



# **AMERICAN HORTICULTURAL SOCIETY**

## **Financial Statements**

*For The Year Ended June 30, 2020*

*(With Summarized Financial Information for the Year Ended June 30, 2019)*



**and  
Report Thereon**



**AMERICAN HORTICULTURAL SOCIETY**

**TABLE OF CONTENTS**  
**For the Year Ended June 30, 2020**

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	<i><b>Page</b></i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-21

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
American Horticultural Society

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the American Horticultural Society (the Society), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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.

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

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

Continued

- 1 -

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Horticultural Society as of June 30, 2020, 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.

**Other Matter***Report on the Summarized Comparative Financial Statements*

We have previously audited the American Horticultural Society's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Marcum LLP in black ink.

Washington, DC  
November 12, 2020

**AMERICAN HORTICULTURAL SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**  
**(With Summarized Financial Information as of June 30, 2019)**

	2020	2019
<b>ASSETS</b>		
Cash	\$ 901,240	\$ 627,478
Investments	3,131,698	3,178,563
Pledges receivable	11,100	16,371
Prepaid expenses and other assets	115,055	180,023
Asset held for sale	2,127,294	-
Property and equipment, net	98,882	2,253,800
<b>TOTAL ASSETS</b>	<b>\$ 6,385,269</b>	<b>\$ 6,256,235</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 118,080	\$ 98,356
Contract liabilities	696,571	806,822
Capital lease obligation	3,026	-
Notes payable	1,107,209	907,004
<b>TOTAL LIABILITIES</b>	<b>1,924,886</b>	<b>1,812,182</b>
<b>Net Assets</b>		
Without donor restrictions	3,592,266	3,560,722
With donor restrictions	868,117	883,331
<b>TOTAL NET ASSETS</b>	<b>4,460,383</b>	<b>4,444,053</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,385,269</b>	<b>\$ 6,256,235</b>

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

**AMERICAN HORTICULTURAL SOCIETY**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2020**

**(With Summarized Financial Information for the Year Ended June 30, 2019)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 853,305	\$ 20,000	\$ 873,305	\$ 589,133
Membership dues	841,810	-	841,810	817,433
Educational programs	573,156	-	573,156	1,054,896
River Farm rentals	185,670	-	185,670	261,661
Annual gala	193,965	-	193,965	211,737
Less: Direct benefit costs	<u>(21,157)</u>	<u>-</u>	<u>(21,157)</u>	<u>(22,090)</u>
Annual gala, Net	172,808	-	172,808	189,647
Donated goods and services	110,321	-	110,321	71,646
Investment income, net	22,460	50,528	72,988	195,850
Books and merchandise	48,193	-	48,193	57,083
Other income	7,643	-	7,643	1,300
Royalty income	2,373	-	2,373	2,969
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>85,742</u>	<u>(85,742)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,903,481</u>	<u>(15,214)</u>	<u>2,888,267</u>	<u>3,241,618</u>
<b>EXPENSES</b>				
Program Services:				
Educational programs	590,033	-	590,033	1,035,987
Membership	570,054	-	570,054	491,871
Communications	514,902	-	514,902	528,904
Gardens and buildings	<u>462,564</u>	<u>-</u>	<u>462,564</u>	<u>444,126</u>
<b>Total Program Services</b>	<u>2,137,553</u>	<u>-</u>	<u>2,137,553</u>	<u>2,500,888</u>
Supporting Services:				
Fundraising and development	411,906	-	411,906	307,230
Management and general	<u>322,478</u>	<u>-</u>	<u>322,478</u>	<u>282,586</u>
<b>Total Supporting Services</b>	<u>734,384</u>	<u>-</u>	<u>734,384</u>	<u>589,816</u>
<b>TOTAL EXPENSES</b>	<u>2,871,937</u>	<u>-</u>	<u>2,871,937</u>	<u>3,090,704</u>
<b>CHANGE IN NET ASSETS</b>	31,544	(15,214)	16,330	150,914
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,560,722</u>	<u>883,331</u>	<u>4,444,053</u>	<u>4,293,139</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,592,266</u>	<u>\$ 868,117</u>	<u>\$ 4,460,383</u>	<u>\$ 4,444,053</u>

