

MASSACHUSETTS HORTICULTURAL SOCIETY

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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MASSACHUSETTS HORTICULTURAL SOCIETY

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)



Mission Statement

Founded in 1829, the Massachusetts Horticultural Society is dedicated to encouraging the science and practice of horticulture and developing the public's enjoyment, appreciation, and understanding of plants and the environment.

MASSACHUSETTS HORTICULTURAL SOCIETY

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Massachusetts Horticultural Society
Wellesley, Massachusetts

We have audited the accompanying financial statements of Massachusetts Horticultural Society (a Massachusetts nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 Massachusetts Horticultural Society as of September 30, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Massachusetts Horticultural Society

Report on Summarized Comparative Information

We have previously audited Massachusetts Horticultural Society's financial statements for the year ended September 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
June 8, 2021

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 913,992	\$ 639,951
Accounts Receivable	2,656	8,000
Contributions Receivable	21,100	-
Prepaid Expenses	-	5,331
Total Current Assets	937,748	653,282
<u>PROPERTY AND EQUIPMENT:</u>		
Net of Accumulated Depreciation	2,752,701	2,906,552
<u>COLLECTIONS</u> (Note 3)	633,289	633,289
<u>NON-CURRENT ASSETS:</u>		
Endowment Investments	1,418,128	1,347,422
Beneficial Interest in Remainder Trust	125,717	124,815
Beneficial Interest in Perpetual Trust	60,075	57,171
Total Non-Current Assets	1,603,920	1,529,408
<u>TOTAL ASSETS</u>	\$ 5,927,658	\$ 5,722,531

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Current Portion of Note Payable	\$ 11,666	\$ 11,098
Accounts Payable and Accrued Expenses	31,167	30,194
Accrued Salaries and Related Costs	27,488	49,383
Deposits for Function Rentals	374,548	334,259
Deferred Membership Dues	111,838	108,559
Deferred Rental and Other Revenue	2,000	5,545
Conditional Grant Advances	167,934	-
Total Current Liabilities	726,641	539,038
<u>NON-CURRENT LIABILITIES:</u>		
Note Payable, Net of Current Portion	30,539	42,208
Security Deposits	3,900	4,150
Total Non-Current Liabilities	34,439	46,358
<u>TOTAL LIABILITIES</u>	761,080	585,396
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	3,582,975	3,565,902
Net Assets With Donor Restrictions:		
Restricted by Purpose	461,874	487,408
Restricted in Perpetuity	1,121,729	1,083,825
Total Net Assets With Donor Restrictions	1,583,603	1,571,233
Total Net Assets	5,166,578	5,137,135
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 5,927,658	\$ 5,722,531

