

**AMERICAN HORTICULTURAL SOCIETY**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2015**

**AMERICAN HORTICULTURAL SOCIETY**  
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**June 30, 2015**

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Board of Directors  
American Horticultural Society  
Alexandria, VA

### Independent Auditor's Report

We have audited the accompanying financial statements of the American Horticultural Society (the Society), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2015, 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.



Independent Auditor's Report  
American Horticultural Society

***Report on Summarized Comparative Information***

We have previously audited the Society's June 30, 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, DC  
March 25, 2016

Certified Public Accountants

**AMERICAN HORTICULTURAL SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**  
(With Summarized Financial Information for June 30, 2014)

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 47,409	\$ 71,318
Restricted cash	73,890	302,389
Pledges receivable	18,313	18,937
Prepaid expenses	55,095	61,508
Inventory	1,190	1,250
Deposit	21,400	21,400
<b>TOTAL CURRENT ASSETS</b>	<b>217,297</b>	<b>476,802</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>2,091,793</b>	<b>1,795,577</b>
<b>INVESTMENTS</b>	<b>2,385,245</b>	<b>2,381,773</b>
<b>PLEDGES RECEIVABLE, net of current portion</b>	<b>29,379</b>	<b>35,630</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,723,714</b>	<b>\$ 4,689,782</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 245,517	\$ 171,570
Rental deposits	3,600	4,600
Amounts outstanding on line of credit	170,000	75,000
Note payable	23,122	22,064
Capital lease obligations	8,385	8,371
Deferred revenue	467,026	585,118
<b>TOTAL CURRENT LIABILITIES</b>	<b>917,650</b>	<b>866,723</b>
<b>NOTE PAYABLE, net of current portion</b>	<b>984,836</b>	<b>1,007,960</b>
<b>CAPITAL LEASE OBLIGATIONS, net of current portion</b>	<b>4,664</b>	<b>12,616</b>
<b>TOTAL LIABILITIES</b>	<b>1,907,150</b>	<b>1,887,299</b>
<b>NET ASSETS</b>		
Unrestricted	1,642,273	1,596,945
Temporarily restricted	634,572	665,819
Permanently restricted	539,719	539,719
<b>TOTAL NET ASSETS</b>	<b>2,816,564</b>	<b>2,802,483</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,723,714</b>	<b>\$ 4,689,782</b>

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

**AMERICAN HORTICULTURAL SOCIETY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**  
(With Summarized Financial Information for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
<b>REVENUE</b>					
Membership dues	\$ 780,726			\$ 780,726	\$ 739,170
Educational events	579,969			579,969	404,590
Books and services	70,818			70,818	53,749
Contributions	481,419	\$ 103,705		585,124	901,194
Gala	105,070			105,070	102,653
Royalty income	2,035			2,035	2,765
River Farm rental	320,530			320,530	268,115
Net investment income	99,267			99,267	295,061
Miscellaneous income	600			600	6,375
Net assets released from restrictions	134,952	(134,952)		-0-	-0-
<b>TOTAL REVENUE</b>	<b>2,575,386</b>	<b>(31,247)</b>	<b>\$ -0-</b>	<b>2,544,139</b>	<b>2,773,672</b>
<b>EXPENSES</b>					
<b>Program Services:</b>					
Membership	429,426			429,426	439,610
Educational programs	650,905			650,905	572,675
Communications	386,869			386,869	408,480
Gardens and buildings	449,076			449,076	440,040
<b>Total Program Services</b>	<b>1,916,276</b>	<b>-0-</b>	<b>-0-</b>	<b>1,916,276</b>	<b>1,860,805</b>
<b>Supporting Services:</b>					
Management and general	385,526			385,526	314,390
Fundraising and development	228,256			228,256	262,325
<b>Total Supporting Services</b>	<b>613,782</b>	<b>-0-</b>	<b>-0-</b>	<b>613,782</b>	<b>576,715</b>
<b>TOTAL EXPENSES</b>	<b>2,530,058</b>	<b>-0-</b>	<b>-0-</b>	<b>2,530,058</b>	<b>2,437,520</b>
<b>CHANGE IN NET ASSETS</b>	<b>45,328</b>	<b>(31,247)</b>	<b>-0-</b>	<b>14,081</b>	<b>336,152</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,596,945</b>	<b>665,819</b>	<b>539,719</b>	<b>2,802,483</b>	<b>2,466,331</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,642,273</b>	<b>\$ 634,572</b>	<b>\$ 539,719</b>	<b>\$ 2,816,564</b>	<b>\$ 2,802,483</b>