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

**AMERICAN HORTICULTURAL SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2020**  
**(With Summarized Financial Information for the Year Ended June 30, 2019)**

	Program Services									
	Educational Programs	Membership	Communications	Gardens and Buildings	Total Program Services	Fundraising and Development	Management and General	Total Supporting Services	2020 Total	2019 Total
Salaries and wages	\$ 162,445	\$ 114,648	\$ 215,299	\$ 217,853	\$ 710,245	\$ 106,568	\$ 175,811	\$ 282,379	\$ 992,624	\$ 968,989
Meetings, tours, and activities	294,191	-	-	8,432	302,623	75,121	2,018	77,139	379,762	744,058
Benefits, taxes, and training	30,949	21,645	39,940	41,762	134,296	20,302	37,046	57,348	191,644	196,701
Consulting and professional fees	15,255	78,973	55,398	13,696	163,322	18,153	9,574	27,727	191,049	167,443
Postage	5,155	91,810	52,579	4,908	154,452	15,322	3,110	18,432	172,884	154,714
Printing	929	86,818	55,688	2,059	145,494	19,532	1,573	21,105	166,599	160,769
Donated goods and services	-	-	-	30,030	30,030	80,291	-	80,291	110,321	71,645
Depreciation	16,356	12,267	21,467	22,489	72,579	11,245	18,400	29,645	102,224	97,754
Mail services	-	51,381	3,934	-	55,315	6,245	-	6,245	61,560	41,230
Interest	7,968	5,976	10,458	10,956	35,358	5,478	8,964	14,442	49,800	50,959
Accounting	8,326	6,244	10,928	11,448	36,946	5,724	9,367	15,091	52,037	48,128
Bank fees	7,556	5,667	9,917	10,390	33,530	5,195	8,501	13,696	47,226	43,325
Travel	11,644	4,331	8,670	7,710	32,355	4,735	6,265	11,000	43,355	24,898
Computer supplies and service	4,004	19,208	5,460	5,468	34,140	3,594	4,474	8,068	42,208	30,427
Outside services	3,150	14,283	2,252	5,530	25,215	14,554	-	14,554	39,769	53,922
Insurance	4,435	3,326	5,821	6,098	19,680	3,049	4,989	8,038	27,718	24,268
List rentals	251	27,016	-	-	27,267	-	-	-	27,267	23,648
Cost of merchandise	3,305	12,035	1,800	7,040	24,180	-	-	-	24,180	23,029
Utilities	3,963	2,779	4,841	5,308	16,891	2,643	4,120	6,763	23,654	25,521
Supplies – operations	160	-	123	16,227	16,510	2,831	-	2,831	19,341	21,219
Repairs and maintenance	2,804	2,103	3,681	3,856	12,444	1,928	3,155	5,083	17,527	17,000
Bad debt expense	-	-	-	-	-	-	16,371	16,371	16,371	-
Advertising	275	6,728	-	7,821	14,824	4	709	713	15,537	15,400
Temporary help	-	-	-	11,986	11,986	493	327	820	12,806	24,044
Supplies – office	2,454	1,130	1,972	4,971	10,527	1,424	1,948	3,372	13,899	12,529
Housekeeping	1,779	1,334	2,335	2,446	7,894	1,223	2,002	3,225	11,119	8,082
Taxes and licenses	-	-	1,225	3,205	4,430	5,392	692	6,084	10,514	19,411
Awards	2,064	-	-	-	2,064	-	1,373	1,373	3,437	9,204
Telephone	515	352	618	650	2,135	356	462	818	2,953	2,158
Dues and subscriptions	100	-	496	225	821	504	797	1,301	2,122	7,940
Legal	-	-	-	-	-	-	300	300	300	1,020
Miscellaneous	-	-	-	-	-	-	130	130	130	1,269
<b>Total Expenses Excluding Direct Benefit Costs</b>	<b>590,033</b>	<b>570,054</b>	<b>514,902</b>	<b>462,564</b>	<b>2,137,553</b>	<b>411,906</b>	<b>322,478</b>	<b>734,384</b>	<b>2,871,937</b>	<b>3,090,704</b>
Direct benefit costs	-	-	-	-	-	21,157	-	21,157	21,157	22,090
<b>TOTAL EXPENSES</b>	<b>\$ 590,033</b>	<b>\$ 570,054</b>	<b>\$ 514,902</b>	<b>\$ 462,564</b>	<b>\$ 2,137,553</b>	<b>\$ 433,063</b>	<b>\$ 322,478</b>	<b>\$ 755,541</b>	<b>\$ 2,893,094</b>	<b>\$ 3,112,794</b>

