

To the Board of Trustees
Massachusetts Horticultural Society

Report on Summarized Comparative Information

We have previously audited Massachusetts Horticultural Society's financial statements for the year ended September 30, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
April 26, 2022

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 1,353,549	\$ 908,518
Accounts Receivable	32,120	2,656
Contributions Receivable	-	21,100
Prepaid Expenses	91,755	-
Total Current Assets	<u>1,477,424</u>	<u>932,274</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Net of Accumulated Depreciation	<u>2,462,477</u>	<u>2,752,701</u>
<u>COLLECTIONS (Note 3)</u>		
	<u>633,289</u>	<u>633,289</u>
<u>NON-CURRENT ASSETS:</u>		
Accounts Receivable, Non-Current	15,268	-
Endowment Cash	61,157	5,474
Endowment Investments	1,543,696	1,418,128
Beneficial Interest in Remainder Trust	147,465	125,717
Beneficial Interest in Perpetual Trust	69,826	60,075
Total Non-Current Assets	<u>1,837,412</u>	<u>1,609,394</u>
<u>TOTAL ASSETS</u>	<u>\$ 6,410,602</u>	<u>\$ 5,927,658</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Current Portion of Note Payable	\$ 12,263	\$ 11,666
Accounts Payable and Accrued Expenses	69,520	31,167
Accrued Salaries and Related Costs	23,414	18,863
Deposits for Function Rentals	371,234	374,548
Deferred Membership Dues	122,670	111,838
Deferred Rental and Other Revenue	17,504	2,000
Conditional Grant Advances	139,816	167,934
Total Current Liabilities	<u>756,421</u>	<u>718,016</u>
<u>NON-CURRENT LIABILITIES:</u>		
Note Payable, Net of Current Portion	18,272	30,539
Accrued Compensation	20,125	8,625
Security Deposits	500	3,900
Total Non-Current Liabilities	<u>38,897</u>	<u>43,064</u>
<u>TOTAL LIABILITIES</u>	<u>795,318</u>	<u>761,080</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	<u>3,678,439</u>	<u>3,582,975</u>
Net Assets With Donor Restrictions:		
Restricted by Purpose	749,681	461,874
Restricted in Perpetuity	1,187,164	1,121,729
Total Net Assets With Donor Restrictions	<u>1,936,845</u>	<u>1,583,603</u>
Total Net Assets	<u>5,615,284</u>	<u>5,166,578</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,410,602</u>	<u>\$ 5,927,658</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Summarized Comparative Totals for 2020)

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2021</u>	<u>2020</u>
<i>Program Revenue:</i>				
Membership Dues	\$ 264,616	\$ -	\$ 264,616	\$ 266,180
Function Rentals	548,200	-	548,200	190,089
Commission Income	22,309	-	22,309	8,958
Education Programs and Events	64,534	-	64,534	106,557
<i>Gifts, Grants and Contributions:</i>				
Contributions and Grants	560,553	323,180	883,733	669,440
Proceeds from Fund Raising Events	186,948	-	186,948	148,154
Less: Cost of Direct Benefits to Donors	(10,474)	-	(10,474)	(13,171)
Donated Goods and Services	10,688	-	10,688	137,551
<i>Other Revenues:</i>				
Investment Return	-	156,696	156,696	58,045
Change in Value of Beneficial Interest in Trusts	21,748	9,751	31,499	3,805
License Fee Income	120,068	-	120,068	122,151
Other Miscellaneous Revenue	1,447	-	1,447	1,852
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	136,385	(136,385)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,927,022</u>	<u>353,242</u>	<u>2,280,264</u>	<u>1,699,611</u>
<u>EXPENSES:</u>				
Program Services	1,287,539	-	1,287,539	1,150,952
Administrative	388,053	-	388,053	306,957
Fund Raising	155,966	-	155,966	212,259
<u>TOTAL EXPENSES</u>	<u>1,831,558</u>	<u>-</u>	<u>1,831,558</u>	<u>1,670,168</u>
<u>CHANGE IN NET ASSETS</u>	<u>95,464</u>	<u>353,242</u>	<u>448,706</u>	<u>29,443</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,582,975</u>	<u>1,583,603</u>	<u>5,166,578</u>	<u>5,137,135</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 3,678,439</u>	<u>\$ 1,936,845</u>	<u>\$ 5,615,284</u>	<u>\$ 5,166,578</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(With Summarized Comparative Totals for 2020)