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

**AMERICAN HORTICULTURAL SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2015**  
(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 14,081</b>	<b>\$ 336,152</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on investments	(63,705)	(267,969)
Loss on disposal of fixed assets	3,079	-0-
Depreciation and amortization	74,573	50,393
Decrease in restricted cash	228,499	290,864
Decrease in pledges receivable	6,875	17,996
Decrease in prepaid expenses	6,413	12,456
Decrease in inventory	60	5,182
Increase (decrease) in accounts payable and accrued expenses	73,947	(140,797)
Decrease in rental deposits	(1,000)	(1,800)
(Decrease) increase in deferred revenue	(118,092)	122,218
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>224,730</b>	<b>424,695</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(461,156)	(644,343)
Proceeds from sales of investments	521,389	475,972
Purchases of fixed assets	(373,868)	(242,281)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(313,635)</b>	<b>(410,652)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments on note payable	(22,066)	(20,930)
Borrowings on line of credit	240,000	298,000
Repayments on line of credit	(145,000)	(283,000)
Payments on capital lease obligation	(7,938)	(5,407)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>64,996</b>	<b>(11,337)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(23,909)</b>	<b>2,706</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>71,318</b>	<b>68,612</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 47,409</b>	<b>\$ 71,318</b>

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

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**NOTE A - 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, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Society's purpose is to unite and supplement the many phases and efforts of American horticulture, to represent them nationally and internationally, and to encourage and promote American horticulture. The Society's significant sources of support include membership dues, contributions, educational events and River Farm rentals.

The Society's major programs are as follows:

*Membership* – This program includes providing services and outreach in support of the Society's 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 having 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 agreements with public gardens and horticultural organizations extend the Society's reach.

*Educational programs* – These activities focus on sharing the art and science of horticulture with a special emphasis on gardening with 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. Online, reciprocal admissions, travel study, seed exchange, and other special programs offer members the opportunity to explore their passion for gardens and gardening. 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.

*Communications* – These programs include the Society's flagship publication, *The American Gardener* magazine. Providing useful and authoritative information, *The American Gardener* demonstrates the Society's commitment to communicating, standardizing, and enriching the language of horticulture through a variety of media. The Society's website and internet presence provides a wealth of gardening information as well as updates on the Society's programs. With more than 100 books devoted to 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.



**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

*Gardens and buildings* – These programs include the operation, stewardship, and ongoing enhancement of the Society’s 25-acre headquarters property, River Farm. A site of regional, national, horticultural, and historic significance, River Farm is open to visitors and serves as a venue for educational programs, 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. The Gardens and Buildings staff also provides content and coordination in support of the Society’s on-site and national programs.

**Basis of  
Presentation**

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

**Income Taxes**

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code. The Society is exempt from the payment of taxes on income other than net unrelated business income. No provision for income taxes is required at June 30, 2015, as the Society had no net unrelated business income.

The Society requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Society does not believe its financial statements include, or reflect, any uncertain tax positions.

The Society’s Form 990, Return of Organization Exempt from Income Tax, the Form 990-T, Federal Exempt Organization Unrelated Business Income Tax Return and the Virginia Form 500, Virginia Corporation Tax Returns are subject to examination by the taxing authorities, generally for three years after they are filed.

**Cash and Cash  
Equivalents**

Cash and cash equivalents consists of demand deposits, excluding restricted cash.

