

WORCESTER COUNTY HORTICULTURAL SOCIETY
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2026
AND
INDEPENDENT AUDITOR'S REPORT

WORCESTER COUNTY HORTICULTURAL SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2026

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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, 2026, 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, 2026, 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 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
September 24, 2026

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2026

(with Summarized Comparative Information for 2025)

	<u>2026</u>	<u>2025</u>
Assets		
Current assets		
Cash	\$ 312,757	\$ 447,064
Contributions receivable, current portion	256,609	381,185
Accounts receivable	44,865	57,152
Inventories	116,749	100,523
Prepaid expenses	<u>169,728</u>	<u>116,061</u>
Total current assets	900,708	1,101,985
Contributions receivable, net	331,680	421,149
Property and equipment, net	26,418,110	26,168,964
Investments	<u>35,059,989</u>	<u>31,721,521</u>
	<u><u>\$ 62,710,487</u></u>	<u><u>\$ 59,413,619</u></u>
Liabilities and Net Assets		
Current liabilities		
Note payable, bank	\$ -	\$ 28,274
Finance lease liabilities, current portion	13,863	16,616
Accounts payable	779,235	263,285
Accrued and other liabilities	219,524	199,910
Deferred revenue	<u>734,870</u>	<u>654,944</u>
Total current liabilities	1,747,492	1,163,029
Long-term liabilities		
Finance lease liabilities, net of current portion	<u>26,808</u>	<u>17,218</u>
Total liabilities	<u>1,774,300</u>	<u>1,180,247</u>
Net assets		
Without donor restrictions	27,371,470	27,160,848
With donor restrictions	<u>33,564,717</u>	<u>31,072,524</u>
Total net assets	<u>60,936,187</u>	<u>58,233,372</u>
	<u><u>\$ 62,710,487</u></u>	<u><u>\$ 59,413,619</u></u>

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

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2026
(with Summarized Comparative Information for 2025)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2026	2025
Operating activities:				
Support and revenue				
Contributions of cash and other financial assets	\$ 1,103,941	\$ 516,361	\$ 1,620,302	\$ 1,132,107
Membership dues	1,235,614	-	1,235,614	1,151,825
Admissions	2,374,190	-	2,374,190	2,378,950
Auxiliary activities, net of costs totaling \$631,373 in 2026 and \$561,158 in 2025	230,560	-	230,560	295,115
Garden shop revenue	1,108,579	-	1,108,579	997,328
Educational and related activities	711,653	-	711,653	543,498
Contract revenue	152,981	-	152,981	146,929
Net investment return appropriated for operations	812,457	-	812,457	764,560
Net assets released from restrictions Satisfaction of program restrictions	457,702	(457,702)	-	-
Total	8,187,677	58,659	8,246,336	7,410,312
Expenses				
Program services	6,685,032	-	6,685,032	6,272,990
General administration	1,593,794	-	1,593,794	1,458,412
Fundraising	1,063,902	-	1,063,902	1,009,260
Total	9,342,728	-	9,342,728	8,740,662
Change in net assets from operating activities	(1,155,051)	58,659	(1,096,392)	(1,330,350)
Nonoperating activities:				
Net investment return, less amount appropriated for operations	421,905	2,757,711	3,179,616	951,766
Contributions for capital purposes	-	553,924	553,924	405,000
Contributions for endowment purposes	-	65,667	65,667	684,465
Net assets released from restrictions Satisfaction of capital restrictions	943,768	(943,768)	-	-
Change in net assets from nonoperating activities	1,365,673	2,433,534	3,799,207	2,041,231
Change in net assets	210,622	2,492,193	2,702,815	710,881
Net assets, beginning of year	27,160,848	31,072,524	58,233,372	57,522,491
Net assets, end of year	\$ 27,371,470	\$ 33,564,717	\$ 60,936,187	\$ 58,233,372

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

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2026
(with Summarized Comparative Information for 2025)

