



## FINANCIAL REPORT



# AMERICAN HORTICULTURAL SOCIETY

YEARS ENDED JUNE 30, 2022 AND 2021

# AMERICAN HORTICULTURAL SOCIETY

## FINANCIAL REPORT YEARS ENDED JUNE 30, 2022 AND 2021

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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 statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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, 2022, 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.

### **Basis for Opinion**

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

### **Prior Period Financial Statements**

The financial statements of American Horticultural Society as of June 30, 2021 were audited by other auditors, whose report dated May 19, 2022 expressed an unmodified opinion on those financial statements.

### **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 Audit 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  
July 12, 2023

# AMERICAN HORTICULTURAL SOCIETY

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 814,645	\$ 501,114
Investments	3,790,828	3,319,727
Accounts receivable	45,930	2,114
Prepaid expenses and other assets	165,241	100,204
Property and equipment, net	2,046,180	2,130,848
<b>Total Assets</b>	<b>\$ 6,862,824</b>	<b>\$ 6,054,007</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 136,573	\$ 394,818
Contract liabilities - deferred revenue	798,412	554,021
Note payable - Paycheck Protection Program	-	226,769
Note payable - other	815,697	850,229
Total Liabilities	1,750,682	2,025,837
 <b>Net Assets</b>		
Without donor restrictions	3,609,643	2,521,670
With donor restrictions	1,502,499	1,506,500
Total Net Assets	5,112,142	4,028,170
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,862,824</b>	<b>\$ 6,054,007</b>

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Membership dues	\$ 662,120	\$ -	\$ 662,120	\$ 563,506	\$ -	\$ 563,506
Investment (loss) income, net	(358,186)	12,606	(345,580)	582,300	38,506	620,806
Contributions	2,209,068	-	2,209,068	793,755	-	793,755
River Farm rentals	312,670	-	312,670	190,330	-	190,330
Educational programs	590,150	-	590,150	159,505	-	159,505
Books and merchandise	31,748	-	31,748	63,274	-	63,274
Annual gala	45,018	-	45,018	34,703	-	34,703
Less: Costs of direct benefits to donors	(3,470)	-	(3,470)	-	-	-
Annual gala, net	41,548	-	41,548	34,703	-	34,703
Other income	2,253	-	2,253	2,456	-	2,456
In-kind contributions	55,072	-	55,072	53,712	-	53,712
Net assets released from restrictions	16,607	(16,607)	-	47,131	(47,131)	-
Total Revenue and Support	<u>3,563,050</u>	<u>(4,001)</u>	<u>3,559,049</u>	<u>2,490,672</u>	<u>(8,625)</u>	<u>2,482,047</u>
<b>Expenses</b>						
Program services						
Communications	527,589	-	527,589	464,733	-	464,733
Gardens and buildings	464,992	-	464,992	453,350	-	453,350
Membership	545,048	-	545,048	462,362	-	462,362
Educational programs	527,528	-	527,528	230,542	-	230,542
Total Program Services	<u>2,065,157</u>	<u>-</u>	<u>2,065,157</u>	<u>1,610,987</u>	<u>-</u>	<u>1,610,987</u>
Supporting services						
Fundraising and development	260,753	-	260,753	219,453	-	219,453
Management and general	409,703	-	409,703	296,794	-	296,794
Total Supporting Services	<u>670,456</u>	<u>-</u>	<u>670,456</u>	<u>516,247</u>	<u>-</u>	<u>516,247</u>
Total Expenses	<u>2,735,613</u>	<u>-</u>	<u>2,735,613</u>	<u>2,127,234</u>	<u>-</u>	<u>2,127,234</u>
<b>Change in Net Assets from Continuing Operations before Other Items</b>	827,437	(4,001)	823,436	363,438	(8,625)	354,813
<b>Other Items</b>						
Legal expenses - River Farm related (Note 12)	(114,012)	-	(114,012)	(1,132,032)	-	(1,132,032)
Insurance reimbursements	147,779	-	147,779	118,237	-	118,237
<b>Change in Net Assets from Continuing Operations</b>	861,204	(4,001)	857,203	(650,357)	(8,625)	(658,982)
Forgiveness of note payable - Paycheck Protection Program	226,769	-	226,769	226,769	-	226,769
<b>Change in Net Assets</b>	1,087,973	(4,001)	1,083,972	(423,588)	(8,625)	(432,213)
<b>Net Assets, beginning of year</b>	<u>2,521,670</u>	<u>1,506,500</u>	<u>4,028,170</u>	<u>2,945,258</u>	<u>1,515,125</u>	<u>4,460,383</u>
<b>Net Assets, end of year</b>	<u>\$ 3,609,643</u>	<u>\$ 1,502,499</u>	<u>\$ 5,112,142</u>	<u>\$ 2,521,670</u>	<u>\$ 1,506,500</u>	<u>\$ 4,028,170</u>