**Pledges  
Receivable**

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

**Inventory**

Inventory consists primarily of books, magazines and merchandise. Inventory is stated at the lower of market or cost using the first-in, first-out method.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE A - 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 \$500. Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets (10 to 40 years for buildings and building improvements and 3 to 10 years for furniture and equipment). Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated property and equipment is recorded at fair market value at the date of donation.

**Investments**

Investments are reported at the fair value based on quoted market prices or from readily available pricing sources for comparative instruments. Realized and unrealized gains and losses are included with investment income in the statement of activities. Investment income is reported as an increase or decrease in unrestricted net assets, unless restricted by donor or law. However, investment earnings are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the investment earnings are recognized.

**Revenue  
Recognition**

Unconditional contributions are recorded as support, at fair value, when received or when promised. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the existence and/or nature of the restriction. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions for which the restriction is met in the same period as received are reported as unrestricted.

Donated securities are recorded at fair value on the date of donation and are generally sold immediately; unsettled sales of contributed securities are reported as a receivable.

Membership dues, in excess of a certain amount, represent a contribution. The dues portion received in advance of the dues period are deferred and recognized as revenue over the members' respective membership year. The contribution component is recognized when received.

Revenue from educational events, sale of books, provision of services, and River Farm rentals are recognized when earned. Amounts received in advance are reported as deferred revenue.

**Donated  
Services**

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.

Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Estimates**           The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**       The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the programs and supporting services benefited based upon the function directly benefited or based upon management's estimates of the proportion of these costs applicable to each function.

**Prior Year Information**       The financial statements include certain prior year summarized comparative totals as of and for the year ended June 30, 2014. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**Reclassifications**   Certain 2014 amounts have been reclassified for comparative purposes.

**NOTE B - INVESTMENTS**

Net investment income for the year ended June 30, 2015 is comprised of the following:

<b>Description</b>	<b>Amount</b>
Interest and dividends	<b>\$ 50,429</b>
Realized and unrealized gains	<b>63,705</b>
	<b>114,134</b>
Less: investment fees	<b>(14,867)</b>
<b>Net investment income</b>	<b>\$ 99,267</b>

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 value of investment securities will occur in the near term, and such changes could materially affect the reported balance of investments and net assets in the statement of financial position and amounts reported in the statement of activities.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE C - FAIR VALUE MEASUREMENTS**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

**Level 1** - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

**Level 2** - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

**Level 3** - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following presents the Society's investments measured at fair value as of June 30, 2015:

Description	(Level 1)	(Level 2)	Total
Common stock	\$ 893,946		\$ 893,946
Vanguard Total Stock Market Index Admiral	503,430		503,430
Corporate bonds		\$ 370,785	370,785
Other mutual funds - bonds	278,497		278,497
Exchange traded funds	174,138		174,138
Other mutual funds - stocks	111,825		111,825
Money market funds	52,624		52,624
<b>Total investments</b>	<b>\$ 2,014,460</b>	<b>\$ 370,785</b>	<b>\$ 2,385,245</b>

The Society's level 2 investments are valued from readily-available pricing sources for comparable instruments.

**NOTE D - INTEREST AND SUPPLEMENTAL CASH FLOW INFORMATION**

Interest expense and interest paid during the year ended June 30, 2015 was approximately \$66,000.

During the year ended June 30, 2014, the Society entered into a capital lease agreement for office equipment valued at approximately \$13,800.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

**NOTE E - PLEDGES RECEIVABLE**

The Society had pledges receivable as of June 30, 2015 as follows:

Description	Amount
Receivable in less than one year	\$ 20,852
Receivable in one to five years	34,340
Total pledges receivable	55,192
Less: allowance for doubtful accounts	(7,500)
<b>Net pledges receivable</b>	<b>\$ 47,692</b>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2015:

