

**WORCESTER COUNTY HORTICULTURAL SOCIETY**  
***FINANCIAL STATEMENTS***  
***YEAR ENDED MARCH 31, 2022***  
***AND***  
***INDEPENDENT AUDITOR'S REPORT***

WORCESTER COUNTY HORTICULTURAL SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Worcester County Horticultural Society

**Opinion**

We have audited the financial statements of Worcester County Horticultural Society (the Society), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited the Society's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ballus Lynch, LLP*

Worcester, Massachusetts  
September 22, 2022

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

(with Summarized Comparative Information for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash	\$ 828,665	\$ 589,991
Contributions receivable, current portion	173,897	927,931
Accounts receivable	236	482,163
Inventories	98,560	81,772
Prepaid expenses	<u>114,354</u>	<u>112,816</u>
Total current assets	1,215,712	2,194,673
Contributions receivable, net	168,903	455,405
Property and equipment, net	23,643,475	17,038,492
Investments	<u>28,226,682</u>	<u>32,617,860</u>
	<u>\$ 53,254,772</u>	<u>\$ 52,306,430</u>
Liabilities and Net Assets		
Current liabilities		
Note payable, other	\$ -	\$ 566,176
Capital lease obligation, current portion	9,222	4,422
Accounts payable	822,123	686,484
Accrued and other liabilities	256,846	124,508
Deferred revenue	<u>597,593</u>	<u>476,063</u>
Total current liabilities	1,685,784	1,857,653
Long-term liabilities		
Capital lease obligation, net of current portion	<u>30,356</u>	<u>3,358</u>
Total liabilities	<u>1,716,140</u>	<u>1,861,011</u>
Net assets		
Without donor restrictions	26,208,716	19,340,457
With donor restrictions	<u>25,329,916</u>	<u>31,104,962</u>
Total net assets	<u>51,538,632</u>	<u>50,445,419</u>
	<u>\$ 53,254,772</u>	<u>\$ 52,306,430</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2022

(with Summarized Comparative Information for 2021)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
Operating activities:				
Support and revenue				
Contributions, gifts and grants	\$ 777,298	\$ 170,509	\$ 947,807	\$ 1,337,507
Membership dues	891,310	-	891,310	657,177
Admissions	1,630,630	-	1,630,630	426,766
Auxiliary activities, net of costs totaling				
\$238,808 in 2022 and \$200,532 in 2021	164,780	-	164,780	(163,218)
Garden shop revenue	732,710	-	732,710	344,369
Educational and related activities	220,550	-	220,550	118,641
Other income	214,734	-	214,734	482,281
Debt forgiveness income	566,176	-	566,176	565,000
Net investment return appropriated				
for operations	629,141	-	629,141	742,225
Net assets released from restrictions				
Satisfaction of program restrictions	211,904	(211,904)	-	-
Total	6,039,233	(41,395)	5,997,838	4,510,748
Expenses				
Program services	4,414,323	-	4,414,323	3,124,975
General administration	1,082,933	-	1,082,933	807,743
Fundraising	619,671	-	619,671	439,782
Total	6,116,927	-	6,116,927	4,372,500
Change in net assets from operating activities	(77,694)	(41,395)	(119,089)	138,248
Nonoperating activities:				
Net investment return, less amount				
appropriated for operations	87,942	(4,483)	83,459	7,581,512
Contributions for capital purposes	-	1,023,411	1,023,411	3,351,477
Contributions for endowment purposes	-	303,098	303,098	17,500
Capital campaign expenses	(192,392)	-	(192,392)	(198,809)
Loss on uncollectible pledges	-	(5,274)	(5,274)	(15,000)
Net assets released from restrictions				
Satisfaction of capital restrictions	7,050,403	(7,050,403)	-	-
Change in net assets from nonoperating activities	6,945,953	(5,733,651)	1,212,302	10,736,680
Change in net assets	6,868,259	(5,775,046)	1,093,213	10,874,928
Net assets, beginning of year	19,340,457	31,104,962	50,445,419	39,570,491
Net assets, end of year	\$ 26,208,716	\$ 25,329,916	\$ 51,538,632	\$ 50,445,419

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2022  
(with Summarized Comparative Information for 2021)