	<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>2021</u>	<u>2020</u>
Salaries and Wages	\$ 366,835	\$ 192,384	\$ 105,488	\$ -	\$ 664,707	\$ 633,715
Payroll Taxes	41,203	21,726	11,986	-	74,915	61,539
Employee Benefits	41,790	29,834	12,158	-	83,782	66,366
Consultants and Professional Fees	45,284	25,980	3,490	-	74,754	142,764
In-Kind Goods and Services	10,688	-	-	-	10,688	137,551
Legal Fees	-	-	-	-	-	2,886
Insurance	66,243	7,786	1,364	-	75,393	72,436
Advertising	24,937	-	-	-	24,937	20,188
Maintenance and Repairs	107,429	3,340	1,114	-	111,883	48,538
Security, Rent and Utilities	75,661	2,362	789	-	78,812	75,371
Depreciation Expense	347,068	10,846	3,615	-	361,529	209,291
Program Materials and Event Expenses	99,649	918	134	10,474	111,175	69,081
Membership Expenses	7,241	1,781	423	-	9,445	5,346
Printing and Postage	11,404	3,038	3,555	-	17,997	19,969
Computer Supplies and Expenses	23,508	14,628	6,763	-	44,899	35,738
Telephone	9,610	5,072	2,795	-	17,477	17,791
Dues and Subscriptions	3,363	2,180	-	-	5,543	3,296
Travel and Vehicle Expenses	5,595	3,065	2,174	-	10,834	15,459
Bank and Credit Card Fees	31	60,424	-	-	60,455	35,331
Miscellaneous Expenses	-	2,689	118	-	2,807	10,683
Total Functional Expenses	1,287,539	388,053	155,966	10,474	1,842,032	1,683,339
Direct Cost of Benefits to Donors	-	-	-	(10,474)	(10,474)	(13,171)
Expenses Per Statement of Activites	<u>\$ 1,287,539</u>	<u>\$ 388,053</u>	<u>\$ 155,966</u>	<u>\$ -</u>	<u>\$ 1,831,558</u>	<u>\$ 1,670,168</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 448,706	\$ 29,443
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Investment Return	(156,696)	(57,135)
Change in Value of Beneficial Interest in Remainder Trust	(21,748)	(901)
Change in Value of Beneficial Interest in Perpetual Trust	(9,751)	(2,904)
Contributions Restricted for Endowment	(55,684)	(35,000)
Depreciation Expense	361,529	209,291
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	(29,464)	5,344
Contributions Receivable	21,100	(21,100)
Prepaid Expenses	(91,755)	5,331
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	38,353	973
Accrued Salaries and Related Costs	4,551	(30,520)
Deposits for Function Rentals	(3,314)	40,289
Deferred Membership Dues	10,832	3,279
Deferred Rental and Other Revenue	15,504	(3,545)
Conditional Grant Advance	(28,118)	167,934
<i>Increase (Decrease) in Non-Current Assets:</i>		
Accounts Receivable	(15,268)	-
<i>Increase (Decrease) in Non-Current Liabilities:</i>		
Accrued Compensation	11,500	8,625
Security Deposits	(3,400)	(250)
Net Adjustment	<u>48,171</u>	<u>289,711</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>496,877</u>	<u>319,154</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of Property and Equipment	(71,305)	(55,440)
Purchase of Investments	-	(35,000)
Net Proceeds from Sales and (Purchases) of Investments	<u>31,128</u>	<u>21,428</u>
Net Cash Flows from Investing Activities	<u>(40,177)</u>	<u>(69,012)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Contributions Restricted for Endowment	55,684	35,000
Payments on Note Payable	<u>(11,670)</u>	<u>(11,101)</u>
Net Cash Flows from Financing Activities	<u>44,014</u>	<u>23,899</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>500,714</u>	<u>274,041</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>913,992</u>	<u>639,951</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,414,706</u>	<u>\$ 913,992</u>
<i>Supplemental Disclosures :</i>		
Interest Paid	<u>\$ 1,845</u>	<u>\$ 2,413</u>
<i>Summary of Cash Balances :</i>		
Cash	\$ 1,353,549	\$ 908,518
Endowment Cash	<u>61,157</u>	<u>5,474</u>
Total Cash Balances	<u>\$ 1,414,706</u>	<u>\$ 913,992</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

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 Garden 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 Garden at Elm Bank offers 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, and Bressingham Garden, which demonstrates perennial plants for the New England garden, designed by Adrian Bloom. 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. The Garden at Elm Bank is open for garden visitors, April through October, 7 days a week, from 10 a.m. to 7 p. m. Members get in free and other guests pay admission.

