



AMERICAN HORTICULTURAL SOCIETY

Financial Statements

For The Year Ended June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)



**and
Report Thereon**



AMERICAN HORTICULTURAL SOCIETY

TABLE OF CONTENTS
For the Year Ended June 30, 2021

	Page
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	7-23

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, 2021, 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.

Opinion

In our opinion, the 2021 financial statements referred to above present fairly, in all material respects, the financial position of the American Horticultural Society as of June 30, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2020 as reported in Note 10, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Washington, DC
May 19, 2022

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With Summarized Financial Information as of June 30, 2020)

	2021	2020
ASSETS		
Cash	\$ 501,114	\$ 901,240
Investments	3,319,727	3,131,698
Pledges receivable	2,114	11,100
Prepaid expenses and other assets	100,204	115,055
Asset held for sale	-	2,127,294
Property and equipment, net	2,130,848	98,882
TOTAL ASSETS	\$ 6,054,007	\$ 6,385,269
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 394,818	\$ 118,080
Contract liabilities	554,021	696,571
Capital lease obligation	-	3,026
Note payable – Paycheck Protection Program (PPP)	226,769	226,769
Note payable – other	850,229	880,440
TOTAL LIABILITIES	2,025,837	1,924,886
Net Assets		
Without donor restrictions	2,521,670	2,945,258
With donor restrictions	1,506,500	1,515,125
TOTAL NET ASSETS	4,028,170	4,460,383
TOTAL LIABILITIES AND NET ASSETS	\$ 6,054,007	\$ 6,385,269

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

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Membership dues	\$ 842,310	\$ -	\$ 842,310	\$ 841,810
Investment income, net	582,300	38,506	620,806	72,988
Contributions	514,951	-	514,951	873,305
River Farm rentals	190,330	-	190,330	185,670
Educational programs	159,505	-	159,505	573,156
Books and merchandise	63,274	-	63,274	48,193
Donated goods and services	53,712	-	53,712	110,321
Annual gala	34,703	-	34,703	193,965
Less: Direct benefit costs	-	-	-	(21,157)
Annual gala, net	34,703	-	34,703	172,808
Other income	2,456	-	2,456	10,016
Net assets released from restrictions:				
Satisfaction of purpose restrictions	47,131	(47,131)	-	-
TOTAL REVENUE AND SUPPORT	2,490,672	(8,625)	2,482,047	2,888,267
EXPENSES				
Program Services:				
Communications	464,733	-	464,733	514,902
Gardens and buildings	453,350	-	453,350	462,564
Membership	462,362	-	462,362	570,054
Educational programs	230,542	-	230,542	590,033
Total Program Services	1,610,987	-	1,610,987	2,137,553
Supporting Services:				
Fundraising and development	219,453	-	219,453	411,906
Management and general	296,794	-	296,794	322,478
Total Supporting Services	516,247	-	516,247	734,384
TOTAL EXPENSES	2,127,234	-	2,127,234	2,871,937
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS BEFORE OTHER ITEMS	363,438	(8,625)	354,813	16,330
OTHER ITEMS				
Legal expenses – River Farm related (Note 10)	(1,132,032)	-	(1,132,032)	-
Insurance reimbursements	118,237	-	118,237	-
CHANGE IN NET ASSETS FROM CONTINUING OPERATIONS	(650,357)	(8,625)	(658,982)	16,330
Forgiveness of note payable – PPP	226,769	-	226,769	-
CHANGE IN NET ASSETS	(423,588)	(8,625)	(432,213)	16,330
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	2,945,258	1,515,125	4,460,383	4,444,053
NET ASSETS, END OF YEAR	\$ 2,521,670	\$ 1,506,500	\$ 4,028,170	\$ 4,460,383