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Comparative Totals for 2019)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			<u>2020</u>	<u>2019</u>
<i>Program Revenue:</i>				
Membership Dues	\$ 266,180	\$ -	\$ 266,180	\$ 269,988
Function Rentals	190,089	-	190,089	578,350
Commission Income	8,958	-	8,958	18,761
Education Programs and Events	106,557	-	106,557	207,549
<i>Gifts, Grants and Contributions:</i>				
Contributions and Grants	564,690	104,750	669,440	345,423
Proceeds from Fund Raising Events	148,154	-	148,154	204,860
Less: Cost of Direct Benefits to Donors	(13,171)	-	(13,171)	(28,059)
Donated Goods and Services	137,551	-	137,551	213,433
<i>Other Revenues:</i>				
Investment Return	91	57,954	58,045	26,106
Change in Value of Beneficial Interest in Trusts	901	2,904	3,805	(9,274)
License Income	122,151	-	122,151	114,782
Other Miscellaneous Revenue	1,852	-	1,852	1,350
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	153,238	(153,238)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,687,241</u>	<u>12,370</u>	<u>1,699,611</u>	<u>1,943,269</u>
<u>EXPENSES:</u>				
Program Services	1,150,952	-	1,150,952	1,481,117
Administrive	306,957	-	306,957	269,286
Fund Raising	212,259	-	212,259	316,519
<u>TOTAL EXPENSES</u>	<u>1,670,168</u>	<u>-</u>	<u>1,670,168</u>	<u>2,066,922</u>
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>17,073</u>	<u>12,370</u>	<u>29,443</u>	<u>(123,653)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,565,902</u>	<u>1,571,233</u>	<u>5,137,135</u>	<u>5,260,788</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 3,582,975</u>	<u>\$ 1,583,603</u>	<u>\$ 5,166,578</u>	<u>\$ 5,137,135</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Summarized Comparative Totals for 2019)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>DIRECT</u> <u>EVENT</u> <u>COSTS</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
					<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 425,384	\$ 124,045	\$ 84,286	\$ -	\$ 633,715	\$ 687,791
Payroll Taxes	41,308	12,046	8,185	-	61,539	61,651
Employee Benefits	39,716	18,781	7,869	-	66,366	62,131
Consultants and Professional Fees	57,420	57,366	27,978	-	142,764	275,474
In-Kind Goods and Services	61,070	12,520	63,961	-	137,551	201,612
Legal Fees	-	2,886	-	-	2,886	5,021
Insurance	61,559	8,892	1,985	-	72,436	74,773
Advertising	20,188	-	-	-	20,188	16,293
Maintenance and Repairs	46,622	1,437	479	-	48,538	84,767
Security, Rent and Utilities	72,356	2,261	754	-	75,371	101,602
Depreciation Expense	200,919	6,279	2,093	-	209,291	233,641
Program Materials and Event Expenses	55,910	-	-	13,171	69,081	139,877
Membership Expenses	5,346	-	-	-	5,346	6,715
Printing and Postage	12,908	1,628	5,433	-	19,969	22,479
Computer Supplies and Expenses	23,989	6,995	4,754	-	35,738	32,672
Telephone	11,942	3,483	2,366	-	17,791	17,548
Dues and Subscriptions	393	1,075	1,828	-	3,296	8,003
Travel and Vehicle Expenses	11,755	3,416	288	-	15,459	24,173
Bank and Credit Card Fees	2,167	33,164	-	-	35,331	33,277
Miscellaneous Expenses	-	10,683	-	-	10,683	5,481
Total Functional Expenses	1,150,952	306,957	212,259	13,171	1,683,339	2,094,981
Direct Cost of Benefits to Donors	-	-	-	(13,171)	(13,171)	(28,059)
Expenses Per Statement of Activites	<u>\$ 1,150,952</u>	<u>\$ 306,957</u>	<u>\$ 212,259</u>	<u>\$ -</u>	<u>\$ 1,670,168</u>	<u>\$ 2,066,922</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 29,443	\$ (123,653)
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Investment Return	(57,135)	(25,584)
Change in Value of Beneficial Interest in Remainder Trust	(901)	7,345
Change in Value of Beneficial Interest in Perpetual Trust	(2,904)	1,929
Contributions Restricted for Endowment	(35,000)	-
Donated Collection Items	-	(10,000)
Depreciation Expense	209,291	233,641
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	5,344	2,975
Contributions Receivable	(21,100)	1,500
Prepaid Expenses	5,331	6,731
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	973	(22,388)
Accrued Salaries and Related Costs	(21,895)	2,733
Deposits for Function Rentals	40,289	29,806
Deferred Membership Dues	3,279	(2,010)
Deferred Rental and Other Revenue	(3,545)	(12,128)
Conditional Grant Advance	167,934	-
<i>Increase (Decrease) in Non-Current Liabilities:</i>		
Security Deposits	(250)	-
Net Adjustment	<u>289,711</u>	<u>214,550</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>319,154</u>	<u>90,897</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of Property and Equipment	(55,440)	(300,562)
Purchase of Investments	(35,000)	-
Proceeds from Sale of Investments	21,428	52,861
Net Cash Flows from Investing Activities	<u>(69,012)</u>	<u>(247,701)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from Note Payable	-	59,680
Contributions Restricted for Endowment	35,000	-
Payments on Note Payable	(11,101)	(6,374)
Net Cash Flows from Financing Activities	<u>23,899</u>	<u>53,306</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>274,041</u>	<u>(103,498)</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>639,951</u>	<u>743,449</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 913,992</u>	<u>\$ 639,951</u>
<i><u>Non-Cash Investing and Financing Activities :</u></i>		
Donated Collections	<u>\$ -</u>	<u>\$ 10,000</u>
<i><u>Supplemental Disclosures :</u></i>		
Interest Paid	<u>\$ 2,413</u>	<u>\$ 1,970</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

NOTE 1 ORGANIZATION

Massachusetts Horticultural Society (“MHS” or the “Organization”) was founded in 1829 and later incorporated under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Massachusetts Horticultural Society has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

The Gardens at Elm Bank:

Massachusetts Horticultural Society (MHS) is located on 36 acres in the historic Elm Bank Reservation. Elm Bank is on the National Register of Historic Places for its Manor House, designed by Carrere and Hastings, the architects who designed the New York Public Library; its original owner, Benjamin Cheney, one of the founders of American Express; and the landscapes created by the Olmsted Brothers firm in the early 1900s.

With 17 acres under cultivation, The Gardens at Elm Bank offer adults and children from all backgrounds the opportunity to experience, enjoy and learn about plants and the environment. The campus offers a variety of beautiful gardens including the historic Italianate Garden designed by the Olmsted Brothers, the New England Trial Garden that tests plant varieties for hardiness in our zone, the whimsical Weezie's Garden for Children, the Bressingham Garden that demonstrates perennial plants for the New England garden, and the Seed-to-Table Vegetable Garden, which offers hands-on-learning in the raised vegetable garden beds and provides two fresh produce for local food pantries. Several plant societies and garden clubs have also installed permanent demonstration and display gardens.

Massachusetts Horticultural Society is open year round for classes, workshops and symposia held in the Education Building, the Hunnewell Carriage House, and the Putnam building with wet lab and greenhouses. The Gardens at Elm Bank are open for garden visitors, April through October, daily, from 10 a.m. to 7 p. m. Member entry is free and other visitors pay admission.