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

**AMERICAN HORTICULTURAL SOCIETY**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	Program Services				Total Program Services	Supporting Services			Cost of Direct Benefits to Donors	Overall Total
	Communications	Gardens and Buildings	Membership	Educational Programs		Fundraising and Development	Management and General	Total Support Services		
<b>Expenses</b>										
Salaries and wages	\$ 186,220	\$ 195,627	\$ 93,541	\$ 114,921	\$ 590,309	\$ 78,186	\$ 107,260	\$ 185,446	\$ -	\$ 775,755
Meetings, tours and activities	-	34,595	-	309,653	344,248	22,224	596	22,820	3,470	370,538
Consulting and professional fees	84,017	9,562	72,660	5,852	172,091	12,951	28,057	41,008	-	213,099
Postage	58,293	4,210	99,277	4,300	166,080	17,126	4,407	21,533	-	187,613
Printing	56,030	598	85,903	2,004	144,535	12,204	7,575	19,779	-	164,314
Benefits, taxes and training	35,887	37,382	17,943	21,511	112,723	13,534	23,298	36,832	-	149,555
Repairs and maintenance	18,280	39,104	9,901	11,425	78,710	6,855	11,425	18,280	-	96,990
Mail services	4,311	2,035	67,329	-	73,675	15,271	4,250	19,521	-	93,196
Depreciation	20,320	20,320	11,008	12,700	64,348	7,620	12,700	20,320	-	84,668
Accounting	-	-	-	-	-	-	60,156	60,156	-	60,156
Legal - general administrative	-	-	-	-	-	-	57,804	57,804	-	57,804
Donated goods and services	-	-	-	-	-	-	55,072	55,072	-	55,072
Bank fees	13,147	13,695	6,574	8,222	41,638	5,478	7,669	13,147	-	54,785
Outside services	2,149	14,051	11,098	3,187	30,485	15,127	1,767	16,894	-	47,379
Computer supplies and service	5,924	5,859	18,879	4,515	35,177	4,562	3,281	7,843	-	43,020
Interest	10,009	10,009	5,422	6,256	31,696	3,753	6,855	10,608	-	42,304
Insurance	8,623	9,049	4,245	5,389	27,306	3,660	4,963	8,623	-	35,929
Utilities	7,460	8,076	3,730	4,663	23,929	3,108	4,352	7,460	-	31,389
Supplies - office	4,382	6,601	7,210	3,722	21,915	3,102	2,380	5,482	-	27,397
Temporary help	2,820	88	-	-	2,908	22,395	-	22,395	-	25,303
Advertising	-	16,071	5,228	590	21,889	30	-	30	-	21,919
List rentals	-	-	21,158	-	21,158	-	-	-	-	21,158
Supplies - operations	-	20,958	-	-	20,958	-	-	-	-	20,958
Housekeeping	4,272	4,272	2,314	2,670	13,528	1,602	2,670	4,272	-	17,800
Travel	1,737	1,759	1,068	3,009	7,573	6,350	1,086	7,436	-	15,009
Taxes and licenses	1,455	1,573	-	-	3,028	5,054	1,286	6,340	-	9,368
Cost of merchandise	1,032	6,399	-	-	7,431	-	-	-	-	7,431
Telephone	1,119	1,166	560	699	3,544	466	653	1,119	-	4,663
Awards	-	-	-	2,128	2,128	-	-	-	-	2,128
Dues and subscriptions	102	1,544	-	-	1,646	95	65	160	-	1,806
Miscellaneous	-	389	-	112	501	-	76	76	-	577
<b>Total Expenses by Function</b>	<b>527,589</b>	<b>464,992</b>	<b>545,048</b>	<b>527,528</b>	<b>2,065,157</b>	<b>260,753</b>	<b>409,703</b>	<b>670,456</b>	<b>3,470</b>	<b>2,739,083</b>
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)
<b>Total expenses included in the expenses section on the statements of activities and changes in net assets</b>	<b>\$ 527,589</b>	<b>\$ 464,992</b>	<b>\$ 545,048</b>	<b>\$ 527,528</b>	<b>\$ 2,065,157</b>	<b>\$ 260,753</b>	<b>\$ 409,703</b>	<b>\$ 670,456</b>	<b>\$ -</b>	<b>\$ 2,735,613</b>