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

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	Program Services				Supporting Services			2021 Total	2020 Total	
	Communications	Gardens and Buildings	Membership	Educational Programs	Total Program Services	Fundraising and Development	Management and General			Total Supporting Services
Salaries and wages	\$ 187,799	\$ 187,799	\$ 102,136	\$ 118,610	\$ 596,344	\$ 74,461	\$ 116,962	\$ 191,423	\$ 787,767	\$ 992,624
Consulting and professional fees	68,924	42,822	85,207	27,251	224,204	20,591	19,819	40,410	264,614	191,049
Benefits, taxes, and training	32,559	32,253	17,480	20,399	102,691	12,743	20,017	32,760	135,451	191,644
Postage	41,861	2,936	55,789	2,305	102,891	13,039	1,858	14,897	117,788	172,884
Printing	40,068	-	62,205	-	102,273	6,585	591	7,176	109,449	166,599
Depreciation	22,879	22,879	12,392	14,299	72,449	8,580	14,299	22,879	95,328	102,224
Legal – general administrative	-	-	-	-	-	-	74,015	74,015	74,015	300
Mail services	3,111	-	42,984	-	46,095	9,807	-	9,807	55,902	61,560
Donated goods and services	-	30,050	-	48	30,098	23,614	-	23,614	53,712	110,321
Interest	11,108	11,108	6,017	6,942	35,175	4,165	6,942	11,107	46,282	49,800
Outside services	-	16,831	12,858	-	29,689	15,087	138	15,225	44,914	39,769
Computer supplies and service	5,766	5,286	19,036	5,993	36,081	6,096	-	6,096	42,177	42,208
Repairs and maintenance	9,838	9,838	5,329	6,148	31,153	3,689	6,149	9,838	40,991	17,527
Bank fees	7,411	7,411	4,582	4,680	24,084	2,938	4,615	7,553	31,637	47,226
Insurance	7,157	7,157	3,893	4,520	22,727	2,838	4,458	7,296	30,023	27,718
Accounting	7,140	7,140	3,868	4,463	22,611	2,678	4,463	7,141	29,752	52,037
Utilities	5,912	5,912	3,215	3,733	18,772	2,344	3,682	6,026	24,798	23,654
Meetings, tours, and activities	-	23,013	-	4	23,017	-	-	-	23,017	379,762
Housekeeping	4,227	4,227	2,290	2,642	13,386	1,585	2,642	4,227	17,613	11,119
Travel	3,512	3,512	1,902	2,992	11,918	1,317	2,195	3,512	15,430	43,355
Advertising	-	7,573	6,723	300	14,596	49	-	49	14,645	15,537
Supplies – office	2,411	3,782	2,816	1,479	10,488	908	1,426	2,334	12,822	13,899
Taxes and licenses	1,480	702	-	-	2,182	4,390	5,703	10,093	12,275	10,514
List rentals	-	-	10,885	-	10,885	-	-	-	10,885	27,267
Cost of merchandise	-	8,744	-	1,136	9,880	990	-	990	10,870	24,180
Miscellaneous	20	1,500	-	-	1,520	-	5,955	5,955	7,475	130
Supplies – operations	-	5,687	-	311	5,998	-	-	-	5,998	19,341
Telephone	1,388	1,388	755	877	4,408	550	865	1,415	5,823	2,953
Dues and subscriptions	162	3,153	-	46	3,361	409	-	409	3,770	2,122
Awards	-	-	-	1,364	1,364	-	-	-	1,364	3,437
Temporary help	-	647	-	-	647	-	-	-	647	12,806
Bad debt	-	-	-	-	-	-	-	-	-	16,371
Total Expenses Excluding Direct Benefit Costs and Legal Expenses	464,733	453,350	462,362	230,542	1,610,987	219,453	296,794	516,247	2,127,234	2,871,937
Legal expenses – River Farm related	-	-	-	-	-	-	1,132,032	1,132,032	1,132,032	-
Direct benefit costs	-	-	-	-	-	-	-	-	-	21,157
TOTAL EXPENSES	\$ 464,733	\$ 453,350	\$ 462,362	\$ 230,542	\$ 1,610,987	\$ 219,453	\$ 1,428,826	\$ 1,648,279	\$ 3,259,266	\$ 2,893,094