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

**AMERICAN HORTICULTURAL SOCIETY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2020**

**(With Summarized Financial Information for the Year Ended June 30, 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 16,330	\$ 150,914
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	102,224	97,754
Realized and unrealized gains on investments	(25,317)	(217,222)
Changes in assets and liabilities:		
Pledges receivable	5,271	10,990
Prepaid expenses and other assets	64,968	(72,677)
Accounts payable and accrued expenses	19,724	(59,793)
Contract liabilities	<u>(110,251)</u>	<u>160,010</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>72,949</u>	<u>69,976</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(660,053)	(3,677,550)
Proceeds from sales of investments	738,287	3,901,140
Purchases of property and equipment	<u>(74,600)</u>	<u>(77,811)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>3,634</u>	<u>145,779</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	226,769	-
Principal repayments on note payable	(26,564)	(27,186)
Principal payments on capital lease obligation	<u>(3,026)</u>	<u>(10,551)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>197,179</u>	<u>(37,737)</u>
<b>NET INCREASE IN CASH</b>	273,762	178,018
<b>CASH, BEGINNING OF YEAR</b>	<u>627,478</u>	<u>449,460</u>
<b>CASH, END OF YEAR</b>	<u>\$ 901,240</u>	<u>\$ 627,478</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 49,800</u>	<u>\$ 50,959</u>

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



# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The American Horticultural Society (the Society) was organized in the District of Columbia as a not-for-profit organization. Through its educational outreach and resources, national and local partnerships and programs, and publicly accessible on-site gardens, the Society connects people to gardening, raises awareness of earth-friendly gardening practices, introduces children to plants and the natural world, collaborates with partners to address important national issues, and showcases the art and practice of horticulture. The Society's membership includes nearly 20,000 avid gardeners, plant enthusiasts, and horticultural professionals, as well as numerous national and regional partner organizations. The Society's significant sources of support include membership dues, contributions, educational programs, and River Farm rentals.

The Society's activities and focus areas are as follows:

*Educational Programs* – These activities focus on sharing the art and practice of horticulture with people at all levels of gardening expertise, with a special emphasis on gardening for 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. The society partners with a range of nonprofit organizations and governmental agencies to educate and engage the public on issues at the intersection of horticulture, the environment, individual and community health. A reciprocal admission program offers members free or reduced admission to approximately 325 public gardens and arboreta nationwide and, along with international travel-study trips and other special programs, offers the opportunity for experiential, garden-based learning and appreciation. 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.

*Membership* – As a membership organization, the AHS provides services and outreach in support of its 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 inspiring them to have 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 membership agreements connect the Society's members with a national network of public gardens and horticultural organizations extending the Society's educational reach.

*Communications* – Communications activities are a key part of the Society's educational outreach and member service offerings. The Society's flagship bimonthly member publication, The American Gardener magazine provides useful and authoritative information on a range of horticulture topics. In combination with other resources offered via the Society's website,

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Organization (continued)**

ahsgardening.org, an online magazine archive, with issues dating back to 1922, provides the general public with access to a vast trove of gardening information and ideas. With more than 100 books devoted to horticultural practice and the world of ornamental plants published under the Society 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. The Society engages a national community of gardeners and garden enthusiasts around the world via multiple social media platforms.

*Gardens and Buildings* – The Society maintains, opens to the public, and enhances River Farm, the Society’s 25-acre headquarters, which was one of five Virginia properties originally owned by George Washington. A site of regional, national, horticultural and historic significance, River Farm is open to visitors and serves as a venue for educational programs, botanically themed 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. River Farm staff work with an engaged local volunteer base to maintain the property. River Farm staff also provide interpretive educational content, tours and coordination in support of the Society’s on-site and national programs. The Society derives revenue to maintain River Farm and support its mission programs through its garden shop, exhibition program, tours, and site rentals for weddings, memorials, retreats, and special events.

