



FINANCIAL REPORT



AMERICAN HORTICULTURAL SOCIETY

AMERICAN HORTICULTURAL SOCIETY

YEARS ENDED JUNE 30, 2023 AND 2022

AMERICAN HORTICULTURAL SOCIETY

FINANCIAL REPORT YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Horticultural Society
Alexandria, Virginia

Opinion

We have audited the accompanying financial statements of American Horticultural Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Horticultural Society as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Horticultural Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Horticultural Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Horticultural Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Horticultural Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Thompson Greenspon

Fairfax, Virginia
February 26, 2024

AMERICAN HORTICULTURAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 744,359	\$ 814,645
Investments	3,831,976	3,790,828
Receivables	51,815	45,930
ERC receivable	255,505	-
Prepaid expenses and other assets	33,341	165,241
Property and equipment, net	1,945,062	2,046,180
Financing lease, right-of-use asset, net	23,050	-
	\$ 6,885,108	\$ 6,862,824
Total Assets	\$ 6,885,108	\$ 6,862,824
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 189,986	\$ 136,573
Contract liabilities - deferred revenue	602,980	798,412
Note payable - other	784,479	815,697
Financing lease liability	22,988	-
	1,600,433	1,750,682
Total Liabilities	1,600,433	1,750,682
 Net Assets		
Without donor restrictions	3,593,867	3,609,643
With donor restrictions	1,690,808	1,502,499
	5,284,675	5,112,142
Total Net Assets	5,284,675	5,112,142
Total Liabilities and Net Assets	\$ 6,885,108	\$ 6,862,824

The Notes to Financial Statements are an integral part of these statements.

AMERICAN HORTICULTURAL SOCIETY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Membership dues	\$ 701,635	\$ -	\$ 701,635	\$ 662,120	\$ -	\$ 662,120
Investment income (loss), net	198,251	50,050	248,301	(358,186)	12,606	(345,580)
Contributions	1,098,095	206,293	1,304,388	2,209,068	-	2,209,068
River Farm rentals	326,944	-	326,944	312,670	-	312,670
Educational programs	1,110,377	-	1,110,377	590,150	-	590,150
Books and merchandise	22,982	-	22,982	31,748	-	31,748
Annual gala	420,411	-	420,411	45,018	-	45,018
Less: Costs of direct benefits to donors	(67,931)	-	(67,931)	(3,470)	-	(3,470)
Annual gala, net	352,480	-	352,480	41,548	-	41,548
Other income	14	-	14	2,253	-	2,253
In-kind contributions	21,313	-	21,313	55,072	-	55,072
Net assets released from restrictions	68,034	(68,034)	-	16,607	(16,607)	-
Total Revenue and Support	3,900,125	188,309	4,088,434	3,563,050	(4,001)	3,559,049
Expenses						
Program services						
Communications	718,081	-	718,081	527,589	-	527,589
Gardens and buildings	654,694	-	654,694	464,992	-	464,992
Membership	841,240	-	841,240	545,048	-	545,048
Educational programs	1,082,263	-	1,082,263	527,528	-	527,528
Total Program Services	3,296,278	-	3,296,278	2,065,157	-	2,065,157
Fundraising and development	416,711	-	416,711	260,753	-	260,753
Management and general	458,417	-	458,417	409,703	-	409,703
Total Expenses	4,171,406	-	4,171,406	2,735,613	-	2,735,613
Change in Net Assets before Other Items	(271,281)	188,309	(82,972)	827,437	(4,001)	823,436
Other Items						
Employee retention credit	255,505	-	255,505	-	-	-
Forgiveness of note payable - Paycheck Protection Program	-	-	-	226,769	-	226,769
Legal expenses - River Farm related (Note 13)	-	-	-	(114,012)	-	(114,012)
Insurance reimbursements	-	-	-	147,779	-	147,779
Change in Net Assets	(15,776)	188,309	172,533	1,087,973	(4,001)	1,083,972
Net Assets, beginning of year	3,609,643	1,502,499	5,112,142	2,521,670	1,506,500	4,028,170
Net Assets, end of year	\$ 3,593,867	\$ 1,690,808	\$ 5,284,675	\$ 3,609,643	\$ 1,502,499	\$ 5,112,142

The Notes to Financial Statements are an integral part of these statements.