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

**AMERICAN HORTICULTURAL SOCIETY**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

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

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



# AMERICAN HORTICULTURAL SOCIETY

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,083,972	\$ (432,213)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Contributions of donated stock	(1,080,448)	-
Proceeds from sales of donated stock	1,077,851	-
Depreciation	84,668	95,328
Realized and unrealized loss (gain) on investments	380,177	(590,312)
PPP loan forgiveness income - Round 2	(226,769)	-
PPP loan forgiveness income - Round 1	-	(226,769)
(Increase) Decrease in		
Accounts receivable	(43,816)	8,986
Prepaid expenses and other assets	(65,037)	14,851
Increase (Decrease) in		
Accounts payable and accrued expenses	(258,245)	276,738
Contract liabilities - deferred revenue	244,391	(142,550)
	<u>1,196,744</u>	<u>(995,941)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Payments for the purchase of investments	(2,115,927)	(827,106)
Proceeds from the sale of investments	1,267,246	1,229,389
	<u>(848,681)</u>	<u>402,283</u>
<b>Net Cash (Used) Provided by Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
Proceeds from note payable - PPP	-	226,769
Principal repayments on note payable - other	(34,532)	(30,211)
Principal payments on capital lease obligation	-	(3,026)
	<u>(34,532)</u>	<u>193,532</u>
<b>Net Cash (Used) Provided by Financing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	313,531	(400,126)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>501,114</u>	<u>901,240</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 814,645</u>	<u>\$ 501,114</u>
<b>Schedule of Non-cash Investing Activities</b>		
Asset held for sale	<u>\$ -</u>	<u>\$ (2,127,294)</u>
Property and equipment	<u>\$ -</u>	<u>\$ 2,127,294</u>
<b>Supplemental Information</b>		
Interest paid	<u>\$ 42,303</u>	<u>\$ 46,282</u>

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

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 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 ([www.ahsgardening.org](http://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. 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.

*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, 2022 AND 2021

### 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. A reciprocal admission program (RAP) 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.

#### 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 contributions receivable in the accompanying statements of financial position.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

#### Revenue Recognition (continued)

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from River Farm rentals 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 – deferred revenue in the accompanying statements 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 – 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, 2020, accounts receivable, contract assets and contract liabilities approximated \$11,100, \$-0- and \$696,600, 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.

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

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

#### **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, 2022 and 2021.

*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.

#### **Accounts Receivable**

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, 2022 and 2021, there was no allowance considered necessary.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

#### Property and Equipment

Property and equipment are recorded at cost. The Society capitalizes property and equipment purchases greater than \$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.

#### Paycheck Protection Program Loans

As described in Note 7, the Society received Paycheck Protection Program (PPP) loans. The Society accounts for the loans 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 11 for a summary of in-kind contributions.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

#### **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, with the Internal Revenue Service. The Society is subject to unrelated business income tax for activities conducted outside its tax-exempt purpose and files Form 990-T, Exempt Organization Business Income Tax Return. The Society is not currently under audit by any income tax jurisdiction.

#### **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.

#### **Adoption of New Accounting Standards**

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard is effective for annual reporting periods beginning after June 15, 2021. The standard requires separate presentation of contributions of nonfinancial assets (including in-kind contributions) on the statement of activities and changes in net assets, as well as additional disclosures related to how they are valued and used. The Society adopted the standard on a retrospective basis for the year ended June 30, 2022. Accordingly, the separate presentation and additional disclosures have also been presented for the year ended June 30, 2021. There was no change in the recognition or measurement of the nonfinancial assets for either year.

#### **Reclassifications**

Certain items in the June 30, 2021 financial statements have been reclassified to conform to the June 30, 2022 financial statement presentation. The reclassifications had no impact on previously reported net assets.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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

#### Recent Accounting Pronouncements

##### ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases (FAS 13)*. ASU 2016-02 requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Society is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

#### Subsequent Events

The date to which events occurring after June 30, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 12, 2023, which is the date on which the financial statements were available to be issued.