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

AMERICAN HORTICULTURAL SOCIETY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (432,213)	\$ 16,330
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,328	102,224
Realized and unrealized gains on investments	(590,312)	(25,317)
Forgiveness of note payable – PPP	(226,769)	-
Changes in assets and liabilities:		
Pledges receivable	8,986	5,271
Prepaid expenses and other assets	14,851	64,968
Accounts payable and accrued expenses	276,738	19,724
Contract liabilities	(142,550)	(110,251)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(995,941)	72,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(827,106)	(660,053)
Proceeds from sales of investments	1,229,389	738,287
Purchases of property and equipment	-	(74,600)
NET CASH PROVIDED BY INVESTING ACTIVITIES	402,283	3,634
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable – PPP	226,769	226,769
Principal repayments on note payable – other	(30,211)	(26,564)
Principal payments on capital lease obligation	(3,026)	(3,026)
NET CASH PROVIDED BY FINANCING ACTIVITIES	193,532	197,179
NET INCREASE (DECREASE) IN CASH	(400,126)	273,762
CASH, BEGINNING OF YEAR	901,240	627,478
CASH, END OF YEAR	\$ 501,114	\$ 901,240
NONCASH FINANCING ACTIVITIES		
Forgiveness of note payable – PPP	\$ 226,769	\$ -
Cash payments for interest	\$ 46,282	\$ 49,800
NONCASH INVESTING ACTIVITIES		
Asset held for sale	\$ (2,127,294)	\$ 2,127,294
Property and equipment	2,127,294	(2,127,294)
	\$ -	\$ -

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, 2021

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:

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, 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 founding father George Washington and was an outlying tract of his home, the greater Mount Vernon Estate. River Farm has been used as the headquarters for the Society since shortly after its acquisition in the early 1970's. 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

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

Organization (continued)

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.

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, and 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.

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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

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

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 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.

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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

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

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.

Impairment of Long-Lived Assets

In accordance with FASB ASC Topic 360, *Property, Plant and Equipment*, the Society 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, 2021.

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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

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.

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.

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.

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 contract liabilities in the accompanying statement of financial position.

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 miscellaneous items and are recognized at 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 timesheets. Fringe benefits and shared costs (such as postage, supplies,

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

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

Functional Allocation of Expenses (continued)

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.

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.

Measure of Operations

The Society considers the forgiveness of note payable – Paycheck Protection Program to be nonoperating in nature.

New Accounting Pronouncements to be Adopted

In September 2020, the FASB issued ASU 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU will now require a separate line item for contributed nonfinancial assets on the statement of activities and a disaggregation by type if there are many different kinds of nonfinancial assets that are received in the notes. The guidance also requires qualitative information about whether gifts in-kind were either monetized or held and used, policy requirements for monetizing gift-in-kind rather than utilizing them, descriptions of donor-imposed restrictions, description of valuation techniques used to estimate fair value at initial recognition, and principal or most advantageous market used to arrive at a fair value only if the donor restricts the sale or use of the assets in that market. The guidance will be effective for the fiscal year beginning after June 15, 2021, and early adoption is permitted. The Society will evaluate the impact this ASU will have on its financial statements.

2. Investments

Investments consisted of the following as of June 30, 2021:

Equities	\$ 1,997,707
Bond funds	1,253,024
Money market funds	<u>68,996</u>
Total Investments	<u>\$ 3,319,727</u>

Investment income is summarized as follows for the year ended June 30, 2021:

Realized and unrealized gains	\$ 590,312
Interest and dividends	<u>52,189</u>
Total Investment Income	642,501
Less: Investment Fees	<u>(21,695)</u>
Investment Income, Net	<u>\$ 620,806</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