AMERICAN HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services				Total Program Services	Fundraising and Development	Management and General	Cost of Direct Benefits to Donors	Overall Total
	Communications	Gardens and Buildings	Membership	Educational Programs					
Expenses									
Salaries and wages	\$ 256,559	\$ 354,876	\$ 184,843	\$ 162,076	\$ 958,354	\$ 123,629	\$ 157,910	\$ -	\$ 1,239,893
Meetings, tours and activities	-	25,630	-	731,151	756,781	21,418	2,108	67,931	848,238
Consulting and professional fees	124,245	3,356	130,928	41,623	300,152	77,409	38,200	-	415,761
Benefits, taxes and training	48,540	60,135	48,111	28,763	185,549	20,491	32,444	-	238,484
Printing	64,433	1,280	123,609	8,326	197,648	34,603	2,634	-	234,885
Postage	69,099	3,081	118,866	10,698	201,744	17,777	3,705	-	223,226
Repairs and maintenance	36,174	48,232	27,561	22,393	134,360	17,226	20,671	-	172,257
Accounting	-	-	-	-	-	-	103,876	-	103,876
Computer supplies and service	17,467	13,391	31,497	9,145	71,500	7,876	5,683	-	85,059
Depreciation	17,591	23,454	13,402	10,889	65,336	8,377	10,052	-	83,765
Mail services	3,722	-	55,413	-	59,135	15,750	-	-	74,885
Advertising and public awareness	2,646	21,500	37,266	3,000	64,412	-	-	-	64,412
Outside services	27,170	7,484	8,452	6,980	50,086	13,489	96	-	63,671
Bank fees	-	5,826	13,769	15,263	34,858	13,769	6,355	-	54,982
Interest	10,498	13,955	8,079	6,525	39,057	5,035	6,145	-	50,237
Insurance	9,519	12,693	7,253	5,893	35,358	4,533	5,440	-	45,331
Loss on abandonment of assets	-	-	-	-	-	-	38,000	-	38,000
Supplies - operations	-	29,634	-	-	29,634	-	-	-	29,634
Utilities	5,739	8,347	4,373	3,553	22,012	2,733	3,280	-	28,025
List rentals	-	-	21,986	-	21,986	-	-	-	21,986
Housekeeping	4,157	5,542	3,167	2,573	15,439	1,979	2,375	-	19,793
Travel	861	28	-	10,203	11,092	4,942	222	-	16,256
Temporary help	12,182	-	-	-	12,182	3,795	-	-	15,977
Supplies - office	2,250	2,628	1,733	2,567	9,178	5,075	1,120	-	15,373
Taxes and licenses	1,548	267	-	-	1,815	10,850	1,988	-	14,653
Other	-	850	193	42	1,085	-	12,797	-	13,882
Cost of merchandise	2,712	8,264	-	-	10,976	-	-	-	10,976
Legal	-	-	-	-	-	4,288	2,157	-	6,445
Telephone	969	1,293	739	600	3,601	462	554	-	4,617
Donated goods and services	-	2,653	-	-	2,653	800	-	-	3,453
Dues and subscriptions	-	295	-	-	295	405	605	-	1,305
Total Expenses by Function	718,081	654,694	841,240	1,082,263	3,296,278	416,711	458,417	67,931	4,239,337
Less expenses included with revenue and support on the statements of activities and changes in net assets									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(67,931)	(67,931)
Total expenses included in the expenses section on the statements of activities and changes in net assets	\$ 718,081	\$ 654,694	\$ 841,240	\$ 1,082,263	\$ 3,296,278	\$ 416,711	\$ 458,417	\$ -	\$ 4,171,406

The Notes to Financial Statements are an integral part of this statement.