Function Business:

The Gardens at Elm Bank also provide an event venue that supports Mass Horticultural Society’s mission through rentals of its facilities and grounds. Over 16,000 guests typically participate in events that help to introduce the public to horticulture and our beautiful gardens and grounds. In 2020 this was subject to a one time reduction in volume due to Covid-19.

Education:

Adult Education: Adult education includes a selection of horticultural/gardening/environmental lectures and workshops to educate adults, such as School Garden Educator Workshops; year-round classes in horticulture, landscape design, and botany to name a few, for the novice to expert; Perennial Plant Symposium; Garden Tours; and volunteer gardening training. While reduced, much programming was moved online.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 2 *(Continued)*

Youth Education: MHS's educational programs for youth focus on the science of growing plants, healthy nutrition, and the importance of nature and the environment. The Plantmobile is a traveling plant science workshop that provides experiential educational programs for children in grades K-8. A member of the Mass Hort educational staff will come to your classroom to present each program. Our emphasis is on hands-on individual and group activities. Our program is based on the Massachusetts Science and Technology Frameworks, STEM. Each workshop is designed to deliver a positive and unique learning experience to students. Additionally, programming for young children at Mass Hort takes place during the season in Weezie's Garden for Children.

Library:

MHS's Horticultural Library is the oldest horticultural library in the country and is renowned for its collection of books related to early agriculture, horticulture, and landscape design. The circulating library is comprised of over 20,000 books and 5,000 rare books and a manuscript collection stored offsite with the William B. Meyer Company.

In 2017, the MHS library digitized its collection of Edwin Hale Lincoln plant photography plates, making them available online to students, scholars, writers, and the general public. Visiting the Digital Commonwealth site, one can find the Lincoln Collection at:

<https://www.digitalcommonwealth.org/collections/commonwealth:z890s405m>

as well as our collection of Botanical Prints dating from 1620 to 1969 at:

<https://www.digitalcommonwealth.org/collections/commonwealth:k930hm897>

Membership:

Membership in the Massachusetts Horticultural Society provides access to information, learning and horticultural experiences, while supporting America's oldest horticultural institution. Membership benefits include free admission to The Garden at Elm Bank, our headquarters in Wellesley/Dover, MA, as well as a monthly electronic newsletter, *The Leaflet*, borrowing privileges at our circulating library, discounts to our horticultural lectures and workshops, a \$25 gift certificate from two nurseries, free/discounts admission to gardens across the country with the American Horticultural Society reciprocal program, and discounts at over seventy of our green partner nurseries.

Spring Flower Show: *MHS at the Flower Show*

MHS runs the amateur competitions (branded *Mass Hort at the Flower Show*) at the Boston Flower and Garden Show that is owned and operated by Paragon Group. Mass Hort manages the show's amateur competitions in design and horticulture, including floral design, amateur horticulture, photography, and miniature gardens. It's a 135-year tradition for Mass Hort and our largest horticulture outreach effort, with over 65,000 people visiting the show, annually. In 2020 MHS withdrew from the Flower Show to protect staff, volunteers and visitors.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 2 *(Continued)*

Honorary Medals Horticultural Awards:

At the turn of the 20th century, Massachusetts Horticultural Society began the practice of conferring honorary medals on those individuals and institutions it regarded as important contributors to the art and science of horticulture. This 118 year old tradition honors excellence in horticulture. Over ten awardees receive various medals: George Robert White Medal of Honor, Jackson Dawson Memorial Award, Thomas Roland Medal, and Gold and Silver medals. Although 2020 awards have been made, the 2020 program was deferred to 2021.

The Festival of Trees:

Massachusetts Horticultural Society's Festival of Trees is not only an important fundraiser, it is one of the most festive occasions at The Gardens at Elm Bank.

From the day following Thanksgiving through December, we display over 60 beautifully decorated trees, which are raffled off on December 23. During the festival, visitors purchase tickets for a chance to win the tree(s) of their choice. It's fun, and for many it has become a family tradition.

While the beautifully decorated trees are the centerpiece of the event, the Festival of Trees also includes garden lights, visits from Santa, horse-drawn wagon rides, the Snow Village model railroad display, and a fire pit with s'mores. Over 7,500 guests visited the Festival.

Outreach and Fundraising Events:

Arts on the Green, Gardeners' Fair, and Harvest Celebration fundraisers were not held in 2020.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

Fair Value of Financial Instruments:

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements are:

- Initial measurement of noncash gifts, including gifts of investments
- Recurring measurement of investments
- Recurring measurement of beneficial interests in trusts

There have been no changes to this valuation methodology.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 *(Continued)*

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants or bequests and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

The accompanying financial statements include certain FY 2019 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and, in the Statement of Functional Expenses, FY 2019 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Receivables:

Accounts Receivable primarily represents amounts due under rental agreements and catering commissions. *Contributions Receivable* represent multi-year promises to give related to specific fund raising initiatives and grant awards.

Receivables are classified as current, and reported at their net realizable value, if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time.

For the years presented, there were no losses on uncollectible accounts or pledges receivable.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$5,000 are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets as expressed in terms of years.

