



FINANCIAL REPORT



AMERICAN
HORTICULTURAL
SOCIETY

YEARS ENDED JUNE 30, 2024 AND 2023

AMERICAN HORTICULTURAL SOCIETY

FINANCIAL REPORT YEARS ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 Audits 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 24, 2025

AMERICAN HORTICULTURAL SOCIETY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 411,146	\$ 744,359
Investments	10,783,019	3,831,976
Receivables	53,920	51,815
Employee retention credit receivable	255,505	255,505
Prepaid expenses and other assets	102,882	33,341
Property and equipment, net	2,056,998	1,945,062
Financing lease, right-of-use asset, net	17,495	23,050
Total Assets	\$ 13,680,965	\$ 6,885,108
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 141,523	\$ 189,986
Contract liabilities - deferred revenue	622,228	602,980
Note payable - other	753,250	784,479
Financing lease liability	17,281	22,988
Total Liabilities	1,534,282	1,600,433
Net Assets		
Without donor restrictions	3,234,097	3,593,867
With donor restrictions	8,912,586	1,690,808
Total Net Assets	12,146,683	5,284,675
Total Liabilities and Net Assets	\$ 13,680,965	\$ 6,885,108

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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Membership dues	\$ 727,991	\$ -	\$ 727,991	\$ 701,635	\$ -	\$ 701,635
Investment income, net	347,265	89,736	437,001	198,251	50,050	248,301
Contributions and grants	984,198	7,244,621	8,228,819	1,098,095	206,293	1,304,388
River Farm rentals	387,089	-	387,089	326,944	-	326,944
Educational programs	381,370	-	381,370	1,110,377	-	1,110,377
Books and merchandise	43,641	-	43,641	22,982	-	22,982
Annual gala	349,190	-	349,190	420,411	-	420,411
Less: Costs of direct benefits to donors	(85,390)	-	(85,390)	(67,931)	-	(67,931)
Annual gala, net	263,800	-	263,800	352,480	-	352,480
Other income	25,251	-	25,251	14	-	14
In-kind contributions	58,331	-	58,331	21,313	-	21,313
Net assets released from restrictions	112,579	(112,579)	-	68,034	(68,034)	-
Total Revenue and Support	3,331,515	7,221,778	10,553,293	3,900,125	188,309	4,088,434
Expenses						
Program services						
Communications	782,774	-	782,774	718,081	-	718,081
Gardens and buildings	828,454	-	828,454	654,694	-	654,694
Membership	614,152	-	614,152	841,240	-	841,240
Educational programs	532,870	-	532,870	1,082,263	-	1,082,263
Total Program Services	2,758,250	-	2,758,250	3,296,278	-	3,296,278
Fundraising and development	523,816	-	523,816	416,711	-	416,711
Management and general	409,219	-	409,219	458,417	-	458,417
Total Expenses	3,691,285	-	3,691,285	4,171,406	-	4,171,406
Change in Net Assets before Other Items	(359,770)	7,221,778	6,862,008	(271,281)	188,309	(82,972)
Other Items						
Employee retention credit	-	-	-	255,505	-	255,505
Change in Net Assets	(359,770)	7,221,778	6,862,008	(15,776)	188,309	172,533
Net Assets, beginning of year	3,593,867	1,690,808	5,284,675	3,609,643	1,502,499	5,112,142
Net Assets, end of year	\$ 3,234,097	\$ 8,912,586	\$ 12,146,683	\$ 3,593,867	\$ 1,690,808	\$ 5,284,675