	Program Services	General Administration	Fundraising	Total	
				2022	2021
Salaries and wages	\$ 1,789,551	\$ 597,186	\$ 325,934	\$ 2,712,671	\$ 2,185,743
Employee benefits	139,514	44,967	24,724	209,205	198,319
Payroll taxes	138,445	52,385	25,997	216,827	168,177
Total salaries and related expenses	2,067,510	694,538	376,655	3,138,703	2,552,239
Advertising and public relations	14,559	87,051	5,247	106,857	60,337
Special events	-	-	21,459	21,459	-
Program services	114,005	-	-	114,005	26,545
Conferences and seminars	5,193	15,883	85	21,161	5,221
Dues and subscriptions	3,291	17,596	3,420	24,307	23,239
General insurance	88,512	3,762	3,331	95,605	87,071
Worker's compensation insurance	39,695	1,962	1,293	42,950	45,618
Garden shop purchases	354,049	-	-	354,049	166,031
Library materials and service	-	-	-	-	30
Motor vehicles and travel	20,929	4,563	658	26,150	5,183
Printing and postage	3,826	1,255	46,217	51,298	34,108
Professional fees and contract services	200,712	154,332	76,466	431,510	268,519
Real estate and other taxes	27,896	9,981	947	38,824	30,723
Repairs, maintenance, security	210,160	28,836	6,992	245,988	86,835
Equipment rental	15,313	4,827	-	20,140	7,434
Supplies	509,347	20,386	39,727	569,460	241,162
Telephone and utilities	151,620	8,149	5,673	165,442	112,370
Other	43,590	6,687	11,023	61,300	43,858
Total expenses before depreciation and amortization	3,870,207	1,059,808	599,193	5,529,208	3,796,523
Depreciation and amortization	544,116	23,125	20,478	587,719	575,977
Total expenses before auxiliary activities and capital campaign expenses	4,414,323	1,082,933	619,671	6,116,927	4,372,500
Auxiliary activities					
Salaries and related expenses	126,227	-	-	126,227	128,192
Other expenses	43,544	-	-	43,544	7,281
Allocated overhead	69,037	-	-	69,037	65,059
Capital campaign expenses					
Salaries and related expenses	-	-	95,483	95,483	137,983
Professional fees	-	-	34,608	34,608	54,988
Other expenses	-	-	62,301	62,301	5,838
Total functional expenses	\$ 4,653,131	\$ 1,082,933	\$ 812,063	\$ 6,548,127	\$ 4,771,841

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2022

(with Summarized Comparative Information for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,093,213	\$ 10,874,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	601,843	599,977
Net investment (gains) losses	293,732	(7,864,283)
Debt forgiveness income	(566,176)	(565,000)
Contributions and investment return restricted for long-term investment	(329,864)	(28,460)
Contributions restricted for capital improvements	(1,023,411)	(3,351,477)
Loss on uncollectible contributions receivable	5,274	15,000
(Increase) decrease in operating assets:		
Contributions receivable	(1,647)	(15,208)
Accounts receivable	481,927	(481,096)
Inventories	(16,788)	20,568
Prepaid expenses	(1,538)	(2,877)
Increase (decrease) in operating liabilities:		
Accounts payable, trade	228,495	(12,003)
Accrued and other liabilities	132,338	(52,408)
Deferred revenue	121,530	91,610
Total adjustments	<u>(74,285)</u>	<u>(11,645,657)</u>
Net cash provided by (used in) operating activities	<u>1,018,928</u>	<u>(770,729)</u>
Cash flows from investing activities:		
Expenditures for property and equipment	(7,261,697)	(2,632,243)
Proceeds from sales of investments	14,564,825	10,548,632
Payments for purchases of investments	<u>(10,467,379)</u>	<u>(11,047,423)</u>
Net cash used in investing activities	<u>(3,164,251)</u>	<u>(3,131,034)</u>
Cash flows from financing activities:		
Net borrowings (payments) on note payable, bank	-	(120,521)
Borrowings on note payable, other	-	1,131,176
Payments on capital lease obligation	(6,187)	(4,577)
Contributions and investment return received for long-term investment	279,864	28,460
Contributions received for capital improvements	<u>2,110,320</u>	<u>3,432,759</u>
Net cash provided by financing activities	<u>2,383,997</u>	<u>4,467,297</u>
Net increase in cash	238,674	565,534
Cash, beginning of year	<u>589,991</u>	<u>24,457</u>
Cash, end of year	<u>\$ 828,665</u>	<u>\$ 589,991</u>

See accompanying independent auditor's report and notes to financial statements.