AMERICAN HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				Total Program Services	Fundraising and Development	Management and General	Cost of Direct Benefits to Donors	Overall Total
	Communications	Gardens and Buildings	Membership	Educational Programs					
Expenses									
Salaries and wages	\$ 186,220	\$ 195,627	\$ 93,541	\$ 114,921	\$ 590,309	\$ 78,186	\$ 107,260	\$ -	\$ 775,755
Meetings, tours and activities	-	34,595	-	309,653	344,248	22,224	596	3,470	370,538
Consulting and professional fees	84,017	9,562	72,660	5,852	172,091	12,951	28,057	-	213,099
Benefits, taxes and training	35,887	37,382	17,943	21,511	112,723	13,534	23,298	-	149,555
Printing	56,030	598	85,903	2,004	144,535	12,204	7,575	-	164,314
Postage	58,293	4,210	99,277	4,300	166,080	17,126	4,407	-	187,613
Repairs and maintenance	18,280	39,104	9,901	11,426	78,711	6,855	11,425	-	96,991
Accounting	-	-	-	-	-	-	60,156	-	60,156
Computer supplies and service	5,924	5,859	18,879	4,515	35,177	4,562	3,281	-	43,020
Depreciation	20,320	20,320	11,008	12,700	64,348	7,620	12,700	-	84,668
Mail services	4,311	2,035	67,329	-	73,675	15,271	4,250	-	93,196
Advertising and public awareness	-	16,071	5,228	590	21,889	30	-	-	21,919
Outside services	2,149	14,051	11,098	3,187	30,485	15,127	1,767	-	47,379
Bank fees	13,147	13,695	6,574	8,222	41,638	5,478	7,669	-	54,785
Interest	10,009	10,009	5,422	6,255	31,695	3,753	6,855	-	42,303
Insurance	8,623	9,049	4,245	5,389	27,306	3,660	4,963	-	35,929
Supplies - operations	-	20,958	-	-	20,958	-	-	-	20,958
Utilities	7,460	8,076	3,730	4,663	23,929	3,108	4,352	-	31,389
List rentals	-	-	21,158	-	21,158	-	-	-	21,158
Housekeeping	4,272	4,272	2,314	2,670	13,528	1,602	2,670	-	17,800
Travel	1,737	1,759	1,068	3,009	7,573	6,350	1,086	-	15,009
Temporary help	2,820	88	-	-	2,908	22,395	-	-	25,303
Supplies - office	4,382	6,601	7,210	3,722	21,915	3,102	2,380	-	27,397
Taxes and licenses	1,455	1,573	-	-	3,028	5,054	1,286	-	9,368
Cost of merchandise	1,032	6,399	-	-	7,431	-	-	-	7,431
Legal - general administrative	-	-	-	-	-	-	57,804	-	57,804
Telephone	1,119	1,166	560	699	3,544	466	653	-	4,663
Donated goods and services	-	-	-	-	-	-	55,072	-	55,072
Dues and subscriptions	102	1,544	-	-	1,646	95	65	-	1,806
Awards	-	-	-	2,128	2,128	-	-	-	2,128
Miscellaneous	-	389	-	112	501	-	76	-	577
Total Expenses by Function	527,589	464,992	545,048	527,528	2,065,157	260,753	409,703	3,470	2,739,083
Less expenses included with revenue and support on the statements of activities and changes in net assets									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(3,470)	(3,470)
Total expenses included in the expenses section on the statements of activities and changes in net assets	\$ 527,589	\$ 464,992	\$ 545,048	\$ 527,528	\$ 2,065,157	\$ 260,753	\$ 409,703	\$ -	\$ 2,735,613

The Notes to Financial Statements are an integral part of this statement.