Collections:

MHS possesses a collection of rare books which were acquired through purchases and contributions beginning with the Organization's inception in 1829. The Organization's collection is held for education, research and furtherance of the Organization's goals.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

The Organization's policy for recognizing future donations of collection items is to capitalize the collection item and record corresponding contribution revenue in the period received. Additions to the collection are recorded at cost, if purchased, or at fair value if donated. As of September 30, 2020 and 2019, the carrying cost of the rare book collection amounted to \$583,789.

During FY 2015, MHS acquired through contribution a model train collection. As of September 30, 2020 and 2019, the carrying cost of the model train collection amounted to \$49,500.

The Organization maintains a collection of historically significant glass slides, seed catalogs and a print collection in furtherance of public service and not for financial gain. Management has determined that this collection has no resale value and are of value only to MHS; therefore, the Organization has not capitalized this collection.

The Organization also maintains a circulating library for the benefit of its members. The cost of books purchased for the library is capitalized and included with property and equipment.

Long-Term Investments:

The Organization maintains an investment portfolio which includes publicly traded securities in the form of fixed income and marketable equity securities. As required by the *FASB Accounting Standards Codification*TM, investment purchases are recorded at cost, or if donated at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Investments are classified as either short term or long term, depending on the underlying intention. As the Organization's investments are intended for long-term purposes, all investments, regardless of composition or liquidity, have been classified as long-term in the accompanying Statements of Financial Position. Cash held in brokerage accounts is reported as investments for purposes of these financial statements.

Beneficial Interests in Remainder Trust and Perpetual Trust:

As required by the *FASB Accounting Standards Codification*TM, the Organization's *Beneficial Interest in Remainder Trust* and *Beneficial Interest in Perpetual Trust* are reported at fair value, which is estimated as MHS's ownership percentage of the underlying trust assets and are classified within Level 3 of the fair value hierarchy.

The change in the value of the *Beneficial Interest in Perpetual Trust* is reported as an increase or decrease in net assets with donor restrictions, while the revaluation adjustment for the *Beneficial Interest in Remainder Trust* is reported as a change in net assets without donor restrictions. Income earned on assets held in the *Beneficial Interest in Perpetual Trust* is recognized as investment income during the year received.

Endowment Funds:

MHS holds the following three donor-restricted endowment funds: the Educational Endowment, the Weezie Garden Endowment and a General Endowment. As required by the Commonwealth of Massachusetts, the Organization follows the guidance of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA establishes law for the management of investment of donor-restricted endowment funds.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 *(Continued)*

The Board of Trustees' interpretation of state law is that the Organization, absent explicit donor stipulations to the contrary, may appropriate as much of the net appreciation as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

In accordance with UPMIFA, the Organization considers the following factors in making a determination of whether to invest or appropriate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization 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 Organization
- The investment policies of the Organization

Income and appreciation earned on General Endowment investments are classified as net assets with donor restriction until appropriated for expenditure by the Board of Directors based on the above factors. The Organization has a spending policy of appropriating for distribution each year an amount from the General Endowment appreciation to supplement operating income based on the above criteria. Income and appreciation earned on the Weezie Garden and Educational Endowment investments are classified as net assets with donor restriction until appropriated for expenditure by the Board of Directors based on the satisfaction of purpose-related restrictions as eligible costs are incurred.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original corpus which is reported as net assets with donor restrictions. There were no deficiencies of this nature as of September 30, 2020 and 2019.

The Organization takes a conservative approach to investing its endowment funds, which are maintained in fixed income securities, marketable equity securities and cash and are reported as *Endowment Investments* in the accompanying Statements of Financial Position.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, bequests, collection items, stocks or promises to give. Contributions of assets other than cash are reported at their fair value.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. Conditional grants which have been received and not yet recognized are recorded as *Conditional Grant Advances* on the Statement of Financial Position.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

Unconditional, multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time the assets are reclassified as net assets without donor restrictions.

Revenue Recognition:

Membership Dues and Deferred Membership Dues - the majority of MHS's memberships are accounted for as exchange transactions. Dues are assessed annually, with staggered membership expirations; therefore, a portion of the revenue generated from the membership renewals is recognized as *Membership Dues* on a monthly basis, with the unexpired portion recorded as *Deferred Membership Dues*, a liability, in the accompanying financial statements. Some memberships contain a contribution portion which is reported as revenue when the funds are received.

Function Rentals - is primarily derived from the use of MHS's facilities for various functions. Fees for function rental services represent exchange transactions and are considered earned on the date of the event. Deposits received for events to be held in future years are reported as *Deposits for Function Rentals* in the accompanying Statements of Financial Position.

Education Programs and Events - Revenue from the various programs and events held by MHS is considered an exchange transaction and, therefore, is recognized at the time of the event. Revenue received in advance of an event is deferred until the event date and is included in *Deferred Rental and Other Revenue* in the accompanying Statements of Financial Position.

Rental Income - MHS receives rent from leasing buildings on its property. *Rental Income* is recognized on a monthly basis as earned and is presented net of rental expenses in the accompanying Statement of Activities when such costs are considered material.