Function Business:

The Garden at Elm Bank also provides an event venue that supports Massachusetts Horticultural Society’s mission through rentals of its facilities and grounds. Over 24,000 guests participate in events and help to introduce the public to horticulture and our beautiful gardens and grounds.

Education:

Adult Education: Adult education includes a selection of horticultural/gardening/environmental lectures and workshops to educate adults, such as year-round classes in horticulture, landscape design, and botany to name a few, for the novice to expert; Garden Tours; and volunteer gardening training.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(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 MHS 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 MHS 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, as well as our collection of Botanical Prints dating from 1620 to 1969, accessible from the Library page on our website: www.massshort.org/the-library.

Membership:

Membership in 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.

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 119 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.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 2 *(Continued)*

Festival of Trees:

Massachusetts Horticultural Society's Festival of Trees is not only an important fundraiser, it is the most festive occasion at the Garden at Elm Bank. Starting the day after Thanksgiving, we display over 60 beautifully decorated trees, which are raffled off at the end of the festival. 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, the Snow Village model railroad display, and a fire pit with s'mores. Over 13,000 guests visited the Festival.

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.

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.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 (Continued)

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 Trustees for specific purposes.

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 2020 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 2020 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, 2020, 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.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 *(Continued)*

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. As of September 30, 2021, *Accounts Receivable, Non-Current* represents the amount due from a tenant to reimburse MHS for de-leading work (*See Note 8*). 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.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment as of September 30 for each of the years presented.

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.

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, 2021 and 2020, 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, 2021 and 2020, 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 within property and equipment.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 (Continued)

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. Investment return (loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. 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:

MHS has been named as an irrevocable beneficiary of a charitable remainder trust and a perpetual trust held and administered by independent trustees. Charitable remainder trusts are split-interest agreements in which a nonprofit beneficiary receives its interest in the donated assets after the donor or another beneficiary has received benefits for a specified time period. The donor establishes and funds the trust and specifies beneficiaries to receive distributions over the life of the split-interest agreement. At the termination of the agreement, the remaining assets in the trust pass to the nonprofit organization for its use. In a perpetual trust held by a third party, the nonprofit organization has an irrevocable right to receive all or a portion of the income earned from the trust's assets in perpetuity, but the organization will never receive the trust's assets.

These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we have neither possession nor control over the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in charitable trusts is recorded in the statements of financial position at fair value. 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 in the accompanying Statement of Financial Position, 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 when 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, 2021

(With Summarized Comparative Information for 2020)

(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 Trustees 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 Trustees 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, 2021 and 2020.

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*, a liability on the Statements of Financial Position.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(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 net 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, as defined by ASC 606, *Revenue from Contracts with Customers*. 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 Statements of Financial Position. Some memberships contain a contribution portion which is reported as revenue when the funds are received. The Organization offered promotional memberships to local families during the year ended September 30, 2021. The value of these memberships was \$111,870 and has not been recognized in the accompanying financial statements.

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*, a liability 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*, a liability in the accompanying Statements of Financial Position.

License Fee Income - MHS receives a license fee from both annual and one-time use of the MHS property. Annual *License Fee 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. *License Fee Income* received on a periodic basis is recognized at the time the property is used by the licensee.

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, 2021

(With Summarized Comparative Information for 2020)

(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 according to management's estimates about space and time usage. 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.

Cost of Direct Benefit to Donors - represents the costs of direct donor benefits received at special fundraising events and is presented as an offset to *Proceeds from Fund Raising Events* revenue in the accompanying Statement of Activities.

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 IRC Section 501(c)(3). 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, equipment and leasehold improvements to more accurately reflect the remaining useful lives of the assets. This change in accounting estimate has been applied prospectively and resulted in \$42,260 true up to depreciation expense for the fiscal year ended September 30, 2020. There were no changes to the useful lives or depreciation methodology during the year ended September 30, 2021.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 *(Continued)*

Recent Accounting Guidance:

Recently Implemented Standard

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 was adopted by the Organization effective October 1, 2020. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited statements were required on a retrospective basis.

