, property maintenance and financial records.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE G - NOTE PAYABLE (Continued)

In addition, \$146,100 of the Loan is available to maintain an irrevocable letter of credit with the County of Fairfax, Virginia relating to the infrastructure improvements.

In June 2013, the Society received the remaining unspent proceeds from the Loan. The unspent proceeds were deposited in to an account jointly held by the bank and the Society. The unspent amounts are restricted for future water, sewer, and technology infrastructure improvements. The cash balance of this account as of June 30, 2014 is shown as restricted cash on the statement of financial position. Upon completion of the infrastructure improvements, any funds remaining in the joint account will be available for use without restriction.

Following are maturities of long-term debt for each of the next five years and thereafter.

For the Year Ending June 30,	Amount
2015	\$ 22,064
2016	23,124
2017	24,533
2018	25,872
2019	27,283
Thereafter	907,148
Total	\$ 1,030,024

NOTE H - CAPITAL LEASE OBLIGATIONS

The Society is the lessee of office equipment under capital leases which have varying lease terms. The assets and the liabilities under the leases are recorded at the present value of the minimum lease payments. The assets are being depreciated over their estimated useful lives. Depreciation under the leases is included in depreciation and amortization expense. As of June 30, 2014, the accumulated depreciation related to the assets under the leases was approximately \$16,000.

The future minimum lease payments under the capital leases as of June 30, 2014 are as follows:

For the Year Ending June 30,	Amount
2015	\$ 9,047
2016	8,328
2017	4,159
2018	630
Total minimum lease payments	22,164
Less amount representing interest	(1,177)
Present value of total minimum lease payments	\$ 20,987

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE I - LINE OF CREDIT

At June 30, 2014 the Society had available a line of credit of \$200,000 with a bank, to be drawn upon as needed with a variable interest rate equal to the greater of the U.S. prime rate as quoted in the Wall Street Journal or 5%. The line of credit is scheduled to mature on January 14, 2016.

NOTE J - CONCENTRATIONS

Two donors comprised 90% of pledges receivable as of June 30, 2014. For the year ended June 30, 2014 one contributor comprised 19% of total revenue.

The Society maintains cash balances at local financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Society's cash balances exceeded the FDIC insurance limit. Management believes the risk in these situations to be minimal.

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30, 2014:

Description	Amount
Estate house restoration	\$ 78,699
Capital campaign - plants	45,787
Reflecting pool	248,922
Endowment funds	812
National Children & Youth Garden Symposium	2,500
Gardening on the Web Initiative	257,071
Carriage house improvements	32,028
Total temporarily restricted net assets	\$ 665,819

Amounts released from temporarily restricted net assets during the year ended June 30, 2014 are as follows:

Description	Amount
Estate house restoration	\$ 155,844
Estate house roof repair	50,000
Capital campaign - plants	9,453
Endowment funds	7,271
Workshop classroom and teaching greenhouse	2,791
Total amounts released from restriction	\$ 225,359

**AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014**

NOTE L – PERMANENTLY RESTRICTED NET ASSETS/ ENDOWMENT

Permanently restricted net assets represent funds that are invested in perpetuity for the following purposes as of June 30, 2014:

Description	Amount
Frances Poetker Endowment	\$ 50,000
Hunt Endowment	25,000
Marks Endowment	50,000
Jane Steffey Endowment	83,349
Jane Steffey Endowment #2	50,000
H. Marc Cathey Award Endowment Fund	30,870
Jane Taylor Teaching Award Endowment Fund	20,500
Youth Gardening Intern Endowment	10,000
Wilma L. Pickard Endowment Fund	220,000
Total permanently restricted net assets	\$ 539,719

The Frances Poetker Endowment was established to provide a biennial award for floral artistry. The corpus of the endowment is permanently restricted. The earnings of the fund are used for awards and/or support of general operations.

The Hunt Endowment was established to support general operations of the Society. The corpus is permanently restricted, and earnings are used to support general operations.

The Marks Endowment was established to provide special funds for internships to science majors. The corpus is permanently restricted, and the earnings are used to support the internship program.

The Jane Steffey Endowment was established to provide staff training. The corpus is permanently restricted, and earnings are used to support staff professional development.

The Jane Steffey Endowment #2 was established to provide income to be spent as directed by the Society's Board of Directors. The corpus is permanently restricted.

The H. Marc Cathey Award Endowment Fund was established to provide for Great American Gardeners Awards. The corpus is permanently restricted and earnings are used to motivate research activity in horticulture.

The Jane Taylor Teaching Award Endowment Fund is for the Great American Gardeners Awards. The corpus is permanently restricted and earnings are used to award those who have inspired future horticulturists through their efforts with children and youth gardeners and gardening.

The Youth Gardening Intern Endowment was established to provide internships for individuals interested in working with children and youth in gardening activities.

**AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014**

NOTE L – PERMANENTLY RESTRICTED NET ASSETS/ ENDOWMENT (Continued)

The Wilma L. Pickard Endowment Fund was established to provide internships and other needs of the Society.

The Society's endowment consists of numerous individual funds established for a variety of purposes. The endowment consists of donor-restricted funds and, as required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments 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 until those amounts are appropriated for expenditure by the Society in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society 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 Society 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 Society
- (7) The investment policies of the Society

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the market while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its provision for annual income objectives, the Society relies on a fixed income strategy in which investment returns are achieved through current yield (interest and dividends) and to a lesser extent capital appreciation (realized and unrealized). The Society targets a diversified fixed income based asset allocation that provides reasonable and predictable funds for the Society's program purposes supported by its permanently restricted endowments and to maintain a balance between Society spending and the protection of the principal.

AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE L – PERMANENTLY RESTRICTED NET ASSETS/ ENDOWMENT (Continued)

Spending Policy

The Society has adopted a spending policy for the endowment funds that states that 95% of the actual interest and dividends earned less investment fees for the prior calendar year are available to be spent in accordance with donor restrictions.

The Society had the following changes in the endowment during the year ended June 30, 2014:

Description	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 1,851	\$ 319,719
Contributions		220,000
Investment income	6,232	-0-
Amounts appropriated for expenditure	(7,271)	-0-
Endowment net assets, end of year	\$ 812	\$ 539,719

As of June 30, 2014, the Society had the following endowment funds:

Description	Temporarily Restricted	Permanently Restricted
Donor restricted endowment funds	\$ 812	\$ 539,719
Total endowment funds	\$ 812	\$ 539,719

NOTE M - COMMITMENTS

The Society has entered into contracts with various vendors related to an on-going structural upgrade to the water and sewer system at River Farm. As of June 30, 2014, the Society had remaining commitments of approximately \$149,000 related to the project.

In addition, the Society has entered into an agreement for consulting services. The Society had a remaining commitment of approximately \$10,000 related to these services.

Subsequent to year end, the Society entered into an agreement with a hotel to provide accommodations for its meeting to be held in July 2015. The agreement contains a clause whereby the Society is liable for liquidated damages in the event of cancellation.

Subsequent to year end, the Society entered into a non-cancelable service contract with a company to replace the roof to the building. The total commitment is approximately \$118,000.

Management does not believe any cancellation under these contracts will occur.

**AMERICAN HORTICULTURAL SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014**

NOTE N - EMPLOYEE BENEFIT PLAN

The Society maintains a tax-deferred annuity plan that covers all employees meeting certain age and length-of-service requirements. The Society's contribution to the plan was approximately \$30,100 for the year ended June 30, 2014.

NOTE O – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the spouse of the Executive Director of the Society was paid compensation as an employee, as Volunteer Program Manager and Horticulturist, for the performance of services.

NOTE P - SUBSEQUENT EVENTS

Subsequent events were evaluated through February 24, 2015, which is the date the financial statements were available to be issued.



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Board of Directors
American Horticultural Society
Alexandria, VA

Independent Auditor's Report on
Supplementary Information

We have audited the financial statements of American Horticultural Society as of and for the year ended June 30, 2014, and have issued our report thereon dated February 24, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2014, with summarized comparative totals for the year ended June 30, 2013, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Councilor, Buchanan + Mitchell, P.C.

Washington, DC
February 24, 2015

**AMERICAN HORTICULTURAL SOCIETY
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014**

(With Summarized Financial Information for the Year Ended June 30, 2013)

	Membership	Educational programs	Communications	Gardens and buildings	Management and general	Fundraising and development	2014 Total	2013 Total
Salaries and wages	\$ 114,484	\$ 165,446	\$ 200,327	\$ 167,195	\$ 91,087	\$ 97,954	\$ 836,493	\$ 809,153
Temporary help				5,308			5,308	5,202
Benefits and taxes	25,554	35,900	40,672	35,783	20,332	21,844	180,085	182,930
Training	5,735	71	4,133	3,740		15	13,694	11,046
Accounting and legal		350		1,775	55,645		57,770	48,951
Advertising	5,185	80	80	2,595		317	8,257	4,000
Awards		3,015	100	10	1,746		4,871	4,259
Bank fees					29,500		29,500	31,833
Computer supplies and service	14,092	868			16,310	1,256	32,526	35,317
Consulting and professional fees	61,166	10,811	45,670		749	2,050	120,446	155,920
Cost of merchandise	9,582	2,807		23,438		15,322	51,149	58,292
Depreciation and amortization				13,816	36,577		50,393	54,758
Dues and subscriptions				1,876	297	969	3,142	1,069
Housekeeping				5,355			5,355	7,294
Insurance					30,156		30,156	27,407
Interest				55,435	7,040		62,475	10,671
List rental						27,739	27,739	16,261
Mail services	63,643	2,388	4,738			6,550	77,319	71,475
Meetings	47	295,783		43,783	4,809	28,957	373,379	459,856
Outside services	6,413	5,100	2,216	17,306	1,845	9,742	42,622	86,347
Postage	61,213	5,883	44,083	4,050	1,318	11,736	128,283	108,101
Printing	63,686	12,530	52,333	1,149		19,977	149,675	129,477
Repairs and maintenance				14,443			14,443	35,740
Supplies - operations		3,221		25,898		621	29,740	46,320
Supplies - office	1,353	4,065	2,153	1,909	1,223	1,340	12,043	13,770
Taxes and licenses			1,423	5,137	3,479	10,251	20,290	19,932
Telephone	3,676	5,164	5,851	5,147	2,949	3,142	25,929	20,010
Travel	1,127	15,464	476	1,175	4,390	249	22,881	12,264
Utilities	2,654	3,729	4,225	3,717	2,112	2,269	18,706	17,353
Miscellaneous					2,826	25	2,851	2,295
Total expenses	\$ 439,610	\$ 572,675	\$ 408,480	\$ 440,040	\$ 314,390	\$ 262,325	\$ 2,437,520	\$ 2,487,303