Investment Return:

Interest and dividends on investments are recognized when earned. Realized and unrealized gains and losses are recognized as incurred or based on market value changes during the period. Investment expenses are netted against the investment return.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, Massachusetts Horticultural Society maintains a policy whereby the value of the donated goods and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statement of Activities and are reported as expenses on the Statement of Functional Expenses, or capitalized if donation meets the Organization's capitalization policy.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 (Continued)

Functional Expenses:

Massachusetts Horticultural Society allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases used in conjunction with the Organization's cost allocation plan. For the years presented *Salaries and Wages, Payroll Taxes, Employee Benefits, Insurance, Computer Supplies and Expenses and Telephone* expenses are all allocated based on time and effort. *Maintenance and Repairs, Security, Rent and Utilities, and Depreciation Expense* are allocated based on square footage. Supporting services are those related to operating and managing Massachusetts Horticultural Society and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Massachusetts Horticultural Society's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of donated funds.

Advertising:

MHS uses print advertising and other media to promote its programs and events and to solicit for new members. Advertising costs are expensed as incurred.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

Change in Accounting Estimate:

During the fiscal year ended September 30, 2020, the Organization adjusted the depreciable lives of certain property and equipment to more accurately reflect the remaining useful lives of the assets. This change in accounting estimate has been applied prospectively and resulted in a \$42,260 decrease in depreciation expense for the fiscal year ended September 30, 2020.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 3 *(Continued)*

Recent Accounting Guidance:

Recently Implemented Standards

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard was adopted by the Organization effective October 1, 2019. This ASU provides organizations with the option of applying the clarified guidance in the initial year of implementation on a prospective basis; therefore, the Organization has not restated its fiscal year 2019 revenue balances or opening net assets for the years presented.

Recently Issued Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. In May 2020, the FASB extended the deferral of this standard for another year. This standard is effective for this Organization in financial statements issued for fiscal years beginning October 1, 2020.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of the Organization's property and equipment as of September 30, 2020 and 2019:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2020</u>	<u>2019</u>
Circulating Library	10	\$ 103,365	\$ 56,784	\$ 46,581	\$ 46,580
Equipment	3 - 7	529,965	466,549	63,416	77,774
Furniture and Fixtures	4 - 30	219,304	196,513	22,791	11,870
Leasehold Improvements (Elm Bank)	30	<u>6,699,440</u>	<u>4,079,527</u>	<u>2,619,913</u>	<u>2,770,328</u>
Total		<u>\$7,552,074</u>	<u>\$4,799,373</u>	<u>\$2,752,701</u>	<u>\$2,906,552</u>

The Organization occupies the Elm Bank Reservation under a permissive license agreement with the Massachusetts Department of Conservation and Recreation. The parties agreed that the Organization could occupy the grounds rent-free if it restored certain existing buildings and structures on the property. Upon the completion of the Elm Bank renovations in 2003, the Organization's right to occupy the property was extended through April 10, 2065, with an option to extend for a 30-year term. MHS has exercised that option and the license agreement has been extended through April 10, 2095.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 5 LONG-TERM INVESTMENTS

As of September 30, 2020 and 2019, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>September 30, 2020</u>				
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Total Fair Value</u>
Cash	\$ 222,762	\$ -	\$222,762	\$ -	\$ 222,762
Fix Income - Corporate Bonds	425,802	8,893	-	434,695	434,695
Fixed Income -					
Government Securities	87,842	3,462	-	91,304	91,304
Marketable Equity Securities	265,256	119,349	384,605	-	384,605
Exchange Traded Funds - Equity	124,149	14,519	138,668	-	138,668
Exchange Traded Funds -					
Fixed Income	<u>145,695</u>	<u>400</u>	<u>146,095</u>	<u>-</u>	<u>146,094</u>
Total	<u>\$1,271,506</u>	<u>\$146,623</u>	<u>\$892,130</u>	<u>\$525,999</u>	<u>\$1,418,128</u>

<u>Investment Type</u>	<u>September 30, 2019</u>				
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Total Fair Value</u>
Cash	\$ 44,253	\$ -	\$ 44,253	\$ -	\$ 44,253
Mutual Funds	191,902	14,715	206,617	-	206,617
Fixed Income Securities	493,524	9,584	-	503,108	503,108
Marketable Equity Securities	154,717	99,358	254,075	-	254,075
Exchange Traded Funds	<u>324,882</u>	<u>14,487</u>	<u>339,369</u>	<u>-</u>	<u>339,369</u>
Total	<u>\$1,209,278</u>	<u>\$138,144</u>	<u>\$844,314</u>	<u>\$503,108</u>	<u>\$1,347,422</u>

The fair value of fixed income securities determined by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, Marketable Equity Securities, Mutual Funds and Exchange Traded Funds traded on national securities exchanges is determined by the closing price on the last business day of the fiscal year. Both Mutual Funds and Exchange Traded Funds are valued at the published Net Asset Value ("NAV") per unit. NAV is based on the value of the underlying assets owned by the fund minus its liabilities divided by the number of shares issued by the Fund and its quote in an active market.