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

AMERICAN HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2024

	Program Services					Fundraising and Development	Management and General	Cost of Direct Benefits to Donors	Overall Total
	Communications	Gardens and Buildings	Membership	Educational Programs	Total Program Services				
Expenses									
Salaries and wages	\$ 321,110	\$ 364,635	\$ 94,644	\$ 275,682	\$ 1,056,071	\$ 210,214	\$ 143,657	\$ -	\$ 1,409,942
Consulting and professional fees	135,163	19,034	110,014	21,740	285,951	45,288	61,440	-	392,679
Meetings, tours and activities	38	182,609	-	33,859	216,506	47,677	6,514	85,390	356,087
Benefits, taxes and training	61,039	78,244	35,195	60,532	235,010	34,855	24,812	-	294,677
Printing	75,462	100	133,778	2,261	211,601	43,654	11,344	-	266,599
Postage	73,771	29	72,227	377	146,404	15,020	6,458	-	167,882
Repairs and maintenance	25,410	38,115	12,705	19,058	95,288	19,058	12,705	-	127,051
Computer supplies and service	14,262	8,345	22,208	19,901	64,716	24,273	23,627	-	112,616
Advertising and public awareness	-	24,630	41,025	17,727	83,382	794	2,006	-	86,182
Depreciation and amortization	17,234	25,851	8,617	12,925	64,627	12,925	8,617	-	86,169
Outside services	12,400	3,549	10,296	3,550	29,795	13,578	14,250	-	57,623
Interest	10,573	15,860	5,287	7,930	39,650	7,930	5,692	-	53,272
Insurance	9,132	13,697	4,566	8,352	35,747	6,849	4,566	-	47,162
Bank fees	447	10,192	14,221	5,724	30,584	13,924	-	-	44,508
Supplies - operations	7,172	10,759	3,813	6,001	27,745	9,334	5,957	-	43,036
Accounting	-	-	-	-	-	-	38,700	-	38,700
Mail services	5,058	-	26,219	108	31,385	701	-	-	32,086
Utilities	4,969	7,454	2,485	3,727	18,635	3,727	2,485	-	24,847
Legal	-	-	-	-	-	-	23,656	-	23,656
Travel	1,517	22	-	13,222	14,761	1,979	3,746	-	20,486
Donated goods and services	-	3,405	-	14,800	18,205	660	-	-	18,865
Housekeeping	3,662	5,493	1,831	2,747	13,733	2,747	1,831	-	18,311
List rentals	-	-	14,372	-	14,372	-	-	-	14,372
Cost of merchandise	963	12,774	-	-	13,737	-	-	-	13,737
Taxes and licenses	1,731	1,240	-	-	2,971	4,837	1,616	-	9,424
Supplies - office	-	37	161	319	517	2,499	3,038	-	6,054
Telephone	976	1,465	488	732	3,661	732	488	-	4,881
Dues and subscriptions	105	915	-	1,350	2,370	525	288	-	3,183
Other	-	-	-	-	-	36	1,726	-	1,762
Temporary help	580	-	-	-	580	-	-	-	580
Awards	-	-	-	246	246	-	-	-	246
Total Expenses by Function	782,774	828,454	614,152	532,870	2,758,250	523,816	409,219	85,390	3,776,675
Less expenses included with revenue and support on the statements of activities and changes in net assets	-	-	-	-	-	-	-	(85,390)	(85,390)
Total expenses included in the expenses section on the statements of activities and changes in net assets	\$ 782,774	\$ 828,454	\$ 614,152	\$ 532,870	\$ 2,758,250	\$ 523,816	\$ 409,219	\$ -	\$ 3,691,285