**Basis of Accounting**

The financial statements of the Society are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned, and expenses are recognized when the obligations are incurred.

**Investments**

Investments are measured at fair value and are composed of common stock, bond funds, money market funds, certificates of deposit and mutual funds. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included with investment income in the accompanying statement of activities.

Investment income is reported as an increase or decrease in net assets without donor restrictions, unless restricted by donor or law. However, investment earnings are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the investment earnings are recognized.

**Fair Value Measurement**

Accounting standards define fair value, establish a framework for measuring fair value in accordance with GAAP, and expand disclosures about fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis. Accounting

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Fair Value Measurement (continued)**

standards determine fair value using assumptions that market participants would use to determine the price of the asset or liability, as opposed to measurements determined based upon information specific to the entity holding those assets and liabilities. To determine those market participant assumptions, accounting standards established a fair value hierarchy of inputs that the entity must consider, including both independent market data inputs and the entity's own assumptions about the market participant assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

The three levels of the fair value hierarchy are described as follows:

*Level 1* – Based on unadjusted quoted market prices in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* – Based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Based on unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining fair value.

The Society's assets that are measured at fair value on a recurring basis are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, in Note 3.

**Pledges Receivable**

The Society records pledges receivable at estimated fair value. An allowance for doubtful accounts is recorded based on the length of time balances have remained outstanding and past history with donors. Pledges receivable are written off against the allowance when deemed uncollectible by management.

**Property and Equipment and Related Depreciation**

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 50 years for buildings and building improvements and three to 10 years for furniture and equipment). Maintenance and repairs, including planned major maintenance activities, are charged to expenses when incurred; major renewals and improvements are capitalized. Donated property and equipment are recorded at fair value at the date of donation. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue and support or expenses in the accompanying statement of activities.

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# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Impairment of Long-Lived Assets**

In accordance with FASB ASC Topic 360, *Property, Plant and Equipment*, AHS reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the year ended June 30, 2020.

#### **Assets Held for Sale**

GAAP requires that long-lived assets to be sold be classified as “held for sale” in the period in which certain criteria are met. As a result, depreciation is not recorded on an asset once deemed to be held for sale, and it is recorded in the financial statements at the lower of its carrying value or fair value less costs to sell.

#### **Revenue Recognition**

Membership dues include an exchange element based on benefits received by the member, with the remainder considered a contribution. The Society recognizes the contribution portion of membership dues upon receipt. Membership dues are on an anniversary-date basis and are recognized ratably over the membership period since member benefits are delivered to members throughout the membership period. Accordingly, dues paid by members in advance of the reporting period to which the dues pertain are reported as contract liabilities in the accompanying statement of financial position.

Unconditional contributions are recognized as revenue in the reporting period in which they are received or when unconditional promises are made. Contributions are considered available for unrestricted use unless specifically restricted by the donor. The Society reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Unconditional contributions that have been committed to the Society, but have not been received as of year-end, are reflected as pledges receivable in the accompanying statement of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from educational programs are recognized at the time the events take place. Accordingly, revenue related to these events received in advance is recorded as contract liabilities in the accompanying statement of financial position.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Revenue Recognition (continued)**

Revenue from River Farm rental are recognized at the time the events for which the rental was made take place. Accordingly, revenue related to these events received in advance is recorded as contract liabilities in the accompanying statement of financial position.

Annual gala sponsorships are considered conditional contributions until the gala takes place and therefore are not recognized as revenue until the gala occurs. Ticket sales for the annual gala are recognized in the year in which the gala takes place. Accordingly, sponsorships and ticket sales for the annual gala received in advance are recorded as refundable advances and contract liabilities, respectively, in the accompanying statements of financial position.

Donated goods and services are recognized as support at the estimated fair value of the goods or services when the goods or services are received or when an unconditional pledge to contribute the goods or services has been made.

Books and merchandise sales are recorded as revenue when the goods or merchandise are shipped. Royalty income from publications are recognized at the point in time the publications are shipped. Other income consist of proceeds from the sale of an easement on a property and are recognized at the point of sale.