<u>Components of Investment Return</u>	<u>2020</u>	<u>2019</u>
Interest and Dividends	\$14,485	\$ 31,789
Investment Fees	(8,249)	(11,983)
Net Realized Gain on Investments	43,241	42,859
Net Unrealized Gain (Loss) on Investments	<u>8,477</u>	<u>(36,571)</u>
Net Investment Return	<u>\$57,954</u>	<u>\$ 26,094</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 6 DEBT

Note Payable:

On February 11, 2019, the Society entered into a 5-year note for \$59,680 payable to the Massachusetts Development Finance Agency scheduled to mature in February 2024. The note is payable in equal monthly installments of \$1,126 including interest, at a fixed rate of 5%.

As of September 30, 2020, the current principal portion scheduled for payment in FY 2021 is \$11,666 and the remaining non-current portion due in subsequent years are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
September 30, 2022	\$12,263
September 30, 2023	12,890
September 30, 2024	<u>5,386</u>
Total	<u>\$30,539</u>

Line of Credit:

The Organization signed an agreement on August 2, 2020 for a \$200,000 working capital line-of-credit. Outstanding borrowings are subject to annual interest at the Wall Street Journal prime rate plus 2.5 percentage points (5.75% as of September 30, 2020). There were no draws on the line-of-credit during the year and the line carried a zero balance as of September 30, 2020.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the perpetual portion of the endowment funds, beneficial interests in perpetual trusts, unexpended contributions and grants restricted by donors for specific purposes and accumulated investment income earned on endowment funds. Net assets are restricted for the following purposes as of September 30, 2020 and 2019:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Restricted by Purpose:		
Endowment Appreciation	\$361,948	\$ 326,242
Staff Compensation	5,693	5,693
Garden-To-Table Cold Frame	-	2,500
Conservatory	27,140	27,140
Capital Improvements and Repairs	7,790	11,015
Hunnewell Building Improvement Campaign	8,716	19,232
Master Plan	2,074	35,748
Library-Lincoln Project	4,017	7,578
Tractor Maintenance	7,050	7,861
Seedling Library	9,182	13,245
Plantmobile	4,452	14,931
Other Program Restrictions	<u>23,812</u>	<u>16,223</u>
Total Restricted by Purpose	<u>\$461,874</u>	<u>\$ 487,408</u>
Restricted in Perpetuity:		
Endowment Funds:		
Educational Endowment	\$ 230,297	\$ 230,297
General Endowment	396,357	396,357
Weezie's Children's Garden Endowment	<u>435,000</u>	<u>400,000</u>
Total Endowment	1,061,654	1,026,654
Beneficial Interest in Perpetual Trust	<u>60,075</u>	<u>57,171</u>
Total Restricted in Perpetuity	<u>\$1,121,729</u>	<u>\$1,083,825</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 7 *(Continued)*

Net assets released from restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows for the years presented:

<u>Nature of Restriction</u>	<u>2020</u>	<u>2019</u>
Seed to Table	\$ 2,500	\$ 17,096
Plantmobile	10,479	200
Seeding Library	4,063	7,253
New Website	-	2,526
Capital Improvements and Repairs	3,225	107,276
Appropriations from General Endowment	8,772	5,517
Appropriations from Weezie's Endowment	8,534	38,525
Appropriations from Educational Endowment	4,942	3,344
Garden Improvements and Maintenance	40,000	-
Constituent Management Database	9,750	-
Weezie's Children's Garden Interns	-	1,161
Hunnewell Building Improvement Campaign	10,517	14,877
Master Plan	33,675	12,613
Library-Lincoln Project	3,561	2,422
Tractor Maintenance	811	1,315
Other Projects	<u>12,409</u>	<u>11,193</u>
Total	<u>\$153,238</u>	<u>\$225,318</u>

All endowment net assets represent donor restricted funds. The following schedule summarizes the change in endowment net assets for the years ended September 30, 2020 and 2019:

	<u>Net</u>	<u>Restricted in</u>	<u>Total</u>
	<u>Appreciation</u>	<u>Perpetuity</u>	<u>Net Assets</u>
Endowment Net Assets,			
September 30, 2018	\$348,045	\$1,026,654	\$1,374,699
Investment Income, Net of Fees	19,295	-	19,295
Investment Gains (Losses)	6,288	-	6,288
Appropriation for Expenditures	<u>(47,386)</u>	<u>-</u>	<u>(47,386)</u>
Endowment Net Assets,			
September 30, 2019	326,242	1,026,654	1,352,896
Investment Income, Net of Fees	6,236	-	6,236
Investment Gains (Losses)	51,718	-	51,718
Endowment Contributions	-	35,000	35,000
Appropriation for Expenditures	<u>(22,248)</u>	<u>-</u>	<u>(22,248)</u>
Endowment Net Assets,			
September 30, 2020	<u>\$361,948</u>	<u>\$1,061,654</u>	<u>\$1,423,602</u>