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

AMERICAN HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023

Expenses	Program Services					Fundraising and Development	Management and General	Cost of Direct Benefits to Donors	Overall Total
	Communications	Gardens and Buildings	Membership	Educational Programs	Total Program Services				
Salaries and wages	\$ 256,559	\$ 354,876	\$ 184,843	\$ 162,076	\$ 958,354	\$ 123,629	\$ 157,910	\$ -	\$ 1,239,893
Consulting and professional fees	124,245	3,356	130,928	41,623	300,152	77,409	38,200	-	415,761
Meetings, tours and activities	-	25,630	-	731,151	756,781	21,418	2,108	67,931	848,238
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
Computer supplies and service	17,467	13,391	31,497	9,145	71,500	7,876	5,683	-	85,059
Advertising and public awareness	2,646	21,500	37,266	3,000	64,412	-	-	-	64,412
Depreciation and amortization	17,591	23,454	13,402	10,889	65,336	8,377	10,052	-	83,765
Outside services	27,170	7,484	8,452	6,980	50,086	13,489	96	-	63,671
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
Bank fees	-	5,826	13,769	15,263	34,858	13,769	6,355	-	54,982
Supplies - operations	-	29,634	-	-	29,634	-	-	-	29,634
Accounting	-	-	-	-	-	-	103,876	-	103,876
Mail services	3,722	-	55,413	-	59,135	15,750	-	-	74,885
Utilities	5,739	8,347	4,373	3,553	22,012	2,733	3,280	-	28,025
Legal	-	-	-	-	-	4,288	2,157	-	6,445
Travel	861	28	-	10,203	11,092	4,942	222	-	16,256
Donated goods and services	-	2,653	-	-	2,653	800	-	-	3,453
Housekeeping	4,157	5,542	3,167	2,573	15,439	1,979	2,375	-	19,793
List rentals	-	-	21,986	-	21,986	-	-	-	21,986
Cost of merchandise	2,712	8,264	-	-	10,976	-	-	-	10,976
Taxes and licenses	1,548	267	-	-	1,815	10,850	1,988	-	14,653
Supplies - office	2,250	2,628	1,733	2,567	9,178	5,075	1,120	-	15,373
Telephone	969	1,293	739	600	3,601	462	554	-	4,617
Dues and subscriptions	-	295	-	-	295	405	605	-	1,305
Other	-	850	193	42	1,085	-	12,797	-	13,882
Temporary help	12,182	-	-	-	12,182	3,795	-	-	15,977
Loss on abandonment of assets	-	-	-	-	-	-	38,000	-	38,000
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	-	-	-	-	-	-	-	(67,931)	(67,931)
Total expenses included in the expenses section on the statements of activities and changes in net assets	<u>\$ 718,081</u>	<u>\$ 654,694</u>	<u>\$ 841,240</u>	<u>\$ 1,082,263</u>	<u>\$ 3,296,278</u>	<u>\$ 416,711</u>	<u>\$ 458,417</u>	<u>\$ -</u>	<u>\$ 4,171,406</u>

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

AMERICAN HORTICULTURAL SOCIETY

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 6,862,008	\$ 172,533
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Noncash contributions of stock	(5,305,364)	(223,062)
Proceeds from sales of donated stock	220,460	222,552
Depreciation	86,169	83,765
Loss on abandonment of assets	-	38,000
Realized and unrealized gain on investments	(228,639)	(176,388)
(Increase) Decrease in		
Receivables	(2,105)	(5,885)
Prepaid expenses and other assets	(69,541)	131,900
ERC receivable	-	(255,505)
Increase (Decrease) in		
Financing lease assets and liabilities	2,852	2,899
Accounts payable and accrued expenses	(48,463)	53,413
Contract liabilities - deferred revenue	19,248	(195,432)
Net Cash Provided (Used) by Operating Activities	<u>1,536,625</u>	<u>(151,210)</u>
Cash Flows from Investing Activities		
Payments for the purchase of investments	(8,490,901)	(1,540,128)
Proceeds from the sale of investments	1,768,497	1,675,878
Purchases of property and equipment	(195,402)	(17,944)
Net Cash (Used) Provided by Investing Activities	<u>(6,917,806)</u>	<u>117,806</u>
Cash Flows from Financing Activities		
Principal repayments on note payable - other	(31,229)	(31,218)
Proceeds from sales of donated stock restricted for long-term purposes	5,084,904	-
Principal payments on finance leases	(5,707)	(5,664)
Net Cash Provided (Used) by Financing Activities	<u>5,047,968</u>	<u>(36,882)</u>
Net Decrease in Cash and Cash Equivalents	<u>(333,213)</u>	<u>(70,286)</u>
Cash and Cash Equivalents, beginning of year	<u>744,359</u>	<u>814,645</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 411,146</u></u>	<u><u>\$ 744,359</u></u>
Supplemental Information		
Interest paid	<u><u>\$ 53,272</u></u>	<u><u>\$ 50,237</u></u>