AMERICAN HORTICULTURAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 172,533	\$ 1,083,972
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Contributions of donated stock	(223,062)	(1,080,448)
Proceeds from sales of donated stock	222,552	1,077,851
Depreciation	83,765	84,668
Loss on abandonment of assets	38,000	-
Realized and unrealized (gain) loss on investments	(176,388)	380,177
PPP loan forgiveness income - Round 2	-	(226,769)
(Increase) Decrease in		
Receivables	(5,885)	(43,816)
Prepaid expenses and other assets	131,900	(65,037)
ERC receivable	(255,505)	-
Increase (Decrease) in		
Financing lease assets and liabilities	2,899	-
Accounts payable and accrued expenses	53,413	(258,245)
Contract liabilities - deferred revenue	(195,432)	244,391
Net Cash (Used) Provided by Operating Activities	(151,210)	1,196,744
Cash Flows from Investing Activities		
Payments for the purchase of investments	(1,540,128)	(2,115,927)
Proceeds from the sale of investments	1,675,878	1,267,246
Purchases of property and equipment	(17,944)	-
Net Cash Provided (Used) by Investing Activities	117,806	(848,681)
Cash Flows from Financing Activities		
Principal repayments on note payable - other	(31,218)	(34,532)
Principal payments on finance leases	(5,664)	-
Net Cash Used by Financing Activities	(36,882)	(34,532)
Net (Decrease) Increase in Cash and Cash Equivalents	(70,286)	313,531
Cash and Cash Equivalents, beginning of year	814,645	501,114
Cash and Cash Equivalents, end of year	\$ 744,359	\$ 814,645
Supplemental Information		
Interest paid	\$ 50,237	\$ 42,303

The Notes to Financial Statements are an integral part of these statements.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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 more than 22,000 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 (www.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. 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 1970s. 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 site rentals for weddings, memorials, retreats, and special events.

Membership – As a membership organization, the Society 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

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. The Reciprocal Garden Network (formerly known as RAP) offers members free or reduced admission to more than 360 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.

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Revenue Recognition

The Society recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

ASC Topic 606 provides a five-step model for recognizing revenue for exchange transactions:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue

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 - deferred revenue in the accompanying statements of financial position.

Unconditional contributions are recognized as support 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 statements of activities and changes in net assets 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 receivables in the accompanying statements of financial position.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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.

The Society has received indications of conditional contributions to be used specifically for donor-approved buildings and grounds improvements. Due to the uncertain nature of these intentions, the Society has not recognized an asset or contribution revenue for these funds. The estimated total intentions to give approximated \$125,000 and \$-0- as of June 30, 2023 and 2022, respectively.

Revenue from River Farm rentals is 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 - deferred revenue in the accompanying statements of financial position.

Revenue from educational programs is recognized at the time the events take place. Accordingly, revenue related to these events received in advance is recorded as contract liabilities - deferred revenue 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.

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 statements 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 consists of proceeds from the sale of miscellaneous items and are recognized at point of sale.

As of July 1, 2021, receivables, contract assets and contract liabilities approximated \$2,100, \$-0- and \$554,000, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The Society maintains its cash balances with various financial institutions which, at times, may exceed federally insured limits of \$250,000. The Society has not experienced any losses from such accounts.

Donated securities sold and converted to cash nearly immediately are classified as cash flows from operating activities on the statements of cash flows.

Investments

Investments are reported at fair value and are composed of common stock, bond funds, money market funds 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. Unrealized or realized gains and losses, net of investment fees, are reported in the statements of activities and changes in net assets.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investment income (loss), net is reported as an increase or decrease in net assets without donor restrictions, unless restricted by donor or law. However, investment earnings (losses) are reported as changes in net assets without donor restrictions if the restrictions are met in the reporting period in which the investment earnings (losses) are recognized. Donated investments are recorded at fair value on the date of donation.

Fair Value Measurements

Financial Accounting Standards Board (FASB) ASC Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

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

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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

The Society accounts for unconditional promises to give as contributions receivable. A contribution is an unconditional promise to transfer cash or other assets to the Society. Contributions receivable due within one year are measured at net realizable value.

Accounts receivable arise from program services and are determined to be past due based on contractual terms. An allowance for doubtful accounts is recorded based on the length of time balances have remained outstanding and past history with donors. Accounts receivable are written off against the allowance when deemed uncollectible by management. At June 30, 2023 and 2022, there was no allowance considered necessary.

The receivables balance consists of the following as of June 30:

	2023	2022
Contributions receivable	\$ 48,064	\$ -
Accounts receivable	3,751	2,340
Insurance reimbursements receivable	-	43,590
Totals	<u>\$ 51,815</u>	<u>\$ 45,930</u>

Employee Retention Credit

The Society qualifies to claim the employee retention credit for certain quarters in 2020 and 2021. An accrual of \$255,505 has been made as of June 30, 2023 based on management's estimates of the amount, they are eligible to claim.