# WORCESTER COUNTY HORTICULTURAL SOCIETY

## NOTES TO FINANCIAL STATEMENTS

### 1 - DESCRIPTION OF ORGANIZATION

The Worcester County Horticultural Society (the "Society") is a Massachusetts nonprofit corporation incorporated in 1842. The Society's mission is to create experiences with plants that inspire people and improve the world. The Society considers all activities related to serving its visitors to be its main program.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Society prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Society are described subsequently to enhance the usefulness and understandability of the financial statements.

#### Basis of accounting

The financial statements of the Society have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Society obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

#### Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Society's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Society's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

#### Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Society, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the Society may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Society must continue to use the resources in accordance with the donor's instructions.

The Society's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Society, unless the donor provides more specific directions about the period of its use. Net assets restricted for construction of buildings or improvements are reported as net assets with donor restrictions until costs are incurred as construction progresses.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended March 31, 2021, from which the summarized information was derived.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash

The Society maintains its operating cash in bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on cash.

Accounts receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Inventories

Inventories, which consist principally of educational and garden shop items, are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The Society's endowment consists of individual donor-restricted funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Society to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions. Endowment funds include invested gifts.

As required by generally accepted accounting principles, the Society classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the Society can consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Society and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Society; and the investment policies of the Society.

The Society has adopted investment and spending policies applicable to the Society's donor-restricted endowment fund assets and to the Trustee designated fund assets. The purpose of these policies is to provide financial support for the Society's activities while seeking to maintain the purchasing power of those endowment assets, with secondary expectation of moderate growth. The Society expects its endowment funds over time to provide an average total return of 8%. Although actual returns in any given year may vary from this amount, the S&P 500 equity index and the Barclays Aggregate Bond index provide the broad measures of benchmark performance.

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and dividend and interest yield. The Society has invested in several mutual funds to provide diversified asset allocation with moderate risk. The allocation places a greater emphasis on equity-based investments with consideration given to long-term objectives and risk.

The Society has a present policy (adopted in 1999, revised in 2014 and affirmed in 2022) that determines the annual distribution from the endowment fund to support operations. It is known as a "hybrid" model, using the average market value of the prior 20 quarters through the third quarter of the fiscal year preceding the fiscal year in which the distribution is to be made. The rate of 4.5% rate is applied to the average market value. The distribution includes 40% of that calculation. In addition, the prior fiscal year approved draw is adjusted by the CPI inflation rate in accordance with the policy. Sixty-percent of the adjusted figure is used for the remainder of the distribution. This policy takes into consideration the long-term expected return on its endowment and the objective to maintain its purchasing power. Depending upon market conditions and the needs and available resources of the Society, appropriations for expenditure may be temporarily suspended to facilitate preservation of the endowment or be made in excess of the spending policy as deemed prudent by the Board. In 2022 and 2021, the Board approved \$786,426 and \$754,225, respectively, as the draw based on the endowment distribution policy. This amount is reflected in net investment return appropriated for operations on the statement of activities.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the Society to retain as a fund of perpetual duration. The Society may appropriate for expenditure from these underwater endowment funds in accordance with the prudent measures prescribed by state law. As of March 31, 2022, funds with an original gift value of \$123,148 were underwater by \$8,737. There were no such deficiencies as of March 31, 2021.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$10,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred revenue

Deferred revenue principally consists of certain prepayments of venue rental fees and membership dues for the ensuing periods. Venue rental fees are recognized as revenue when the event occurs. Membership dues are recognized as revenue ratably over the term of the related membership.

Measure of operations

In the statement of activities, the Society includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. Contributions and other revenue restricted for endowment and capital purposes are recognized as non-operating activities. In addition, net investment return is recognized as non-operating until appropriated for operations.

Contributions, gifts, grants

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Society is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the Society has an irrevocable right to the bequest.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts-in-kind contributions

The Society receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Society receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Society's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The Society benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Society's program operations and in its fundraising events. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. There were no services that met those criteria for the years ended March 31, 2022 and 2021.