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

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The American Horticultural Society (AHS or 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 science of horticulture. The Society's membership includes more than 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 bi-monthly magazine, The American Gardener, provides useful and authoritative information on a range of horticultural 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 also 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 27-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 1973. A site of regional, national, horticultural and historical significance, River Farm is open free of charge 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 areas 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 AHS' mission and 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 health benefits 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 thereby extending the Society's educational reach.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Organization (continued)

Educational Programs – These activities focus on sharing the art and science of horticulture with people at all levels of gardening expertise. Educational programming is available to all members through virtual and in-person educational sessions with leading horticultural experts. AHS also offers special programming for young people. Since 1993, the Society has hosted the annual National Children and Youth Garden Symposium which brings educators together to learn ideas and skills for sharing gardening knowledge with children and youth. The Symposium is part of AHS' commitment to encouraging young people to engage more in 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 botanical gardens to educate and engage the public on critical 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 380 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. Finally, 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Revenue Recognition (continued)

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.

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 from a related party donor 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 \$100,000 and \$125,000 as of June 30, 2024 and 2023, 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, 2022, receivables, contract assets and contract liabilities approximated \$46,000, \$-0- and \$798,000, respectively.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

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

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Fair Value Measurements (continued)

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, 2024 and 2023.

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.

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 credit losses 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, 2024 and 2023, there was no allowance considered necessary.

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

	2024	2023
Contributions receivable	\$ 42,640	\$ 48,064
Accounts receivable	11,280	3,751
Totals	<u>\$ 53,920</u>	<u>\$ 51,815</u>

Allowance for Credit Losses

Management individually reviews all accounts receivable balances by customer. Management determines whether an allowance for credit losses is necessary using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Balances are charged off against the allowance when management believes there is no possibility of recovery. Management determined that an allowance for credit losses was not necessary at June 30, 2024 and 2023.

Employee Retention Credit Receivable

The Society qualifies to claim the employee retention credit (ERC) 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. The funds have not yet been received as of June 30, 2024.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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.

Leases

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. Accounting Standards Update (ASU) 2016-02, *Leases* (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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Leases (continued)

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.

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.

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 10 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Income Tax Status (continued)

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.

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 by department based on employee time spent. 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 years ended June 30, 2024 and 2023, the Society paid approximately \$-0- and \$11,000, respectively, 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.

Adoption of New Accounting Standards – Allowance for Credit Losses

Effective July 1, 2023, the Society adopted ASU 2016-13, Financial Instruments–Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The ASU replaces the incurred loss impairment methodology with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Society that are subject to the ASU include accounts receivable. The Society adopted the standard using a modified retrospective approach as of the effective date. No cumulative-effect adjustment to net assets was required. The adoption of the standard did not have a material impact on the financial statements and primarily resulted in changes to disclosures.

Subsequent Events

The Society has evaluated subsequent events through February 24, 2025, the date which the financial statements were available to be issued.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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:

	2024	2023
Cash and cash equivalents	\$ 411,146	\$ 744,359
Investments	10,783,019	3,831,976
Receivables	53,920	51,815
Employee retention credit receivable	255,505	255,505
Financial assets, at year end	11,503,590	4,883,655
Less those unavailable for general expenditures within one year		
Amounts restricted by donors to be held in perpetuity	(5,733,868)	(639,719)
Amounts restricted by donors with purpose restrictions	(2,531,710)	(404,081)
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	<u>\$ 2,479,357</u>	<u>\$ 3,081,200</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.