#### **Classification of Net Assets**

The Society's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Society at the discretion of the Society's management and the Board of Directors (the Board).  
From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of the Society are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employee's timesheets. Fringe benefits and shared costs (such as postage, supplies, telephone, utilities, depreciation, interest, accounting, computer supplies and service and repairs and maintenance) that benefit multiple functional areas have been allocated among the various functional areas based on actual time and effort expended on those functional areas.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **New Accounting Pronouncements**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Society adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact the Society's results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Society implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

### 2. Investments

Investments consisted of the following as of June 30, 2020:

Common stock	\$ 1,636,106
Bond funds	938,619
Money market funds	265,128
Mutual funds	191,845
Certificate of deposits	<u>100,000</u>
Total Investments	<u>\$ 3,131,698</u>

Investment income is summarized as follows for the year ended June 30, 2020:

Interest and dividends	\$ 67,963
Realized and unrealized gains	<u>25,317</u>
Total Investment Income	93,280
Less: Investment fees	<u>(20,292)</u>
Investment Income, Net	<u>\$ 72,988</u>

Continued

**AMERICAN HORTICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

3. Fair Value Measurement

The following table summarizes the Society's assets measured at fair value on a recurring basis as of June 30, 2020, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock:				
Financials	\$ 309,951	\$ 309,951	\$ -	\$ -
Information technology	272,159	272,159	-	-
Healthcare	180,066	180,066	-	-
Telecommunications	171,333	171,333	-	-
Industrials	153,643	153,643	-	-
Materials	106,025	106,025	-	-
Consumer discretionary	174,084	174,084	-	-
Consumer staples	113,366	113,366	-	-
Energy	39,841	39,841	-	-
Real estate	80,021	80,021	-	-
Utilities	16,483	16,483	-	-
Miscellaneous	<u>19,134</u>	<u>19,134</u>	-	-
Total Common Stock	1,636,106	1,636,106	-	-
Corporate bonds	761,060	-	761,060	-
US treasury bonds	177,559	-	177,559	-
Mutual funds	<u>191,845</u>	<u>191,845</u>	-	-
Total Investments Measured at Fair Value	2,766,570	<u>\$ 1,827,951</u>	<u>\$ 938,619</u>	<u>\$ -</u>
Money market funds <sup>(a)</sup>	265,128			
Certificates of deposit <sup>(a)</sup>	<u>100,000</u>			
Total Investments	<u>\$ 3,131,698</u>			

(a) These investments are measured at amortized costs and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

The Society used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

*Common stock* – Valued at the closing price reported in the active market in which the individual stocks are traded.

Continued

**AMERICAN HORTICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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3. Fair Value Measurement (continued)

*US Treasury obligations and bond funds* – Valued on the basis of current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

*Mutual funds* – Valued using the net asset value of shares held at year-end and on the basis of quoted market prices in active markets. Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy.

4. Property and Equipment and Asset Held for Sale

The Society's property and equipment consisted of the following as of June 30, 2020:

Furniture and equipment	\$ 319,842
Less: Accumulated Depreciation	<u>(220,960)</u>
Property and Equipment, Net	<u>\$ 98,882</u>

Depreciation expense totaled \$102,224 for the year ended June 30, 2020.

On June 18, 2020, the Board approved a plan to sell River Farm, a 15-acre property on where the Society's headquarters are located. The Society's staff immediately started to actively market River Farm upon getting the approval from the Board to sell the property in June 2020 and they started the process of getting the property appraised and look for a realtor who can help the Society to facilitate the sale. On September 2, 2020, the Society signed an agreement with a realtor to list River Farm for sale. As such, this property is reported as an asset held for sale on the statement of financial position.

5. Contract Liabilities

The Society's contract liabilities consisted of the following as of June 30, 2020:

Membership dues	\$ 289,200
Travel study fees	247,989
Rental fees	123,090
Other	<u>36,292</u>
Total Contract Liabilities	<u>\$ 696,571</u>

6. Notes 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 disbursed as construction progressed. The loan was payable in monthly installments

Continued



**AMERICAN HORTICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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6. Notes Payable (continued)

of interest only at an interest rate of 5.25% on the outstanding principal balance until May 29, 2013 (the Conversion Date). From 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 4.5%. The loan will mature on November 29, 2037, and is secured by the Society's property, including 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 financial covenants. The Society is in compliance with these financial covenants.