3. Fair Value Measurement

The following table summarizes the Society's assets measured at fair value on a recurring basis as of June 30, 2021, aggregated by the fair value hierarchy level with which those measurements were made:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities:				
Large-cap	\$ 809,409	\$ 809,409	\$ -	\$ -
Mid-cap	447,292	447,292	-	-
Small-cap	71,947	71,947	-	-
International	559,483	559,483	-	-
Emerging markets	109,576	109,576	-	-
Total Common Stock	1,997,707	1,997,707	-	-
Corporate bonds	1,036,299	-	1,036,299	-
US Treasury bonds	216,725	-	216,725	-
Total Investments Measured at Fair Value	3,250,731	\$ 1,997,707	\$ 1,253,024	\$ -
Money market funds ^(a)	68,996			
Total Investments	\$ 3,319,727			

^(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 uses the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

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

Corporate bonds and US Treasury bonds – 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

4. Property and Equipment

The Society's property and equipment consisted of the following as of June 30, 2021:

Furniture and equipment	\$ 647,008
Land improvements	1,244,555
Building and building improvements	1,056,137
Furniture and equipment	<u>319,842</u>
Total Property and Equipment	3,267,542
Less: Accumulated Depreciation	<u>(1,136,694)</u>
Property and Equipment, Net	<u>\$ 2,130,848</u>

Depreciation expense totaled \$95,328 for the year ended June 30, 2021.

On June 18, 2020, the Board approved a plan to sell River Farm, the 25-acre property where the Society's headquarters is located. Upon this decision, the Society's staff immediately began actively marketing the property, began the appraisal process and, on September 2, 2020, engaged a realtor to assist in facilitating the sale. As such, the Society deemed the sale of River Farm imminent and the property was reported as an asset held for sale on the statement of financial position as of June 30, 2020. Although the Board received and reviewed offers from potential purchasers, no sale agreement was entered into during the year ended June 30, 2021. Additionally, on October 3, 2021, the Board passed a resolution not to sell River Farm (see Note 10). As a result, the property has been reclassified from asset held for sale to property and equipment and the related depreciation for the year ended June 30, 2021, has been recorded.

5. Contract Liabilities

The following table provides information about significant changes in the deferred agency fees and client reviews and other deferred revenue for the year ended December 31, 2021:

Contract Liabilities for Membership and Travel Study, Beginning of Year	\$ 537,188
Membership dues recognized during the year	(573,900)
Travel study fees recognized during the year	(23,460)
Amount refunded for travel study fees	(81,440)
Cash received during the year for membership dues, net of refunds	587,995
Cash received during the year for travel study fees, net of refunds	<u>8,000</u>
Contract Liabilities for Membership and Travel Study, End of Year	<u>454,383</u>
Other Contract Liabilities, Beginning of Year	159,383
Rental, youth symposium and other revenue recognized	(181,859)
Amount refunded for rental, youth symposium and other revenue	(48,717)
Cash received during the year for rental, youth symposium and other	<u>170,831</u>
Other Contract Liabilities, End of Year	<u>99,638</u>
Contract Liabilities, End of Year	<u>\$ 554,021</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

6. Note Payable – Paycheck Protection Program

On May 4, 2020, the Society received Small Business Administration (SBA) loan proceeds in the amount of \$226,769 from a financial institution. The loan had a fixed interest rate of 1% per annum and payments of principal and interest were deferred during the first six months of the loan. The loan amount was eligible for forgiveness, pursuant to the Paycheck Protection Program (PPP) and on December 18, 2020, the SBA approved the Society's application for forgiveness of the PPP loan of \$226,769 including accrued interest.

In addition, on February 17, 2021, the Society's SBA application for an additional loan in the amount of \$226,769 was approved by a financial institution. The loan will mature in February 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 PPP, which requires at least 75% of the loan be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over an 8 or optional 24 week period after the loan is made, assuming the number of employees and compensation levels are maintained. On August 10, 2021, the SBA approved the Society's application for forgiveness of the PPP loan of \$226,769 including accrued interest.