*As of September 30, 2020 and 2019, \$5,474 in endowment appreciation was transferred to cash pending final expenditure.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 7 (Continued)

Beneficial Interest in Remainder Trust and Beneficial Interest in Perpetual Trust:

The following schedule summarizes the change in the *Beneficial Interest in Remainder Trust* and *Beneficial Interest in Perpetual Trust* for the years ended September 30, 2020 and 2019, which is classified within Level 3 of the fair value hierarchy:

	<u>Remainder Trust</u>	<u>Perpetual Trust</u>	<u>Total</u>
Balance as of September 30, 2018	\$132,160	\$59,100	\$191,260
Change in Value of Beneficial Interest	(7,345)	(1,929)	(9,274)
Balance as of September 30, 2019	124,815	57,171	181,986
Change in Value of Beneficial Interest	902	2,904	3,806
Balance as of September 30, 2020	<u>\$125,717</u>	<u>\$60,075</u>	<u>\$185,792</u>

NOTE 8 RENTAL ACTIVITIES

The Organization licenses the use of its facilities for various functions throughout the year. In addition to its function services, the Organization licenses the first floor of the education building to a commercial entity and two residences on the property to individuals.

During the years presented, the education building space was licensed to a commercial organization, of which the President was a board member of MHS, through a three-year renewable agreement, expiring April 30, 2020. The tenant has occupied the space on a licensee-at-will basis since the expiration of the three-year agreement. The monthly installments payable under this agreement range from \$3,670 to \$3,856 per month with additional amounts due for utilities. The license agreement is cancellable by either party with 120 days prior written notice. For each of the years presented, annual rental revenue under this agreement was \$60,812.

The Organization is a party to a permissive license agreement to rent a residence effective July 1, 2017 through June 30, 2021, payable in monthly installments of \$3,460. The permissive license agreement is cancellable by either party with 90 days notice. In FY2019, an apartment was shared on the premises under a licensee-at-will permissive license agreement at a monthly rate ranging from \$750-\$850. License income of \$41,520 and \$50,070 was recognized in FY 2020 and 2019, respectively, under these agreements.

NOTE 9 FUND RAISING ACTIVITIES

The Organization sponsors special fund raising events to generate contributions as well as to gain public awareness for its programs and charitable purpose. The results of fund raising events are summarized below:

<u>Event</u>	<u>September 30, 2020</u>				
	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Event Revenues</u>	<u>Indirect Costs</u>	<u>Net Proceeds</u>
Festival of Trees	\$144,077	\$12,746	\$131,331	\$7,065	\$124,266
Other Events	4,077	425	3,652	-	3,652
Total	<u>\$148,154</u>	<u>\$13,171</u>	<u>\$134,983</u>	<u>\$7,065</u>	<u>\$127,918</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 9 *(Continued)*

<u>Event</u>	<u>September 30, 2019</u>				
	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Event Revenues</u>	<u>Indirect Costs</u>	<u>Net Proceeds</u>
Festival of Trees	\$146,534	\$14,703	\$131,831	\$2,863	\$128,968
Harvest Celebration	47,625	13,041	34,584	1,805	32,779
Online Auction	<u>10,701</u>	<u>315</u>	<u>10,386</u>	<u>-</u>	<u>10,386</u>
Total	<u>\$204,860</u>	<u>\$28,059</u>	<u>\$176,801</u>	<u>\$4,668</u>	<u>\$172,133</u>

NOTE 10 DONATED GOODS AND SERVICES

For the years presented, the Organization recognized the following in-kind services as expenses and offsetting support in its financial statements:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Donated Services:		
Garden Library and Grounds Volunteers	\$ 24,700	\$ 75,762
Flower Show Volunteers	17,100	5,126
Other Event Volunteers	33,440	24,252
Office Administration	<u>31,790</u>	<u>41,420</u>
Total Donated Services	107,030	146,560
Donated Goods:		
Collection Items	-	10,000
Program and Administrative Supplies	1,327	12,055
Fundraising Events	<u>29,194</u>	<u>44,818</u>
Total Donated Goods	<u>30,521</u>	<u>66,873</u>
Total	<u>\$137,551</u>	<u>\$213,433</u>

NOTE 11 PENSION PLAN

The Organization maintains a defined contribution plan for all eligible employees. The plan is qualified under Internal Revenue Code Section 403(b) and the Employee Retirement Income Security Act. All full-time employees are eligible to participate after six months of service. Participants are required to complete 1,000 or more hours of service annually to maintain eligibility.