### 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 814,645	\$ 501,114
Investments	3,790,828	3,319,727
Accounts receivable	45,930	2,114
Financial assets, at year end	<u>4,651,403</u>	<u>3,822,955</u>
Less those unavailable for general expenditures within one year		
Amounts restricted by donors to be held in perpetuity	(539,719)	(539,719)
Amounts restricted by donors with purpose restrictions	(315,772)	(319,773)
Amounts unavailable to management without board approval		
Board-designated	<u>(758,655)</u>	<u>(758,655)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,037,257</u>	<u>\$ 2,204,808</u>

The Society has various sources of liquidity at its disposal, including cash and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Society throughout the year. This is done through monitoring and reviewing the Society's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Society's cash flow related to the Society's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. The Society can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, the Society had a committed line of credit of \$300,000 which was fully available to draw upon through March 6, 2022.



# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 3. INVESTMENTS

Investments consisted of the following as of June 30:

	2022	2021
Equities	\$ 1,439,714	\$ 1,997,707
Bond funds	1,157,068	1,253,024
Money market funds	1,194,046	68,996
Total Investments	\$ 3,790,828	\$ 3,319,727

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

	2022	2021
Interest and dividends	\$ 57,376	\$ 52,189
Net realized and unrealized (losses) gains, net	(380,177)	590,312
Total Investment (Loss) Income	(322,801)	642,501
Less: Investment fees	(22,779)	(21,695)
Investment (Loss) Income, net	\$ (345,580)	\$ 620,806

### 4. FAIR VALUE MEASUREMENTS

The following tables summarize the Society's assets measured at fair value on a recurring basis as of June 30, 2022 and 2021, aggregated by the fair value hierarchy level with which those measurements were made:

	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			

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 4. FAIR VALUE MEASUREMENTS (continued)

	2021			
	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	\$ 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 Equities	1,997,707	1,997,707	-	-
Bond funds	1,253,024	-	1,253,024	-
Total Investments				
Measured at Fair Value	3,250,731	\$ 1,997,707	\$ 1,253,024	\$ -
Money market funds*	68,996			
Total Investments	\$ 3,319,727			

\* *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:

	2022	2021
Land	\$ 647,008	\$ 647,008
Land improvements	1,244,555	1,244,555
Building and building improvements	1,056,137	1,056,137
Furniture and equipment	319,842	319,842
Total Property and Equipment	3,267,542	3,267,542
Less: Accumulated Depreciation	(1,221,362)	(1,136,694)
Property and Equipment, net	\$ 2,046,180	\$ 2,130,848

Depreciation expense totaled \$84,668 and \$95,328 for the years ended June 30, 2022 and 2021, respectively.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 5. PROPERTY AND EQUIPMENT (continued)

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 12). 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.

### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2022	2021
Contract liabilities - deferred revenue, beginning of year	\$ 554,021	\$ 696,571
Revenue recognized that was included in deferred revenue at the beginning of year	(1,017,029)	(909,376)
Increase in deferred revenue due to cash received during the year	1,261,420	766,826
Contract liabilities - deferred revenue, end of year	<u>\$ 798,412</u>	<u>\$ 554,021</u>

### 7. PAYCHECK PROTECTION PROGRAM LOANS

On May 4, 2020, the Society received a loan pursuant to Round 1 of the PPP, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), for an aggregate principal amount of \$226,769 (the PPP Round 1 Loan). The PPP Round 1 Loan bears interest at a fixed rate of 1.0 percent per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Round 1 Loan is subject to forgiveness under the PPP upon the Society's request to the extent that the PPP Round 1 Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Society.

The Society applied for forgiveness of the PPP Round 1 Loan during the year ended June 30, 2021 and received full forgiveness of \$226,769 from the SBA on December 18, 2020. Accrued interest calculated through this date was also fully forgiven. The amount of the loan forgiveness is separately presented on the prior year statement of activities and changes in net assets.

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.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 8. 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 4.5 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.

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

<u>Year ending June 30:</u>	
2023	\$ 33,732
2024	35,458
2025	37,527
2026	39,852
2027	41,712
Thereafter	627,416
Total	<u>\$ 815,697</u>

Interest expense relating to the loan agreement totaled \$42,303 and \$46,282 for the years ended June 30, 2022 and 2021, respectively.