Property and Equipment

Property and equipment are recorded at cost. The Society capitalizes property and equipment purchases greater than \$3,000. All assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of property and equipment are as follows:

Land improvements	10 - 50 years
Buildings and building improvements	10 - 40 years
Furniture and equipment	3 - 10 years

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 statements of activities and changes in net assets.

Leases

Adoption of New Accounting Standards – Leases

On July 1, 2022, the Society adopted the requirements of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (ASC Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the statement of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Adoption of New Accounting Standards – Leases (continued)

As part of the transition to the new standard, the Society was required to measure and recognize leases that existed at July 1, 2022 using a modified retrospective approach. For leases existing at the effective date, the Society elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost.

The adoption of Topic 842 did not have a material impact with regard to operating ROU assets and liabilities as of July 1, 2022.

Leases Accounting Policy

At lease inception, the Society determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liabilities, and noncurrent operating lease liabilities in the financial statements, as applicable. Finance leases are included in finance lease ROU assets, current finance lease liabilities, and long-term finance lease liabilities in the financial statements.

ROU assets represent the Society's right to use leased assets over the term of the lease. Lease liabilities represent the Society's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured at the present value of the lease payments over the lease term.

The Society uses the rate implicit in the lease if it is readily determinable. Topic 842 includes an accounting policy election for non-public business entities to use the risk-free rate for the measurement of lease liabilities when the rate implicit in the lease is not determinable. The Society elected to utilize the risk-free rate for the measurement of lease liabilities for initial transition and going forward. This rate will be applied to all leases using a period comparable to the lease.

Operating ROU assets are calculated at the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Society if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Society has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with any short-term leases or variable lease payments is included in expenses in the statements of activities and changes in net assets, as applicable.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset associated with finance leases is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases Accounting Policy (continued)

To the extent a lease arrangement includes both lease and non-lease components, the Society has elected to account for the components as a single lease component.

Paycheck Protection Program Loan

As described in Note 8, the Society received a second draw Paycheck Protection Program (PPP) loan. The Society accounts for the loan under FASB ASC Topic 470, *Debt*, whereby the amounts will not be recognized as a gain on extinguishment until the Society is legally released as primary obligor.

Net Assets

Net assets, support and revenue, gains, and losses are classified by the Society based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

In-Kind Contributions

The Society receives donated services from a variety of unpaid volunteers assisting the Society in the operation of the major programs. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. The estimated fair value of these services is provided by the service provider, who estimates the fair value based on the number of hours spent at standard billing rates charged. Other volunteers provide services throughout the year that are not recognized as contributions in the financial statements as they do not meet the requirements for recognition.

The Society recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. See Note 12 for a summary of in-kind contributions.

Income Tax Status

Under Section 501(c)(3) of the Internal Revenue Code (IRC) and the applicable income tax regulations of the Commonwealth of Virginia, the Society is exempt from taxes on income related to its exempt purpose.

The Society has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Society files Form 990, Return of Organization Exempt From Income Tax, and Form 990-T, Exempt Organization Business Income Tax Return, with the Internal Revenue Service and Form 500, Virginia Corporation Income Tax Return. The Society is not currently under audit by any income tax jurisdiction.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements 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, 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.

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Related Party Transactions

During the year ended June 30, 2023, the Society paid approximately \$11,000 for grounds maintenance services to an entity in which a board member holds a material financial interest. The relationship was disclosed to the Board of Directors, and the Society's management reviewed and approved payment of each invoice for services delivered. Management determined the amounts paid were reasonable, did not exceed the fair market value of the services performed, and were comparable to other similar service providers.

Subsequent Events

The date to which events occurring after June 30, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is February 26, 2024, which is the date on which the financial statements were available to be issued.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

2. LIQUIDITY AND AVAILABILITY

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. Financial assets available within one year of the statement of financial position date for general expenditure are as follows as of June 30:

	2023	2022
Cash and cash equivalents	\$ 744,359	\$ 814,645
Investments	3,831,976	3,790,828
Receivables	51,815	45,930
ERC receivable	255,505	-
Financial assets, at year end	4,883,655	4,651,403
Less those unavailable for general expenditures within one year		
Amounts restricted by donors to be held in perpetuity	(639,719)	(539,719)
Amounts restricted by donors with purpose restrictions	(404,081)	(315,772)
Amounts unavailable to management without Board approval		
Board-designated	(758,655)	(758,655)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,081,200	\$ 3,037,257

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 had a committed line of credit of \$300,000 which was fully available to draw upon through March 6, 2022.