The Organization, at the discretion of the finance and investment committee, may make additional contributions. Contributions may be made during any subsequent year in recognition of service with the Organization. All contributions are used to purchase certain mutual funds or a fixed annuity chosen by participants. The Organization's contribution to the plan for the years ended September 30, 2020 and 2019 was \$7,126 and \$11,299, respectively.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 12 CONCENTRATIONS

Cash and Investments:

The Organization is subject to concentrations in credit risk relating primarily to cash and investments. For each of the years presented, the majority of the Organization's cash deposits and investments are held primarily in one financial institution. Cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") under the applicable limits; however, at times cash balances may exceed federally insured limits. As of September 30, 2020 and 2019, the Organization had cash balances of approximately \$639,000 and \$456,000, respectively, in excess of FDIC insured limits; however, the Organization has not experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

The Organization invests in professionally managed money market and mutual funds that contain various types of marketable securities. The Organization's investments are exposed to various risks, such as fluctuations in market value, and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances. The Organization's investment performance is reviewed by the Board of Directors on a periodic basis. To minimize risk, the Organization's cash accounts are placed with high credit quality financial institutions and the investment portfolio is diversified among fixed income and marketable equity securities.

NOTE 13 CONTINGENCIES

Legal Matters:

The Organization purchases professional and general liability insurance to cover injury claims. Through September 30, 2020, the Organization was covered by a claims-made basis policy. There are no known claims and incidents that may result in the assertion of additional claims, as well as no claims from unknown incidents that may be asserted arising from injury occurring on MHS property. Based on historical evidence, the Organization believes that a reserve for claims from unknown incidents is not necessary, and as such, no reserve has been accrued in the financial statements as of September 30, 2020 or 2019.

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Organization's financial position, change in net assets and cash flows. The Organization is not able to estimate the length of severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effect on the Organization's operations continue for an extended period of time, the Organization may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. Although social distancing precautions necessitated by the COVID-19 pandemic resulted in an overall reduction visitors to the gardens and a steep decline in functions held, the Organization was able to adapt some educational programming to a virtual format.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 13 *(Continued)*

Paycheck Protection Program:

The Organization received a loan in the amount of \$167,934 from Brookline Bank through the Paycheck Protection Program established by the U.S. CARES Act (the “PPP Loan”) on April 8, 2020. The Organization has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. The Organization intends to apply for and receive full forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, mortgage interest, rent utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. The Organization expects to meet the requirements for loan forgiveness. The Organization must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration (“SBA”) and then approved. The Organization elected to use a 24-week covered period which expired on September 23, 2020. As of September 30, 2020, the Organization has incurred qualifying costs, but has elected to hold the balance as Conditional Grant Advances, a current liability, until loan forgiveness is granted.

Economic Injury Disaster Loan:

Effective April 15, 2020, the Organization entered into an Economic Injury Disaster Loan (the “EIDL Advance”) through the Small Business Act in the amount of \$15,000. Under the terms of this loan, the full \$15,000 is immediately forgiven by the SBA; however, the Organization’s PPP loan forgiveness may be reduced by its EIDL Advance.

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, because the governing board has set aside the funds for a specific contingency reserve or long-term investment.

Financial Assets:	<u>2020</u>	<u>2019</u>
Cash	\$ 913,992	\$ 639,951
Accounts Receivable	2,656	8,000
Pledges Receivable	21,100	-
Beneficial Interest in Remainder Trust	125,717	124,815
Beneficial Interest in Perpetual Trust	60,075	57,171
Endowment Investments	<u>1,418,128</u>	<u>1,347,422</u>
Total Financial Assets as of September 30, 2019	2,541,668	2,177,359
Less: Financial Assets Not Available to Meet General Expenditures within One Year		
Beneficial Interest in Remainder Trust	(125,717)	(124,815)
Beneficial Interest in Perpetual Trust	(60,075)	(57,171)
Endowment Investments	<u>(1,418,128)</u>	<u>(1,347,422)</u>
Financial Assets Available To Meet General Expenditures Within One Year	<u>\$ 937,748</u>	<u>\$ 647,951</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Summarized Comparative Information for 2019)

(Continued)

NOTE 14 *(Continued)*

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization currently has a \$200,000 line-of-credit that can be drawn down to meet cash flow needs *(See Note 6)*. This line-of-credit is for one-time uses to cover cash flow needs and is not used consistently.

NOTE 15 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through June 8, 2021, the date which the financial statements were available for issue, and noted the following events which met the recognition criteria:

Paycheck Protection Program Loan Forgiveness:

On March 16, 2021, the Small Business Administration approved forgiveness of the Paycheck Protection Program loan issued on April 8, 2020. See Note 13 for information regarding the Paycheck Protection Program.

Paycheck Protection Program Second Draw:

On April 8, 2021, MHS received a second draw of the Paycheck Protection Program ("PPP") loan proceeds of \$139,816 ("PPP2 Loan"), issued under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act. The PPP provides for forgiveness of principal subject to various conditions regarding use of funds for allowable expenditures, maintenance of headcount and compensation levels, and the period within which PPP Loan proceeds must be spent. MHS will account for the PPP2 Loan in accordance with ASC 958-605, Not-for-Profit Entities - Revenue Recognition. The PPP2 Loan is deemed a non-exchange transaction; that is, the government does not receive commensurate value. The non-exchange transaction is conditional, because of the explicit right of return coupled with "barriers" placed upon expenditures for allowable purposes, maintenance of head count and compensation levels, and the period within which the funds must be spent. MHS intends to comply with these requirements and expects, as with the first PPP loan, the second draw of PPP funds will be forgiven.