Description	Amount
Land	\$ 647,008
Land improvements	1,021,221
Building and building improvements	862,034
Furniture and equipment	188,906
Equipment under capital leases	35,798
	2,754,967
Less: accumulated depreciation and amortization	(663,174)
<b>Property and equipment, net</b>	<b>\$ 2,091,793</b>

**NOTE G - NOTE PAYABLE**

On November 29, 2011, the Society secured approximately \$1,200,000 (the Loan) from a bank to finance water, sewer, and technology infrastructure improvements. The proceeds of the Loan were to be disbursed as construction progressed. The Loan was payable in monthly installments of interest only at an interest rate of 5.25% on the outstanding principal balance until May 29, 2013 (the Conversion Date). From the Conversion Date through November 29, 2022, the Loan is payable in monthly payments of principal and interest at 5.25%. On November 29, 2022, and every five years thereafter, the interest rate will be adjusted to the greater of the weekly average yield on five-year United States Treasury securities plus 2.75% or 4.50%. The Loan will mature on November 29, 2037, and is secured by the Society's property, 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 restrictive covenants pertaining to insurance, property maintenance, and financial records.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

**NOTE G - NOTE PAYABLE (Continued)**

In addition, \$146,100 of the Loan is available to maintain an irrevocable letter of credit with the County of Fairfax, Virginia relating to the infrastructure improvements. The irrevocable letter of credit was released by the County of Fairfax subsequent to June 30, 2015.

In June 2013, the remaining unspent proceeds from the Loan were deposited in to an account jointly held by the bank and the Society. The unspent amounts are restricted for future water, sewer, and technology infrastructure improvements. The cash balance of this account as of June 30, 2015 is shown as restricted cash on the statement of financial position. Upon completion of the infrastructure improvements, any funds remaining in the joint account will be available for use without restriction.

Maturities of long-term debt for each of the next five years and thereafter are as follows:

<b>For the Year Ending June 30,</b>	<b>Amount</b>
2016	\$ 23,122
2017	24,533
2018	25,872
2019	27,283
2020	28,639
Therafter	878,509
<b>Total</b>	<b>\$ 1,007,958</b>

**NOTE H - CAPITAL LEASE OBLIGATIONS**

The Society is the lessee of office equipment under capital leases which have varying lease terms. The assets and the liabilities under the leases are recorded at the present value of the minimum lease payments. The assets are being depreciated over their estimated useful lives. Depreciation under the leases is included in depreciation and amortization expense. As of June 30, 2015, the accumulated depreciation related to the assets under the leases was approximately \$16,000.

The future minimum lease payments under the capital leases as of June 30, 2015 are as follows:

<b>For the Year Ending June 30,</b>	<b>Amount</b>
2016	\$ 8,762
2017	4,159
2018	630
Total minimum lease payments	13,551
Less amount representing interest	(502)
<b>Present value of total minimum lease payments</b>	<b>\$ 13,049</b>

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE I - LINE OF CREDIT**

At June 30, 2015 the Society had available an unsecured line of credit of \$200,000 with a bank, to be drawn upon as needed with a variable interest rate equal to the greater of the U.S. prime rate as quoted in the Wall Street Journal or 5%. The line of credit was scheduled to mature on January 14, 2016. Subsequent to year end, the line of credit was renewed and extended to January 13, 2018.

**NOTE J - CONCENTRATIONS**

One donor comprised 96% of pledges receivable as of June 30, 2015.

The Society maintains cash balances at local financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Society's cash balances exceeded the FDIC insurance limit. Management believes the risk in these situations to be minimal.

**NOTE K - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes as of June 30, 2015:

<b>Description</b>	<b>Amount</b>
Estate house restoration	\$ 159,855
Capital campaign - plants	45,787
Reflecting pool	248,922
Childrens Garden	4,000
Gardening on the Web Initiative	144,935
Carriage house improvements	31,073
<b>Total temporarily restricted net assets</b>	<b>\$ 634,572</b>

Amounts released from temporarily restricted net assets during the year ended June 30, 2015 are as follows:

<b>Description</b>	<b>Amount</b>
Estate house restoration	\$ 17,549
Endowment funds	812
Gardening on the Web Initiative	112,136
National Children & Youth Garden Symposium	2,500
Carriage house improvements	1,955
<b>Total amounts released from restriction</b>	<b>\$ 134,952</b>



**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE L – PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS**

The Society's endowment consists of numerous individual funds established for a variety of purposes. The endowment consists 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.