Expense recognition and allocation

The cost of providing the Society's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, employee benefits, and payroll taxes are allocated based on the time spent by employees on the Society's programs and supporting activities.
- Depreciation and amortization; general insurance; real estate taxes; repairs, maintenance, security; and telephone and utilities are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Management periodically evaluates the basis on which costs are allocated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Society.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Society generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising and public relations expense was \$151,783 and \$61,469 for the years ended March 31, 2022 and 2021, respectively.

Tax-exempt status

The Society is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Society are tax deductible to donors under Section 170 of the IRC. The Society is not classified as a private foundation.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of March 31, 2022 and 2021 are:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 828,665	\$ 589,991
Accounts receivable	236	482,163
Contributions receivable, net	342,800	1,383,336
Investments	<u>28,226,682</u>	<u>32,617,860</u>
Total financial assets	29,398,383	35,073,350
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	1,723,228	7,781,487
Donor-restricted endowment funds, net of budgeted appropriation	22,929,072	22,694,334
Less: Board-designated endowment fund	<u>2,874,028</u>	<u>2,410,606</u>
Amount available for general expenditures within one year	<u>\$ 1,872,055</u>	<u>\$ 2,186,923</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Society's intention to invest those resources for the long-term support of the Society. However, in the case of need, the Board of Trustees could appropriate resources from either the donor-restricted funds available for general operations (\$14,532,545, of which \$9,246,882 is the original gift) or from its board designated endowment fund (\$2,874,028). The above table also reflects donor-restricted endowment funds net of the budgeted appropriation for the following year. Reductions for budgeted appropriations were \$677,616 and \$629,141 as of March 31, 2022 and 2021, respectively. Note 2 provides more information about those funds and about the spending policies for all endowment funds.

The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets summarized above, the Society has various sources of liquidity at its disposal, including a line of credit. See note 8 for information about the Society's line of credit. Further, the Society anticipates collecting sufficient contributions and other revenue to cover general expenditures not covered by donor-restricted resources and endowment appropriations.

4 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable are expected to be received as follows:

2023	\$ 173,897
2024	91,150
2025	71,000
2026	4,000
2027	4,000
Thereafter	<u>4,000</u>
	348,047
Less: Unamortized discount	<u>5,247</u>
	<u>\$ 342,800</u>

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2022</u>	<u>2021</u>
With donor restrictions:		
Donor restricted endowments	\$ 23,606,688	\$ 23,323,475
Purpose restrictions	1,380,428	6,398,151
Without donor restrictions:		
Board-designated endowment funds	2,874,028	2,410,606
Undesignated	<u>365,538</u>	<u>485,628</u>
	<u>\$ 28,226,682</u>	<u>\$ 32,617,860</u>

Investments are composed of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Money market funds	\$ 2,252,930	\$ 2,252,930	\$ 8,584,660	\$ 8,584,660
Mutual funds:				
Equity based	15,987,178	20,443,224	12,870,197	19,123,794
Fixed income	<u>5,837,893</u>	<u>5,530,528</u>	<u>4,932,889</u>	<u>4,909,406</u>
	<u>\$ 24,078,001</u>	<u>\$ 28,226,682</u>	<u>\$ 26,387,746</u>	<u>\$ 32,617,860</u>

Net investment return reflected in the financial statements is comprised of:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,060,605	\$ 501,622
Realized gains	1,787,701	558,591
Unrealized gains (losses)	(2,081,433)	7,305,692
Investment fees	<u>(54,273)</u>	<u>(42,168)</u>
Net investment return	<u>\$ 712,600</u>	<u>\$ 8,323,737</u>

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consist of the following:

	Estimated Useful Lives	2022	2021
Land	-	\$ 1,803,170	\$ 1,803,170
Land improvements	27 to 33 years	4,971,690	4,971,690
Buildings and improvements	27 to 33 years	16,981,654	16,934,215
Equipment	5 to 15 years	697,729	514,220
Furniture and fixtures	5 to 15 years	643,594	618,464
Motor vehicles	5 years	73,110	73,110
Construction in progress	-	11,985,715	5,065,799
		37,156,662	29,980,668
Less: Accumulated depreciation and amortization		13,513,187	12,942,176
		<u>\$ 23,643,475</u>	<u>\$ 17,038,492</u>

Depreciation and amortization for property and equipment was \$601,843 and \$599,977 for the years ended March 31, 2022 and 2021, respectively.