Reclassifications:

Certain amounts in the prior year summarized comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year summarized information have no impact on total net assets or changes in net assets.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of the Organization's property and equipment as of September 30, 2021 and 2020:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2021</u>	<u>2020</u>
Circulating Library	10	\$ 103,365	\$ 103,365	\$ -	\$ 46,581
Equipment	3 - 7	210,000	119,299	90,701	63,416
Furniture and Fixtures	4 - 30	67,611	47,329	20,282	22,791
Leasehold Improvements (Elm Bank)	30	<u>6,364,461</u>	<u>4,012,967</u>	<u>2,351,494</u>	<u>2,619,913</u>
Total		<u>\$6,745,437</u>	<u>\$4,282,960</u>	<u>\$2,462,477</u>	<u>\$2,752,701</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.

The Organization disposed of fully depreciated equipment, furniture and fixtures, and leasehold improvements with an original cost of \$877,941 during the year ended September 30, 2021. Disposal of these assets had no impact on changes in net assets.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 5 LONG-TERM INVESTMENTS

As of September 30, 2021 and 2020, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>September 30, 2021</u>				
	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Total Fair Value</u>
Cash	\$ 81,671	\$ -	\$ 81,671	\$ -	\$ 81,671
Fixed Income - Corporate Bonds	517,942	1,688	-	519,630	519,630
Marketable Equity Securities	367,966	215,500	583,466	-	583,466
Exchange Traded Funds - Equity	155,565	42,054	197,619	-	197,619
Exchange Traded Funds -					
Fixed Income	<u>164,060</u>	<u>(2,750)</u>	<u>161,310</u>	<u>-</u>	<u>161,310</u>
Total	<u>\$1,287,204</u>	<u>\$256,492</u>	<u>\$1,024,066</u>	<u>\$519,630</u>	<u>\$1,543,696</u>
<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
Fixed 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>

The fair value of fixed income securities is determined by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions. The fair value of Marketable Equity Securities, 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>2021</u>	<u>2020</u>
Interest and Dividends	\$ 25,603	\$14,485
Investment Fees	(12,077)	(8,249)
Net Realized Gain on Investments	33,300	43,241
Net Unrealized Gain (Loss) on Investments	<u>109,870</u>	<u>(8,477)</u>
Net Investment Return	<u>\$ 156,696</u>	<u>\$57,954</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 6 DEBT

Note Payable:

On February 11, 2019, the Society entered into a five-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, 2021, the current principal portion scheduled for payment in FY 2022 is \$12,263 and the remaining non-current portion due in subsequent years are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
September 30, 2023	\$12,890
September 30, 2024	<u>5,382</u>
Total	<u>\$18,272</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, 2021 and 2020). There were no draws on the line-of-credit during the years presented and the line carried a zero balance as of September 30, 2021 and 2020.

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, 2021 and 2020:

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Restricted by Purpose:		
Endowment Appreciation	\$487,516	\$361,948
Garden Improvements and Maintenance	180,639	10,000
Conservatory	27,141	27,141
Seedling Library	10,091	9,182
Hunnewell Building Improvement Campaign	8,716	8,716
Capital Improvements and Repairs	7,245	7,790
Tractor Maintenance	7,050	7,050
Staff Compensation	5,693	5,693
Other Program Restrictions	<u>15,590</u>	<u>24,354</u>
Total Restricted by Purpose	<u>\$749,681</u>	<u>\$461,874</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 7 *(Continued)*

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Restricted in Perpetuity:		
Endowment Funds:		
Weezie's Children's Garden Endowment	\$ 435,000	\$ 435,000
General Endowment	452,041	396,357
Educational Endowment	<u>230,297</u>	<u>230,297</u>
Total Endowment	1,117,338	1,061,654
Beneficial Interest in Perpetual Trust	<u>69,826</u>	<u>60,075</u>
Total Restricted in Perpetuity	<u>\$1,187,164</u>	<u>\$1,121,729</u>

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>2021</u>	<u>2020</u>
Garden Improvements and Maintenance	\$ 69,291	\$ 40,000
Appropriations from Weezie's Endowment	12,539	8,534
Appropriations from General Endowment	11,475	8,772
Appropriations from Educational Endowment	7,114	4,942
Master Plan	-	33,675
Hunnewell Building Improvement Campaign	-	10,517
Plantmobile	-	10,479
Constituent Management Database	-	9,750
Seeding Library	-	4,063
Other Projects	<u>35,966</u>	<u>22,506</u>
Total	<u>\$136,385</u>	<u>\$153,238</u>