3. INVESTMENTS

Investments consisted of the following as of June 30:

	2023	2022
Equities	\$ 1,668,993	\$ 1,439,714
Bond funds	1,460,441	1,157,068
Money market funds	702,542	1,194,046
Total Investments	\$ 3,831,976	\$ 3,790,828

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

3. INVESTMENTS (continued)

The following schedule summarizes the composition of investment return for the years ended June 30:

	2023	2022
Interest and dividends	\$ 93,374	\$ 57,376
Net realized and unrealized gains (losses), net	176,388	(380,177)
Total Investment Income (Loss)	269,762	(322,801)
Less: Investment fees	(21,461)	(22,779)
Investment Income (Loss), net	\$ 248,301	\$ (345,580)

4. FAIR VALUE MEASUREMENTS

The following tables summarize the Society's assets measured at fair value on a recurring basis as of June 30, 2023 and 2022, aggregated by the fair value hierarchy level with which those measurements were made:

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Large-cap	\$ 760,582	\$ 760,582	\$ -	\$ -
Mid-cap	337,186	337,186	-	-
Small-cap	70,367	70,367	-	-
International	433,509	433,509	-	-
Emerging markets	67,349	67,349	-	-
Total Equities	1,668,993	1,668,993	-	-
Bond funds	1,460,441	-	1,460,441	-
Total Investments				
Measured at Fair Value	3,129,434	\$ 1,668,993	\$ 1,460,441	\$ -
Money market funds*	702,542			
Total Investments	\$ 3,831,976			

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4. FAIR VALUE MEASUREMENTS (continued)

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Large-cap	\$ 626,093	\$ 626,093	\$ -	\$ -
Mid-cap	276,815	276,815	-	-
Small-cap	75,102	75,102	-	-
International	399,952	399,952	-	-
Emerging markets	61,752	61,752	-	-
Total Equities	1,439,714	1,439,714	-	-
Bond funds	1,157,068	-	1,157,068	-
Total Investments				
Measured at Fair Value	2,596,782	\$ 1,439,714	\$ 1,157,068	\$ -
Money market funds*	1,194,046			
Total Investments	\$ 3,790,828			

* 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 statements of financial position.

5. PROPERTY AND EQUIPMENT

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

	2023	2022
Land	\$ 647,008	\$ 647,008
Land improvements	1,258,770	1,244,555
Building and building improvements	1,018,137	1,056,137
Furniture and equipment	296,418	319,842
Total Property and Equipment	3,220,333	3,267,542
Less: Accumulated Depreciation	(1,275,271)	(1,221,362)
Property and Equipment, net	\$ 1,945,062	\$ 2,046,180

Depreciation expense totaled \$83,765 and \$84,668 for the years ended June 30, 2023 and 2022, respectively.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

6. LEASE COMMITMENTS

In December 2021, the Society entered into an agreement to lease a postage machine for a term of 60 months with monthly payments of \$255. In July 2022, the Society entered into an agreement to lease a copier for a term of 60 months with monthly payments of \$295. These leases are accounted for as financing leases.

The components of lease expense were as follows for the year ended June 30, 2023:

Finance lease expense	
Amortization of ROU assets included in depreciation and amortization	\$ 5,602
Interest on finance lease liabilities	722
Total finance lease expense	\$ 6,324

Minimum lease commitments represent the future amounts to be paid on various lease commitments. The minimum lease commitments, excluding renewal terms, by years, are as follows at June 30, 2023:

<u>Year ending June 30:</u>	<u>Finance Leases</u>
2024	\$ 6,604
2025	6,604
2026	6,604
2027	4,306
2028	335
Total undiscounted cash flows	24,453
Less: present value discount	(1,465)
Total lease liabilities	\$ 22,988