Maturities of the note payable for each of the next five years and thereafter are as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2021	\$ 30,333
2022	31,988
2023	33,732
2024	32,486
2025	37,527
Thereafter	<u>714,374</u>
Total	<u>\$ 880,440</u>

Interest expense relating to the loan agreement totaled \$49,800 for the year ended June 30, 2020.

In addition, on May 4, 2020, the Society's Small Business Administration loan application for the amount of \$226,769 was approved by a financial institution. The loan will mature on May 4, 2022, with a fixed interest rate of 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which minimally requires at least 75% of the loan are used to cover payroll costs and the remainder is used for mortgage interest, rent and utility costs over an 8 or optional 24 week period after the loan is made; and the number of employees and compensation levels are maintained.

7. Line of Credit

The Society has a revolving secured line of credit for \$300,000 with a bank, to be drawn upon as needed with a fixed interest rate of 3.25%. The line of credit is secured by a blanket Uniform Commercial Code lien on all business assets of the Society. Funds drawn on the line are subject to various restrictive financial covenants and the Society is in compliance with the financial covenants. The line of credit is renewable annually and is currently extended to March 6, 2021. During the year ended June 30, 2020, the Society had no draws on the line of credit.

Continued

**AMERICAN HORTICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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8. Net Assets

**Net Assets Without Donor Restrictions**

The Society's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve. As of June 30, 2020, the Society's net assets without donor restrictions were as follows:

Undesignated	\$ 2,833,611
Board-designated reserve	<u>758,655</u>
Total Net Assets Without Donor Restrictions	<u>\$ 3,592,266</u>

The board-designated net assets for a working capital reserve were instituted to provide funding for various strategic initiatives of the Society.

**Net Assets With Donor Restrictions**

Net assets subject to expenditure for specified purposes as of June 30, 2020:

Watkins water feature	\$ 247,746
Estate House restoration	26,645
Monrovia plants	16,370
Carriage House improvements	13,889
Driveway repairs and paving	13,229
Children's Garden	4,000
The Endowment Fund	<u>6,519</u>
Total Subject to Expenditure for Specified Purpose	<u>328,398</u>

Net assets in perpetuity consisted of the following as of June 30, 2020:

Wilma L. Pickard Endowment Fund	220,000
Jane Steffey Endowment #1	83,349
Jane Steffey Endowment #2	50,000
Frances Poetker Endowment	50,000
Marks Endowment	50,000
H. Marc Cathey Award Endowment Fund	30,870
Hunt Endowment	25,000
Jane Taylor Teaching Award Endowment Fund	20,500
Youth Gardening Intern Endowment	<u>10,000</u>
Total Net Assets in Perpetuity	<u>539,719</u>
Total Net Assets With Donor Restrictions	<u>\$ 868,117</u>

Continued

**AMERICAN HORTICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

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8. Net Assets (continued)

**Net Assets With Donor Restriction (continued)**

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes. For the year ended June 30, 2020, net assets released from restrictions were as follows:

Satisfaction of restrictions specified for purpose:	
The Endowment Fund	\$ 48,000
Brides' Walkway	30,000
Estate House restoration	6,583
Carriage House improvements	<u>1,159</u>
Total Net Assets Released from Restrictions	<u>\$ 85,742</u>

9. Endowments

The Society's endowments consist of numerous individual funds established for a variety of purposes. The endowments consist 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.

**Interpretation of Relevant Law**

The Society has interpreted the Virginia's 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 funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of the initial gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time at which the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with donor restrictions subject to expenditure for a specified purpose as appropriated for expenditure by the Society in a manner consistent with the standard 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:

- The duration and preservation of the fund.
- The purposes of the Society and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.

Continued

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

### 9. Endowments (continued)

#### **Interpretation of Relevant Law (continued)**

- Other resources of the Society.
- 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, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period, as well as board-designated funds. 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 to provide reasonable and predictable funds for the Society's program purposes supported by its endowments held in perpetuity and to maintain a balance between the Society's spending and the protection of the principal.