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 7 (Continued)

All endowment net assets represent donor restricted funds. The following schedule summarizes the change in endowment net assets for the years ended September 30, 2021 and 2020:

	<u>Net Appreciation</u>	<u>Restricted in Perpetuity</u>	<u>Total Endowment Net Assets</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	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	361,948	1,061,654	1,423,602
Investment Income, Net of Fees	13,525	-	13,525
Investment Gains	143,170	-	143,170
Endowment Contributions	-	55,684	55,684
Appropriation for Expenditures	<u>(31,128)</u>	<u>-</u>	<u>(31,128)</u>
Endowment Net Assets, September 30, 2021	<u>\$487,515</u>	<u>\$1,117,338</u>	<u>\$1,604,853</u>

*As of September 30, 2021 and 2020, \$61,157 and \$5,474 in endowment appreciation was held in cash.

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, 2021 and 2020, 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, 2019	\$124,815	\$57,171	\$181,986
Change in Value of Beneficial Interest	<u>902</u>	<u>2,904</u>	<u>3,806</u>
Balance as of September 30, 2020	125,717	60,075	185,792
Change in Value of Beneficial Interest	<u>21,748</u>	<u>9,751</u>	<u>31,499</u>
Balance as of September 30, 2021	<u>\$147,465</u>	<u>\$69,826</u>	<u>\$217,291</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, two residences on the property to individuals, and beginning in 2021 a portion of the building was licensed to a nursery school program.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 8 *(Continued)*

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. Beginning in 2019, 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 \$31,140 and \$41,520 was recognized in FY 2021 and 2020, respectively, under these agreements. The tenant notified the Organization of their intent to terminate the rental agreement and vacate the residence during 2021.

The Organization entered into a license agreement effective August 1, 2021 with a preschool network to lease building space through July 31, 2024. The agreement is payable in monthly installments of \$2,483. The Organization expects to collect noncancellable license fee income of \$29,796 during the years ending September 30, 2022 and 2023 and \$24,830 for the year ending September 30, 2024. In order to prepare the space for occupancy, the Organization agreed to undergo and pay for repairs and upgrades of \$22,200 which the tenant will repay in monthly installments of \$694 throughout the life of the lease. Amounts due from tenant of \$29,649 for rent and repairs as of September 30, 2021 are included in *Accounts Receivable* on the accompanying Statements of Financial Position and accounts for 62% of total receivables as of year end. In accordance with the agreement, the Organization expects to collect \$8,328 in FY 2023 and \$6,940 in FY 2024 for reimbursement for repairs and upgrades.

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, 2021</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	<u>\$186,948</u>	<u>\$10,474</u>	<u>\$176,474</u>	<u>\$9,427</u>	<u>\$167,047</u>
	<u>September 30, 2020</u>				
<u>Event</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	<u>4,077</u>	<u>425</u>	<u>3,652</u>	<u>-</u>	<u>3,652</u>
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, 2021

(With Summarized Comparative Information for 2020)

(Continued)

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>2021</u>	<u>2020</u>
Donated Services:		
Garden Library and Grounds Volunteers	\$ 2,464	\$ 24,700
Flower Show Volunteers	-	17,100
Other Event Volunteers	-	33,440
Office Administration	<u>3,052</u>	<u>31,790</u>
Total Donated Services	5,516	107,030
Donated Goods:		
Program and Administrative Supplies	-	1,327
Fundraising Events	<u>5,172</u>	<u>29,194</u>
Total Donated Goods	<u>5,172</u>	<u>30,521</u>
Total	<u>\$10,688</u>	<u>\$137,551</u>

NOTE 11 PENSION PLAN

The Organization maintains a defined contribution plan for all eligible employees. The plan is qualified under IRC 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, 2021 and 2020 was \$10,905 and \$7,126, respectively.

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, 2021 and 2020, the Organization had cash balances of approximately \$1,100,400 and \$639,000, 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.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 12 *(Continued)*

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 Trustees 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. For each of the years presented, 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, 2021 or 2020.