Permanently restricted net assets as of June 30, 2015, represent funds that are invested in perpetuity for the following purposes:

<b>Description</b>	<b>Amount</b>
Frances Poetker Endowment	<b>\$ 50,000</b>
Hunt Endowment	<b>25,000</b>
Marks Endowment	<b>50,000</b>
Jane Steffey Endowment	<b>83,349</b>
Jane Steffey Endowment #2	<b>50,000</b>
H. Marc Cathey Award Endowment Fund	<b>30,870</b>
Jane Taylor Teaching Award Endowment Fund	<b>20,500</b>
Youth Gardening Intern Endowment	<b>10,000</b>
Wilma L. Pickard Endowment Fund	<b>220,000</b>
<b>Total permanently restricted net assets</b>	<b>\$ 539,719</b>

The Frances Poetker Endowment was established to provide a biennial award for floral artistry. The corpus of the endowment is permanently restricted. The earnings of the fund are used for awards and/or support of general operations.

The Hunt Endowment was established to support general operations of the Society. The corpus is permanently restricted, and earnings are used to support general operations.

The Marks Endowment was established to provide special funds for internships to science majors. The corpus is permanently restricted, and the earnings are used to support the internship program.

The Jane Steffey Endowment was established to provide staff training. The corpus is permanently restricted, and earnings are used to support staff professional development.

The Jane Steffey Endowment #2 was established to provide income to be spent as directed by the Society's Board of Directors. The corpus is permanently restricted.

The H. Marc Cathey Award Endowment Fund was established to provide for Great American Gardeners Awards. The corpus is permanently restricted and earnings are used to motivate research activity in horticulture.

The Jane Taylor Teaching Award Endowment Fund is for the Great American Gardeners Awards. The corpus is permanently restricted and earnings are used to award those who have inspired future horticulturists through their efforts with children and youth gardeners and gardening.



**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE L – PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (Continued)**

The Youth Gardening Intern Endowment was established to provide internships for individuals interested in working with children and youth in gardening activities.

The Wilma L. Pickard Endowment Fund was established to provide internships and other needs of the Society.

The Society has interpreted the 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 fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standards 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:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) 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 assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for donor-specified periods. 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 that provides reasonable and predictable funds for the Society's program purposes supported by its permanently restricted endowments and to maintain a balance between Society spending and the protection of the principal.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

**NOTE L – PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENTS (Continued)**

*Spending Policy*

The Society has adopted a spending policy for the endowment funds that states that 95% of the actual interest and dividends earned less investment fees, for the prior calendar year are available to be spent in accordance with donor restrictions.

The Society had the following changes in the endowments during the year ended June 30, 2015:

<b>Description</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Endowment net assets, beginning of year		\$ 812	\$ 539,719
Investment income	\$ 2,752	7,628	
Net depreciation		(7,628)	
Amounts appropriated for expenditure	(2,752)	(812)	
<b>Endowment net assets, end of year</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 539,719</b>

As of June 30, 2015, the Society had the following endowment funds:

<b>Description</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Donor restricted endowment funds	\$ -0-	\$ 539,719
<b>Total endowment funds</b>	<b>\$ -0-</b>	<b>\$ 539,719</b>

**NOTE M - COMMITMENTS**

The Society entered into an agreement with a hotel to provide accommodations for its meeting to be held in July 2016. The agreement contains a clause whereby the Society is liable for liquidated damages in the event of cancellation.

In addition, the Society entered into a non-cancelable service contract with a company to renovate the porch on the building. The total commitment is approximately \$155,000.