3. INVESTMENTS

Investments consisted of the following as of June 30:

	2024	2023
Equities	\$ 1,731,160	\$ 1,668,993
Bond funds	2,624,411	1,460,441
Money market funds	6,427,448	702,542
Total Investments	<u>\$ 10,783,019</u>	<u>\$ 3,831,976</u>

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

	2024	2023
Interest and dividends	\$ 232,330	\$ 93,374
Net realized and unrealized gains, net	228,639	176,388
Total Investment Income	460,969	269,762
Less: Investment fees	(23,968)	(21,461)
Investment Income, net	<u>\$ 437,001</u>	<u>\$ 248,301</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

4. FAIR VALUE MEASUREMENTS

The following tables summarize the Society's assets measured at fair value on a recurring basis as of June 30, 2024 and 2023, aggregated by the fair value hierarchy level with which those measurements were made:

2024				
	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	\$ 750,009	\$ 750,009	\$ -	\$ -
Mid-cap	401,781	401,781	-	-
Small-cap	87,829	87,829	-	-
International	412,416	412,416	-	-
Emerging markets	79,125	79,125	-	-
Total Equities	1,731,160	1,731,160	-	-
Bond funds	2,624,411	-	2,624,411	-
Total Investments				
Measured at Fair Value	4,355,571	\$ 1,731,160	\$ 2,624,411	\$ -
Money market funds*	6,427,448			
Total Investments	\$ 10,783,019			
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			

* 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

5. PROPERTY AND EQUIPMENT

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

	2024	2023
Land	\$ 647,008	\$ 647,008
Land improvements	1,366,412	1,258,770
Building and building improvements	1,053,399	1,018,137
Furniture and equipment	298,838	296,418
Software	42,500	-
Total Property and Equipment	3,408,157	3,220,333
Less: Accumulated Depreciation	(1,351,159)	(1,275,271)
Property and Equipment, net	<u>\$ 2,056,998</u>	<u>\$ 1,945,062</u>

Depreciation expense totaled \$86,169 and \$83,765 for the years ended June 30, 2024 and 2023, respectively.

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 years ended June 30:

	2024	2023
Finance lease expense		
Amortization of ROU assets included in depreciation and amortization	\$ 5,602	\$ 5,602
Interest on finance lease liabilities	642	722
Total finance lease expense	<u>\$ 6,244</u>	<u>\$ 6,324</u>

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, 2024:

Year ending June 30:	Finance Leases
2025	\$ 6,604
2026	6,604
2027	4,306
2028	591
Total undiscounted cash flows	18,105
Less: present value discount	(824)
Total lease liabilities	<u>\$ 17,281</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

6. LEASE COMMITMENTS (continued)

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

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from finance leases (i.e. principal portion)	\$ 5,962	\$ 5,292
ROU assets obtained in exchange for new finance lease liabilities	\$ -	\$ 28,535
Weighted-average remaining lease term in years for finance leases	2.81	3.79
Weighted-average discount rate for finance leases	3.11%	3.09%

As of June 30, 2024, the Society has no operating or finance leases that have not yet commenced.

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:

	2024	2023
Contract liabilities - deferred revenue, beginning of year	\$ 602,980	\$ 798,412
Revenue recognized that was included in deferred revenue at the beginning of year	(975,917)	(1,154,404)
Increase in deferred revenue due to cash received during the year	995,165	958,972
Contract liabilities - deferred revenue, end of year	<u>\$ 622,228</u>	<u>\$ 602,980</u>

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 4.50 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, 2024 AND 2023

8. NOTE PAYABLE – OTHER (continued)

Maturities of the note payable for each of the next five years and thereafter are as follows as of June 30, 2024:

Year ending June 30:

2025	\$ 34,384
2026	36,778
2027	39,339
2028	42,078
2029	45,008
Thereafter	555,663
Total	<u>\$ 753,250</u>

Interest expense relating to the loan agreement totaled \$53,272 and \$50,237 for the years ended June 30, 2024 and 2023, respectively.