7. Note Payable – Other

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 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:

For the Year Ending June 30,	
2022	\$ 31,988
2023	33,732
2024	32,486
2025	37,527
2026	36,812
Thereafter	<u>677,684</u>
Total	<u>\$ 850,229</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

7. Note Payable – Other (continued)

Interest expense relating to the loan agreement totaled \$46,282 for the year ended June 30, 2021.

8. 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, 2022. During the year ended June 30, 2021, the Society had no draws on the line of credit.

9. 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, 2021, the Society's net assets without donor restrictions were as follows:

Undesignated	\$ 1,763,015
Board-designated reserve	<u>758,655</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,521,670</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, 2021:

Watkins water feature	\$ 247,746
Estate House restoration	23,695
Monrovia plants	16,370
Carriage House improvements	10,289
Driveway repairs and paving	13,229
The Endowment Fund	<u>8,444</u>
Total Subject to Expenditure for Specified Purpose	<u>319,773</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

9. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

Net assets in perpetuity consisted of the following as of June 30, 2021:

River Farm	\$ 647,008
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>1,186,727</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,506,500</u>

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes. For the year ended June 30, 2021, net assets released from restrictions were as follows:

Satisfaction of restrictions specified for purpose:	
The Endowment Fund	\$ 36,581
Children's Garden	4,000
Estate House restoration	2,950
Carriage House improvements	<u>3,600</u>
Total Net Assets Released from Restrictions	<u>\$ 47,131</u>

10. River Farm and Prior Period Adjustment

On June 18, 2020, the Board approved a plan to sell River Farm, the 25-acre property where the Society's headquarters is located and the property was subsequently listed for sale (see Note 4). As a result of this decision and listing, the Board reviewed and considered several offers from interested buyers. These offers included various options, ranging from a possible merger of the Society with another nonprofit organization to sales of just the River Farm property. The Society's plan to sell River Farm resulted in concerns being raised by a number of sources, including certain members of the Society's management, concerned local citizens and the District of Columbia (DC) and Virginia Attorney Generals' Offices. Additionally, the DC Attorney General issued subpoenas to the Society and certain of its officers, employees and former members of its Board of Directors. The Virginia Attorney General also issued an investigative request. These concerns and investigations resulted in the Society incurring \$1,132,032 in legal fees during the year ended June 30, 2021, which is recorded as legal

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

10. River Farm and Prior Period Adjustment (continued)

expenses – Attorney General Investigations in the accompanying statements of activities and functional expenses. These fees relate primarily to the proposed River Farm sale, as well as legal fees incurred by certain of the Society's directors and officers relating to the investigation. The Society received reimbursements from its insurance carrier totaling \$118,237, which is reported as nonoperating activities on the accompanying statement of activities.

During the investigative period, the DC Attorney General's office issued, on December 29, 2020, a Standstill Agreement which was in effect through March 31, 2021. That Agreement requires advance notice to the DC Attorney General of any action to: (a) sell or convey any real property that consists of land on which the Society's current headquarters sits (the "Property"), including but not limited to the property at 7931 East Boulevard Drive, Alexandria, Virginia 22308; or (b) enter into any binding agreement, including without limitation any purchase or sale agreements, letters of intent, commitment letters, term sheets, or similar agreements, concerning the sale or conveyance of the Property.

Following the investigative period, both the DC and Virginia Attorney Generals' Offices determined that a significant prior donor, who directed the payoff of the acquisition mortgage of River Farm in prior years, had legally imposed a permanent restriction that requires River Farm to always remain open to the public and to be used as the Society's headquarters. On March 22, 2021, the DC and Virginia Attorney Generals' Offices informed the Society's Board of Directors that, based on their investigations, the offices regarded River Farm to be subject to donor restrictions requiring that the property be used as the Society's national headquarters and be held open to the public. On October 3, 2021, following a change in management, the Society's Board of Directors voted unanimously to terminate all sale efforts of River Farm and reaffirmed to continue to use the property as a historic site with gardens open to the public.