7 - ENDOWMENT ASSETS

Changes in endowment assets for the year ended March 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 2,410,606	\$ 23,323,475	\$ 25,734,081
Investment return:			
Interest and dividend income, net of fees	90,874	913,499	1,004,373
Net realized and unrealized gains	(61,613)	(239,188)	(300,801)
Total investment return	29,261	674,311	703,572
Additions	-	371,935	371,935
Appropriation for expenditure	678,795	(678,795)	-
Releases from restriction	-	(84,238)	(84,238)
Releases of Board designations	(244,634)	-	(244,634)
Endowment assets, end of year	<u>\$ 2,874,028</u>	<u>\$ 23,606,688</u>	<u>\$ 26,480,716</u>

8 - NOTES PAYABLE, BANK

The Society has a \$500,000 line of credit agreement with a bank, secured by certain assets of the Society, due on demand. Interest is charged monthly at the bank's prime rate (3.50% as of March 31, 2022). There was no balance outstanding on the line of credit as of March 31, 2022 and 2021.

In September 2021, the Society obtained a \$2,000,000 non-revolving line of credit agreement with a bank, secured by certain assets of the Society, due on demand. Borrowings on this line of credit are to be used to fund capital improvements. The line of credit is available until September 2024, at which time the unpaid balance is due in full. Interest is charged monthly at 3.05%. There was no balance outstanding on the line of credit as of March 31, 2022.



WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

9 - NOTE PAYABLE, OTHER

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the CARES Act and administered by the SBA. Organizations who met the eligibility requirements set forth by the PPP could qualify for PPP loans. If the loan proceeds are fully utilized to pay qualified expenses, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization. The loan bears interest at 1.0%, with principal and interest payments deferred for the first six months of the loan. After that, the loan and interest would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP. The Society has accounted for loan proceeds under the PPP in accordance with ASC 405, whereby the loan is considered outstanding until the Society is legally released from its obligation.

In April 2020, the Society received a loan of \$565,000 under the PPP. The Society subsequently filed the loan forgiveness application for full amount of the loan balance and accrued interest, which was approved by the SBA, the granting authority, in December 2020. Debt forgiveness income was recognized for \$565,000 at that time.

The Society received a second loan of \$565,525 under the PPP in February 2021. These proceeds had not been forgiven as of March 31, 2021 and the loan, together with accrued interest of \$651, has been recorded on the statement of financial position as note payable, other. The Society subsequently filed the loan forgiveness application for full amount of the loan balance and accrued interest, which was approved by the SBA, the granting authority, in November 2021. Debt forgiveness income was recognized for \$566,176 at that time.

10 - LEASES

The Society leases certain equipment under agreements classified as capital leases in the financial statements. Property and equipment includes the following equipment acquired under capital lease agreements:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 56,410	\$ 18,425
Less: Accumulated amortization	<u>17,144</u>	<u>11,132</u>
	<u>\$ 39,266</u>	<u>\$ 7,293</u>

Future minimum lease payments under these capital leases, together with the present value of future minimum lease payments as of March 31, 2022 are as follows:

2023	\$ 11,834
2024	8,707
2025	8,707
2026	8,707
2027	<u>7,657</u>
Total minimum lease payments	45,612
Less: Amount representing interest	<u>6,034</u>
Present value of minimum lease payments	<u>\$ 39,578</u>