### 9. LINE OF CREDIT

The Society had 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 percent. 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 years ended June 30, 2022 and 2021, the Society had no draws on the line of credit.

### 10. 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:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 2,850,988	\$ 1,763,015
Board-designated reserve	758,655	758,655
Total Net Assets Without Donor Restrictions	<u>\$ 3,609,643</u>	<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.

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 10. NET ASSETS (continued)

#### Net Assets With Donor Restrictions

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

	2022	2021
Undesignated	\$ 2,850,988	\$ 1,763,015
Board-designated reserve	758,655	758,655
Total Net Assets Without Donor Restrictions	\$ 3,609,643	\$ 2,521,670
	2022	2021
Net assets subject to expenditure for specified purposes		
Watkins water feature	\$ 247,746	\$ 247,746
Estate House restoration	15,966	23,695
Monrovia plants	16,370	16,370
Carriage House improvements	10,289	10,289
Driveway repairs and paving	13,229	13,229
The Endowment Fund	12,172	8,444
	315,772	319,773
Net assets in perpetuity		
Endowment funds		
Wilma L. Pickard Endowment Fund	220,000	220,000
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	539,719	539,719
River Farm land	647,008	647,008
Total net assets in perpetuity	1,186,727	1,186,727
Total Net Assets with Donor Restrictions	\$ 1,502,499	\$ 1,506,500

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 11. IN-KIND CONTRIBUTIONS

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

	2022	2021
Legal services	\$ 55,072	\$ -
Landscaping and tree services	-	30,000
Online auction items	-	23,614
Garden supplies	-	98
Total In-Kind Contributions	<u>\$ 55,072</u>	<u>\$ 53,712</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. Landscaping and tree services and garden supplies were used to support gardens and buildings activities. Online auction items were used to support fundraising activities.

### 12. 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 (see Note 5). 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 and \$1,132,032 in legal fees during the years ended June 30, 2022 and 2021, respectively, 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 years ended June 30, 2022 and 2021, the Society received reimbursements from its insurance carrier totaling \$147,779 and \$118,237, respectively, 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, 2022 AND 2021

### 12. 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.

### 13. ENDOWMENTS

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

#### **Interpretation of Relevant Law**

The Society has interpreted 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, 2022 AND 2021

### 13. 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, 2022.

#### Composition of Endowments by Net Asset Category

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

	For a Specified Purpose	Held in Perpetuity	Total
<u>2022</u>			
Donor-restricted	\$ 12,172	\$ 1,186,727	\$ 1,198,899
<u>2021</u>			
Donor-restricted	\$ 8,444	\$ 1,186,727	\$ 1,195,171



# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 13. ENDOWMENTS (continued)

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

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

	<u>For a Specified Purpose</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, July 1, 2020, as previously reported	\$ 6,519	\$ 539,719	\$ 546,238
Reclassification of River Farm land	<u>-</u>	<u>647,008</u>	<u>647,008</u>
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	<u>(36,581)</u>	<u>-</u>	<u>(36,581)</u>
Endowment net assets, June 30, 2021	8,444	1,186,727	1,195,171
Investment income, net	12,606	-	12,606
Appropriations for expenditure	<u>(8,878)</u>	<u>-</u>	<u>(8,878)</u>
Endowment net assets, June 30, 2022	<u>\$ 12,172</u>	<u>\$ 1,186,727</u>	<u>\$ 1,198,899</u>

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

	<u>2022</u>	<u>2021</u>
The portion of perpetual endowment funds that was subject to purpose restriction under UPMIFA	<u>\$ 12,172</u>	<u>\$ 8,444</u>
The portion of perpetual endowment funds that was required to be retained in perpetuity either by explicit donor stipulations or by UPMIFA	<u>\$ 1,186,727</u>	<u>\$ 1,186,727</u>

### 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 up to 5 percent of the employee's compensation. The Society's contribution to the Plan totaled \$19,736 and \$2,407 for the years ended June 30, 2022 and 2021, respectively.

### 15. CONCENTRATIONS

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

# AMERICAN HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 16. 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.

### 17. SUBSEQUENT EVENT

Subsequent to year end, the Society determined it qualifies to claim the employee retention credit for certain quarters in 2020 and 2021. Management estimates that they are eligible to claim approximately \$256,000.