Management does not believe any cancellation under these contracts will occur.

**NOTE N - EMPLOYEE BENEFIT PLAN**

The Society maintains a tax-deferred annuity plan that covers all employees meeting certain age and length-of-service requirements. The Society's contribution to the plan was approximately \$28,800 for the year ended June 30, 2015.

**AMERICAN HORTICULTURAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2015**

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**NOTE O – RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2015, the spouse of the Executive Director of the Society was paid compensation as an employee, as Volunteer Program Manager and Horticulturist, for the performance of services.

**NOTE P - SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 25, 2016, which is the date the financial statements were available to be issued.



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Board of Directors  
American Horticultural Society  
Alexandria, VA

Independent Auditor's Report on  
Supplementary Information

We have audited the financial statements of the American Horticultural Society as of and for the year ended June 30, 2015, and have issued our report thereon dated March 25, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended June 30, 2015, with summarized comparative totals for the year ended June 30, 2014, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

*Councilor, Buchanan & Mitchell, P.C.*

Washington, DC  
March 25, 2016



**AMERICAN HORTICULTURAL SOCIETY**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**  
(With Summarized Financial Information for the Year Ended June 30, 2014)

	Membership	Educational programs	Communications	Gardens and buildings	Management and general	Fundraising and development	2015 Total	2014 Total
Salaries and wages	\$ 95,245	\$ 178,301	\$ 177,253	\$ 166,231	\$ 98,558	\$ 73,289	\$ 788,877	\$ 836,493
Temporary help				5,153			5,153	5,308
Benefits and taxes	24,134	45,179	40,844	39,597	25,113	18,571	193,438	180,085
Training	5,782	371	2,170	1,580			9,903	13,694
Accounting and legal					52,108		52,108	57,770
Advertising	5,616	1,300		7,895	1,630	109	16,550	8,257
Awards		3,830			1,880		5,710	4,871
Bank fees					34,228		34,228	29,500
Computer supplies and service	14,768	259			21,432		36,459	32,526
Consulting and professional fees	67,249	2,764			2,500	3,000	121,753	120,446
Cost of merchandise	12,860	2,327	46,240	14,942		27,009	57,138	51,149
Depreciation and amortization					74,573		74,573	50,393
Dues and subscriptions		377	100	500	1,169	665	2,811	3,142
Housekeeping				6,903			6,903	5,355
Insurance					36,046		36,046	30,156
Interest				54,298	11,849		66,147	62,475
List rental						18,905	18,905	27,739
Mail services	40,525	207	6,010			7,251	53,993	77,319
Meetings		364,494	169					373,379
Outside services	16,990	5,165	2,699	61,833	3,241	20,955	450,692	42,622
Postage	61,715	6,629	45,216	24,378	1,737	15,695	66,664	128,283
Printing	66,624	9,861	54,496	5,556	1,623	10,759	131,498	149,675
Repairs and maintenance				1,350		15,680	148,011	14,443
Supplies - operations	10,630	676		9,600	817		10,417	29,740
Supplies - office	1,009	4,887	1,932	33,671	37	1,642	46,656	12,043
Taxes and licenses			1,462	2,480	1,442	873	12,623	20,290
Telephone	1,761	3,296	2,980	6,055	4,553	10,672	22,742	25,929
Travel	2,225	15,059	1,417	2,889	2,503	1,355	14,784	22,881
Utilities	2,293	4,292	3,881	403	3,177	62	22,343	18,706
Miscellaneous		1,631		3,762	2,231	1,764	18,223	2,851
Loss on disposal					3,079		1,631	-0-
<b>Total expenses</b>	<b>\$ 429,426</b>	<b>\$ 650,905</b>	<b>\$ 386,869</b>	<b>\$ 449,076</b>	<b>\$ 385,526</b>	<b>\$ 228,256</b>	<b>\$ 2,530,058</b>	<b>\$ 2,437,520</b>