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

11 - NET ASSETS WITH DONOR RESTRICTIONS

At March 31, 2022 and 2021, net assets with donor restrictions are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Purpose restrictions, available for spending:		
Building and improvements	\$ 1,162,480	\$ 6,213,046
Various activities	217,948	185,105
Total purpose restricted net assets	<u>1,380,428</u>	<u>6,398,151</u>
Time restrictions:		
Contributions receivable, which are unavailable for spending until due and are also subject to purpose restrictions	<u>342,800</u>	<u>1,383,336</u>
Endowment funds, which must be appropriated by the Board of Trustees before use:		
General operations (original gifts of \$9,246,882 in 2022 and \$9,046,569 in 2021)	14,532,545	14,408,173
Orchard and garden maintenance (original gifts of \$3,515,481 in 2022 and \$3,354,239 in 2021)	5,177,042	5,041,155
Book purchases and refurbishing (original gifts of \$194,661 in 2022 and 2021)	587,863	591,838
Prizes and awards (original gifts of \$132,404 in 2022 and 2021)	561,503	548,859
Other (original gifts of \$1,506,102 in 2022 and \$1,468,956 in 2021)	<u>2,747,735</u>	<u>2,733,450</u>
Total endowment funds managed by the Society	<u>23,606,688</u>	<u>23,323,475</u>
Total net assets with donor restrictions	<u>\$ 25,329,916</u>	<u>\$ 31,104,962</u>

During 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of program or purpose restrictions		
Prizes and awards	\$ 2,404	\$ 2,316
Book purchases and refurbishing	21,826	21,065
Education programs	84,239	78,373
Other expenses	<u>103,435</u>	<u>108,610</u>
	<u>\$ 211,904</u>	<u>\$ 210,364</u>
Appropriation of endowment investment return		
General operations	\$ 488,334	\$ 497,515
Orchard and garden maintenance	151,647	160,308
Scholarship and education	23,121	22,960
Executive director position fund	<u>15,693</u>	<u>15,958</u>
	<u>\$ 678,795</u>	<u>\$ 696,741</u>
Satisfaction of capital restrictions	<u>\$ 7,050,403</u>	<u>\$ 2,618,701</u>

## WORCESTER COUNTY HORTICULTURAL SOCIETY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 12 - OTHER INCOME

The Society recorded a refundable tax credit of \$214,734 and \$482,281 as other income in the accompanying statement of activities for the years ended March 31, 2022 and 2021, respectively, under the Employee Retention Credit (ERC) provisions of the CARES Act, Consolidated Appropriations Act, and American Rescue Plan Act. The ERC is a refundable tax credit against certain employment taxes paid after March 12, 2020 through December 31, 2021.

#### 13 - RETIREMENT PLAN

The Society sponsors a defined contribution pension plan which covers all eligible employees. The Plan is funded on a current basis and is administered by the Teachers Insurance and Annuity Association of America (TIAA). Pension expense was \$51,172 and \$51,513 for the years ended March 31, 2022 and 2021, respectively.

#### 14 - FAIR VALUE MEASUREMENTS

The Society reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Society measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Society is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Society's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of endowment and long-term investments.

#### Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the years ended March 31, 2022 and 2021.

*Mutual funds and money market funds:* Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

14 - FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Society's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at March 31, 2022 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ 2,252,930	\$ -	\$ -	\$ 2,252,930
Mutual funds				
Equity based	20,443,224	-	-	20,443,224
Fixed income	<u>5,530,528</u>	<u>-</u>	<u>-</u>	<u>5,530,528</u>
Total investments	<u>\$ 28,226,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,226,682</u>

The Society's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at March 31, 2021 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market funds	\$ 8,584,660	\$ -	\$ -	\$ 8,584,660
Mutual funds				
Equity based	19,123,794	-	-	19,123,794
Fixed income	<u>4,909,406</u>	<u>-</u>	<u>-</u>	<u>4,909,406</u>
Total investments	<u>\$ 32,617,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,617,860</u>

The Society does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

15 - CONCENTRATIONS OF RISK

The Society's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities such as a pandemic or international conflict. Further, because of the significance of the investments to the Society's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

16 - RELATED PARTY TRANSACTIONS

At March 31, 2022 and 2021, contributions receivable included \$46,200 and \$33,950, respectively, from members of the Society's Board of Trustees. Total contributions received from board members were \$292,094 and \$269,940 for the years ended March 31, 2022 and 2021, respectively.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

17 - COMMITMENTS

The Society has construction in progress for significant capital projects. Remaining commitments on the contracts for these projects totaled \$981,944 as of March 31, 2022. The Society entered into additional contracts totaling \$361,431 after year-end.

18 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	<u>2022</u>	<u>2021</u>
Cash paid during the year for:		
Interest	\$ 110	\$ 2,962

The Society acquired property and equipment and entered into capital lease obligations in the amount of \$37,985 in 2022.

19 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 22, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.