#### **Endowment 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.

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020.

#### **Composition of Endowments by Net Asset Category**

The Society's endowment net asset composition by fund type was as follows as of June 30, 2020:

	<u>For A Specified Purpose</u>	<u>Held In Perpetuity</u>	<u>Total</u>
Donor-restricted	<u>\$ 6,519</u>	<u>\$ 539,719</u>	<u>\$ 546,238</u>

Continued

**AMERICAN HORTICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

9. Endowments (continued)

**Composition of Endowments by Net Asset Category (continued)**

Changes in endowment net assets were as follows for the year ended June 30, 2020:

	<u>For A Specified Purpose</u>	<u>Held In Perpetuity</u>	<u>Total</u>
Endowment net assets, July 1, 2019	\$ 3,992	\$ 539,719	\$ 543,711
Investment return:			
Investment income, net	50,527	-	50,527
Appropriations for expenditure	<u>(48,000)</u>	<u>-</u>	<u>(48,000)</u>
Endowment Net Assets, June 30, 2020	<u>\$ 6,519</u>	<u>\$ 539,719</u>	<u>\$ 546,238</u>

The endowment net assets with donor restrictions were as follows as of June 30, 2020:

The portion of perpetual endowment funds that was subject to purpose restriction under UPMIFA	<u>\$ 6,519</u>
The portion of perpetual endowment funds that was required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA	<u>\$ 539,719</u>

10. Commitments and Risks

The Society maintains its cash with certain commercial financial institutions in the U.S., which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2020, the Society had approximately \$934,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$609,000. The Society monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

In March 2019, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States and international communities. The Society is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Society's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Society, at the time of issuance, the impact could not be determined.

Continued

## AMERICAN HORTICULTURAL SOCIETY

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

#### 11. Availability and Liquidity

The Society regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Society's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2020, were as follows:

Cash	\$ 901,240
Investments	3,131,698
Pledges receivable	<u>11,100</u>
Total Financial Assets Available Within One Year	4,044,038
Less amounts unavailable for general expenditures within one year:	
Amounts restricted by donors to be held in perpetuity	(539,719)
Amounts restricted by donors with purpose restrictions	(328,398)
Amounts unavailable to management without board approval:	
Board-designated	<u>(617,200)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 2,558,721</u>

The Society has various sources of liquidity at its disposal, including cash and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Society throughout the year. This is done through monitoring and reviewing the Society's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Society's cash flow related to the Society's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. The Society can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, the Society has a committed line of credit of \$300,000 which is fully available to draw upon as of June 30, 2020.

#### 12. Employee Benefit Plan

The Society maintains a tax-deferred annuity plan that covers all employees meeting certain age and length-of-service requirements. Employees may elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum permitted by law. Employees may begin to contribute on the first of the month following employment. After one year of employment, the Society matches elective employee deferrals in whole percentage amounts (1%, 2%, 3%, 4% or 5%) up to 5% of the employee's compensation. The Society's contribution to the Plan totaled \$22,642 for the year ended June 30, 2020.

## AMERICAN HORTICULTURAL SOCIETY

### NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2020

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#### 13. Income Taxes

The Society is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. No provision for income taxes is required for the year ended June 30, 2020, because the Society had no significant net taxable unrelated business income.

The Society adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Society performed an evaluation of uncertainty in income taxes for the year ended June 30, 2020, and determined that there were no matters that would require recognition in the financial statements, or that may have any effect on its tax-exempt status. The statute of limitations with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Society files tax returns is open, however, there are currently no examinations in progress. It is the Society's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense or interest. As of June 30, 2020, the Society had no accruals for interest and/or penalties.

#### 14. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not 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 Society's audited financial statements for the year ended June 30, 2019, from which the summarized information was prepared.

#### 15. Reclassifications

Certain 2019 balances have been reclassified to conform with the 2020 financial statements presentation.

#### 16. Subsequent Events

In preparing the financial statements, the Society has evaluated for potential recognition or disclosure, events and transactions through November 12, 2020, the date the financial statements were available to be issued. Except for the subsequent event disclosed in Note 4, under Property and Equipment and Asset Held for Sale, there were no subsequent events that require recognition or disclosure in these financial statements.