The following summarizes the weighted average remaining lease term, discount rate and other supplemental cash flow information as of and for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Financing cash flows from finance leases (i.e. principal portion)	\$ 5,292
ROU assets obtained in exchange for new finance lease liabilities	\$ 28,535
Weighted-average remaining lease term in years for finance leases	3.79
Weighted-average discount rate for finance leases	3.09%

As of June 30, 2023, the Society has no operating or finance leases that have not yet commenced.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in contract liabilities – deferred revenue for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Contract liabilities - deferred revenue, beginning of year	\$ 798,412	\$ 554,021
Revenue recognized that was included in deferred revenue at the beginning of year	(1,154,404)	(1,017,029)
Increase in deferred revenue due to cash received during the year	<u>958,972</u>	<u>1,261,420</u>
Contract liabilities - deferred revenue, end of year	<u>\$ 602,980</u>	<u>\$ 798,412</u>

8. PAYCHECK PROTECTION PROGRAM LOAN

On February 17, 2021, the Society received a second draw loan pursuant to the PPP from a qualified lender in the amount of \$226,769 (the PPP Round 2 Loan). The PPP Round 2 Loan bears interest at a fixed rate of 1.0 percent per annum, payments start or the forgiveness application must be submitted within 10 months after the end of the forgiveness covered period, has a term of five years, and is unsecured and guaranteed by the SBA.

The Society applied for forgiveness of the PPP Round 2 Loan during the year ended June 30, 2022 and received full forgiveness of \$226,769 from the SBA on August 10, 2021. Accrued interest calculated through this date was also fully forgiven. The amount of the loan forgiveness is separately presented on the current year statement of activities and changes in net assets.

9. 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 percent 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 percent. 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 percent or 4.50 percent. 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 covenants. The Society is in compliance with these covenants.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

9. NOTE PAYABLE – OTHER (continued)

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

<u>Year ending June 30:</u>		
2024	\$	32,146
2025		34,384
2026		36,778
2027		39,339
2028		42,078
Thereafter		<u>599,754</u>
Total	\$	<u><u>784,479</u></u>

Interest expense relating to the loan agreement totaled \$50,237 and \$42,303 for the years ended June 30, 2023 and 2022, respectively.

10. LINE OF CREDIT

The Society had a revolving secured line of credit for \$300,000 with a bank with a fixed interest rate of 3.25 percent, to be drawn upon as needed. The line of credit was secured by a blanket Uniform Commercial Code lien on all business assets of the Society. Funds drawn on the line were subject to various restrictive financial covenants and the Society was in compliance with the financial covenants. The line of credit matured on March 6, 2022 and was not extended further. During the year ended June 30, 2022, the Society had no draws on the line of credit.

11. 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, net assets without donor restrictions were as follows:

	2023	2022
Undesignated	\$ 2,835,212	\$ 2,850,988
Board-designated reserve	<u>758,655</u>	<u>758,655</u>
Total Net Assets Without Donor Restrictions	<u><u>\$ 3,593,867</u></u>	<u><u>\$ 3,609,643</u></u>

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

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

11. NET ASSETS (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows as of June 30:

	2023	2022
Net assets subject to expenditure for specified purposes		
Watkins water feature	\$ 247,746	\$ 247,746
Greenhouse fund	71,600	-
River Farm projects	34,693	-
Estate House restoration	-	15,966
Monrovia plants	16,370	16,370
Carriage House improvements	3,489	10,289
Driveway repairs and paving	13,229	13,229
The Endowment Fund	16,954	12,172
	404,081	315,772
Net assets in perpetuity		
Endowment funds		
Wilma L. Pickard Endowment Fund	220,000	220,000
Trish Gibson Memorial Internship	100,000	-
Jane Steffey Endowment #1	83,349	83,349
Jane Steffey Endowment #2	50,000	50,000
Frances Poetker Endowment	50,000	50,000
Marks Endowment	50,000	50,000
H. Marc Cathey Award Endowment Fund	30,870	30,870
Hunt Endowment	25,000	25,000
Jane Taylor Teaching Award Endowment Fund	20,500	20,500
Youth Gardening Intern Endowment	10,000	10,000
Total endowment funds	639,719	539,719
River Farm land	647,008	647,008
Total net assets in perpetuity	1,286,727	1,186,727
Total Net Assets with Donor Restrictions	\$ 1,690,808	\$ 1,502,499