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 has adjusted 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 in visitors to the gardens and a steep decline in functions held during FY 2020, the Organization was able to adapt some educational programming to a virtual format and sought new ways to share the gardens with patrons.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 13 *(Continued)*

Paycheck Protection Program Loans:

The Organization received two Small Business Administration (“SBA”) loans in the amount of \$167,934 and \$139,816 from Brookline Bank (the “Lender”) through the Paycheck Protection Program established by the U.S. CARES Act (the “PPP Loans”) on April 8, 2020 and April 8, 2021. The Organization has elected to account for the expected forgivable portion of these loans as conditional grant commitments as permitted by the AICPA. The Organization intends to apply for and receive full forgiveness of the loans, 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 Organization must submit a loan forgiveness application to the Lender, which is then reviewed by both the bank and the SBA and then approved.

As of September 30, 2020, the Organization had incurred qualifying costs meeting the forgiveness requirement for the first PPP Loan; however, Management views loan forgiveness by the SBA as a barrier to revenue recognition; therefore, \$167,934 is reported on the accompanying Statements of Financial Position as a *Conditional Grant Advance*, a current liability, as of September 30, 2020.

In March 2021, formal approval of forgiveness for the first PPP Loan was granted by the SBA; accordingly, the first PPP Loan was recognized as grant income in FY 2021. The Organization is treating the second PPP loan in a manner consistent with the first and expects to meet the requirements for loan forgiveness. As of September 30, 2021, the Organization had incurred qualifying costs but views loan forgiveness by the SBA as a barrier to revenue recognition; therefore, \$139,816 is reported on the accompanying Statements of Financial Position as a *Conditional Grant Advance*, a current liability, as of September 30, 2021.

The Organization submitted an application for forgiveness of the second PPP loan to the Lender in November 2021. The application is subject to review by the Lender and then the SBA. The SBA granted forgiveness effective December 13, 2021.

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. The Organization recognized \$15,000 of grant income for the year ended September 30, 2020.

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of September 30, 2021 and 2020, 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.

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.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 14 *(Continued)*

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.

Financial Assets:	<u>2021</u>	<u>2020</u>
Cash	\$ 1,353,549	\$ 908,518
Accounts Receivable	47,388	2,656
Pledges Receivable	-	21,100
Beneficial Interest in Remainder Trust	147,465	125,717
Beneficial Interest in Perpetual Trust	69,826	60,075
Endowment Cash	61,157	5,474
Endowment Investments	<u>1,543,696</u>	<u>1,418,128</u>
Total Financial Assets as of September 30 th	3,223,081	2,541,668
Less: Financial Assets Not Available to Meet General Expenditures within One Year		
Accounts Receivable, Non-Current	(15,268)	-
Beneficial Interest in Remainder Trust	(147,465)	(125,717)
Beneficial Interest in Perpetual Trust	(69,826)	(60,075)
Endowment Cash	(61,157)	(5,474)
Endowment Investments	<u>(1,543,696)</u>	<u>(1,418,128)</u>
Financial Assets Available To Meet General Expenditures Within One Year	<u>\$ 1,385,669</u>	<u>\$ 932,274</u>

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 April 26, 2022, the date which the financial statements were available for issue, and noted the following event which met the recognition criteria:

Paycheck Protection Program Loan Forgiveness:

The Organization applied for forgiveness of the second PPP loan in November 2021. The Organization expects to meet the requirements for loan forgiveness. The application is subject to review by the Lender and SBA. The SBA granted forgiveness effective December 13, 2021.

Employee Retention Tax Credits:

For the quarters ended June 30, 2020, September 30, 2020, and December 31, 2020, the Organization qualified for \$152,940 of Employee Retention Tax Credits (“ERTC”) under the American Rescue Plan Act of 2021. The credits are a fully refundable tax credit against the employer portion of social security taxes paid. As a fully refundable credit, the amount in excess of taxes paid is refunded.

MASSACHUSETTS HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 15 *(Continued)*

The Organization plans to account for the tax credits as conditional grants to which the Organization is entitled once it meets the requirements. The Organization views collection as a condition for recognition. Accordingly, grant income will be recognized during the upcoming fiscal year ending September 30, 2022.

Educational Building Water Damage:

In January 2022, a pipe burst in the educational building causing significant damage. The Organization expects this claim to be fully covered by insurance and is unable to determine the extent or probability of loss related to the building damage incurred.