As a result, the Society has restated its net asset balances as of July 1, 2019, to properly report the fair value of River Farm at the date of donation as net assets with donor restrictions. Thus, net assets without donor restrictions have been decreased and net assets with donor restrictions have increased by \$647,008. There was no effect on total net assets as of June 30, 2019 or the change in net assets for the year ended June 30, 2020, as previously reported.

In addition to the foregoing actions, during April 2021, the Fairfax County Virginia Board of Supervisors voted to create the Wellington at River Farm Historic Overlay District, placing further development and use restrictions on the River Farm property. These restrictions are not part of the permanently restricted gift determination but rather additional zoning and use barriers to any future development of River Farm.

11. 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

11. Endowments (continued)

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.
- 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

11. Endowments (continued)

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. The Society's policy is to continue to appropriate from such individually-deficient funds in accordance with its spending policy. There were no such deficiencies as of June 30, 2021.

Composition of Endowments by Net Asset Category

The Society's endowment net asset composition by fund type was as follows as of June 30, 2021:

	For a Specified Purpose	Held in Perpetuity	Total
Donor-restricted	\$ 8,444	\$ 1,186,727	\$ 1,195,171

Changes in endowment net assets were as follows for the year ended June 30, 2021:

	For a Specified Purpose	Held in Perpetuity	Total
Endowment net assets, July 1, 2020, as previously reported	\$ 6,519	\$ 539,719	\$ 546,238
Reclassification of River Farm	-	647,008	647,008
Endowment net assets, July 1, 2020, as restated	6,519	1,186,727	1,193,246
Investment income, net	38,506	-	38,506
Appropriations for expenditure	(36,581)	-	(36,581)
Endowment Net Assets, June 30, 2021	\$ 8,444	\$ 1,186,727	\$ 1,195,171

The endowment net assets with donor restrictions were as follows as of June 30, 2021:

The portion of perpetual endowment funds that was subject to purpose restriction under UPMIFA	\$ 8,444
The portion of perpetual endowment funds that was required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA	\$ 1,186,727

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

12. Commitments, Risks and Contingencies

Concentration of Credit Risk

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, 2021, the Society had approximately \$526,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$201,000. The Society monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

COVID-19

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. During the year ended June 30, 2021, the Society experienced loss of revenue due to COVID-19, primarily in rental operations and other programs that could not occur or were limited under Federal, State and local regulations. Future impact on the Society's operations and liquidity could not be determined as of the date of this report.

Legal Contingencies

The Society is subject to various legal proceedings and claims which arise in the ordinary course of business. The amount of liability that may finally exist, if any, cannot be reasonably estimated, and no provision for loss has been made in the accompanying financial statements. In the opinion of management, these actions will not result in a significant adverse effect on the Society's financial condition.

13. 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, 2021, were as follows:

Cash	\$ 501,114
Investments	3,319,727
Pledges receivable	<u>2,114</u>
Total Financial Assets Available Within One Year	3,822,955
Less amounts unavailable for general expenditures within one year:	
Amounts restricted by donors to be held in perpetuity	(1,186,727)
Amounts restricted by donors with purpose restrictions	(319,773)
Amounts unavailable to management without board approval:	
Board-designated	<u>(758,655)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,557,800</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2021

13. Availability and Liquidity (continued)

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, 2021.

14. 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 \$2,407 for the year ended June 30, 2021.

15. 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 Internal Revenue Code. No provision for income taxes is required for the year ended June 30, 2021, 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, 2021, 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 pending or 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, 2021, the Society had no accruals for interest and/or penalties.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

16. 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, 2020, from which the summarized information was prepared, including note 10 regarding the restatement of net assets as of July 1, 2019.

17. Subsequent Events

In preparing the financial statements, the Society has evaluated for potential recognition or disclosure, events and transactions through May 19, 2022, the date the financial statements were available to be issued. Except for the subsequent events disclosed in in Notes 4 and 10 relating to River Farm and Note 6 relating to the Paycheck Protection Program, there were no other subsequent events that require recognition or disclosure in these financial statements.