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

12. IN-KIND CONTRIBUTIONS

The Society received the following in-kind contributions during the years ended June 30:

	<u>2023</u>	<u>2022</u>
Legal services	\$ -	\$ 55,072
Printing services	2,653	-
Gala auction items	12,840	
Artworks	<u>5,820</u>	<u>-</u>
Total In-Kind Contributions	<u>\$ 21,313</u>	<u>\$ 55,072</u>

The Society did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions. Legal services were used to support management and general activities. Printing services and gala auction items were used to support fundraising activities.

13. RIVER FARM

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. 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 \$114,012 in legal fees during the year ended June 30, 2022, which is recorded as other items in the accompanying statements of activities and changes in net assets. 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. During the year ended June 30, 2022, the Society received reimbursements from its insurance carrier totaling \$147,779, which is reported as other items in the accompanying statements of activities and changes in net assets.

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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

13. RIVER FARM (continued)

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 are additional zoning and use barriers to any future development of River Farm.

14. 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 U.S. generally accepted accounting principles, 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 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

14. ENDOWMENTS (continued)

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 percent 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, 2023.

Composition of Endowments by Net Asset Category

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

	<u>For a Specified Purpose</u>	<u>Held in Perpetuity</u>	<u>Total</u>
<u>2023</u>			
Donor-restricted	<u>\$ 16,954</u>	<u>\$ 1,286,727</u>	<u>\$ 1,303,681</u>
<u>2022</u>			
Donor-restricted	<u>\$ 12,172</u>	<u>\$ 1,186,727</u>	<u>\$ 1,198,899</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

14. ENDOWMENTS (continued)

Changes in endowment net assets were as follows for the years ended June 30:

	For a Specified Purpose	Held in Perpetuity	Total
Endowment net assets, June 30, 2021,	\$ 8,444	\$ 1,186,727	\$ 1,195,171
Investment income, net	12,606	-	12,606
Appropriations for expenditure	(8,878)	-	(8,878)
Endowment net assets, June 30, 2022	12,172	1,186,727	1,198,899
Contributions	-	100,000	100,000
Investment income, net	50,050	-	50,050
Appropriations for expenditure	(45,268)	-	(45,268)
Endowment net assets, June 30, 2023	\$ 16,954	\$ 1,286,727	\$ 1,303,681

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

	2023	2022
The portion of perpetual endowment funds that was subject to purpose restriction under UPMIFA	\$ 16,954	\$ 12,172
The portion of perpetual endowment funds that was required to be retained in perpetuity either by explicit donor stipulations or by UPMIFA	\$ 1,286,727	\$ 1,186,727

15. EMPLOYEE BENEFIT PLAN

The Society maintained a tax-deferred annuity plan that covered all employees meeting certain age and length-of-service requirements. Employees could elect to defer and contribute to the plan a portion of their compensation in amounts up to the maximum permitted by law. Employees could begin to contribute on the first of the month following employment. After one year of employment, the Society matched elective employee deferrals in whole percentage amounts up to 5 percent of the employee's compensation.

Effective January 1, 2023, the Society restated and merged the tax-deferred annuity plan into a defined contribution plan under IRC Section 403(b) that covers all full-time employees. 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 immediately following employment. Employer matching and nonelective contributions are discretionary, and employees are required to meet certain hours-of-service requirements in order to receive the nonelective employer contributions.

The Society's contribution to the plans totaled \$12,740 and \$19,736 for the years ended June 30, 2023 and 2022, respectively.

16. CONCENTRATIONS

One related-party donor (a member of the Board of Directors) accounted for 11 and 53 percent of contributions support for the years ended June 30, 2023 and 2022, respectively.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

17. CONTINGENCIES

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

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.

18. SUBSEQUENT EVENT

In January 2024, the Society received a \$2,000,000 restricted grant from the Virginia Department of Conservation and Recreation for accessibility improvements at River Farm.