9. NET ASSETS

Net Assets Without Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 2,475,442	\$ 2,835,212
Board-designated reserve	758,655	758,655
Total Net Assets Without Donor Restrictions	<u>\$ 3,234,097</u>	<u>\$ 3,593,867</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, 2024 AND 2023

9. NET ASSETS (continued)

Net Assets With Donor Restrictions

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

	2024	2023
Net assets subject to expenditure for specified purposes		
River Farm Public Access Enhancement Project	\$ 1,944,122	\$ -
Watkins water feature	247,746	247,746
Horticultural Communicator	125,000	-
Greenhouse fund	71,600	71,600
Julia Rappaport Growing Gardeners Fund	52,000	-
The Endowment Fund	36,374	16,954
Technology upgrades	24,350	-
Driveway repairs and paving	13,229	13,229
River Farm projects	9,500	34,693
Ruppert Family Foundation Pledge	5,000	-
Carriage House improvements	2,789	3,489
Monrovia plants	-	16,370
	<u>2,531,710</u>	<u>404,081</u>
Net assets in perpetuity		
Endowment funds		
Endowment for the Future	5,092,171	-
Wilma L. Pickard Endowment Fund	220,000	220,000
Trish Gibson Memorial Internship	101,978	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	<u>5,733,868</u>	<u>639,719</u>
River Farm land	<u>647,008</u>	<u>647,008</u>
Total net assets in perpetuity	<u>6,380,876</u>	<u>1,286,727</u>
Total Net Assets with Donor Restrictions	<u>\$ 8,912,586</u>	<u>\$ 1,690,808</u>

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

10. IN-KIND CONTRIBUTIONS

The Society's policy is to use contributed nonfinancial assets for programmatic or other purposes unless the assets have no utility consistent with the Society's mission. In those instances, the assets would be monetized. Revenue from in-kind contributions during the years ended June 30 are as follows:

	<u>2024</u>	<u>2023</u>	<u>Usage in Programs / Activities</u>	<u>Fair Value Techniques and Inputs</u>
Plants and garden supplies	\$ 14,557	\$ -	Various	Comparable sales price
Meetings, tours and activities	11,300	-	Gardens and Buildings	Rates and fees charged
Furniture and fixtures	10,910	-	Capitalized	Third-party appraisal
Gala auction items	10,500	12,840	Fundraising & Development	Comparable sales price
Outside services	7,500	-	Educational Programs	Rates and fees charged
Advertising and public awareness	3,564	-	Membership	Rates and fees charged
Artworks	-	5,820	Educational Programs	Comparable sales price
Printing services	-	2,653	Fundraising & Development	Rates and fees charged
Total In-Kind Contributions	<u>\$ 58,331</u>	<u>\$ 21,313</u>		

The Society did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions. Plants and garden supplies were used to support gardens and buildings and educational programs.

11. ENDOWMENTS

The Society's endowments consist of numerous individual funds established for a variety of purposes. The endowments consist of donor-restricted funds and as required by 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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

11. ENDOWMENTS (continued)

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.

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.

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

11. ENDOWMENTS (continued)

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, 2024.

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>2024</u>			
Donor-restricted	\$ 36,374	\$ 6,380,876	\$ 6,417,250
<u>2023</u>			
Donor-restricted	\$ 16,954	\$ 1,286,727	\$ 1,303,681

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, 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
Contributions	-	5,094,149	5,094,149
Investment income, net	89,736	-	89,736
Appropriations for expenditure	(70,316)	-	(70,316)
Endowment net assets, June 30, 2024	\$ 36,374	\$ 6,380,876	\$ 6,417,250

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

	2024	2023
The portion of perpetual endowment funds that was subject to purpose restriction under UPMIFA	\$ 36,374	\$ 16,954
The portion of perpetual endowment funds that was required to be retained in perpetuity either by explicit donor stipulations or by UPMIFA	\$ 6,380,876	\$ 1,286,727

AMERICAN HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

12. 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 \$34,840 and \$12,740 for the years ended June 30, 2024 and 2023, respectively.

13. CONCENTRATIONS

Two donors, including one related-party donor (a member of the Board of Directors), accounted for 85 and 11 percent of contributions support for the years ended June 30, 2024 and 2023, respectively.

14. 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.