	Program Services	General Administration	Fundraising	Total	
				2026	2025
Salaries and wages	\$ 2,686,324	\$ 826,955	\$ 607,577	\$ 4,120,856	\$ 3,796,464
Employee benefits	217,752	99,938	38,828	356,518	301,820
Payroll taxes	211,931	61,395	47,150	320,476	288,670
Total salaries and related expenses	3,116,007	988,288	693,555	4,797,850	4,386,954
Advertising and public relations	10,239	254,501	10,733	275,473	273,746
Special events	-	-	33,493	33,493	36,040
Program services	304,976	-	-	304,976	273,713
Conferences and seminars	5,919	11,100	1,966	18,985	16,033
Dues and subscriptions	13,043	6,846	6,123	26,012	26,036
General insurance	169,920	10,026	9,296	189,242	161,758
Worker's compensation insurance	14,303	1,529	1,000	16,832	40,454
Garden shop purchases	495,446	-	-	495,446	450,009
Motor vehicles and travel	23,836	32,256	1,389	57,481	38,132
Printing and postage	7,141	4,255	98,906	110,302	77,963
Professional fees and contract services	396,606	118,093	59,793	574,492	506,036
Real estate and other taxes	14,529	13,586	621	28,736	26,499
Repairs, maintenance, security	437,479	31,817	19,866	489,162	375,003
Equipment rental	8,021	1,018	544	9,583	172,218
Supplies	496,934	23,970	53,689	574,593	566,650
Telephone and utilities	229,148	19,331	14,963	263,442	234,645
Other	21,655	19,188	4,202	45,045	125,563
Total expenses before depreciation and amortization	5,765,202	1,535,804	1,010,139	8,311,145	7,787,452
Depreciation and amortization	919,830	57,990	53,763	1,031,583	953,210
Total expenses before auxiliary activities	6,685,032	1,593,794	1,063,902	9,342,728	8,740,662
Auxiliary activities					
Salaries and related expenses	290,986	-	-	290,986	279,419
Other expenses	57,693	-	-	57,693	97,686
Allocated overhead	282,694	-	-	282,694	184,053
Total functional expenses	<u>\$ 7,316,405</u>	<u>\$ 1,593,794</u>	<u>\$ 1,063,902</u>	<u>\$ 9,974,101</u>	<u>\$ 9,301,820</u>

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

WORCESTER COUNTY HORTICULTURAL SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2026
(with Summarized Comparative Information for 2025)

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,702,815	\$ 710,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,104,225	1,018,289
Net investment gains	(2,710,200)	(553,499)
Contributions and investment return restricted for long-term investment	(80,420)	(699,928)
Contributions restricted for capital improvements	(553,924)	(405,000)
(Increase) decrease in operating assets:		
Contributions receivable	(145,030)	127,030
Accounts receivable	12,287	(47,558)
Inventories	(16,226)	(7,267)
Prepaid expenses	(53,667)	100,839
Increase (decrease) in operating liabilities:		
Accounts payable, trade	21,541	10,511
Accrued and other liabilities	19,614	(49,606)
Deferred revenue	79,926	30,109
Total adjustments	<u>(2,321,874)</u>	<u>(476,080)</u>
Net cash provided by operating activities	<u>380,941</u>	<u>234,801</u>
Cash flows from investing activities:		
Expenditures for property and equipment	(835,687)	(2,484,941)
Proceeds from sales of investments	4,435,675	11,472,225
Payments for purchases of investments	<u>(5,063,943)</u>	<u>(11,511,131)</u>
Net cash used in investing activities	<u>(1,463,955)</u>	<u>(2,523,847)</u>
Cash flows from financing activities:		
Net borrowings (payments) on note payable, bank	(28,274)	28,274
Payments on finance lease liabilities	(16,438)	(15,797)
Contributions and investment return received for long-term investment	80,420	699,928
Contributions received for capital improvements	<u>912,999</u>	<u>1,350,730</u>
Net cash provided by financing activities	<u>948,707</u>	<u>2,063,135</u>
Net decrease in cash	(134,307)	(225,911)
Cash, beginning of year	<u>447,064</u>	<u>672,975</u>
Cash, end of year	<u><u>\$ 312,757</u></u>	<u><u>\$ 447,064</u></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.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (continued)

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

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, 2025, 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 credit losses has been provided.

Inventories

Inventories, which consist of 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.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 collectability 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.

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.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

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 2024) 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 2026 and 2025, the Board approved \$1,015,571 and \$970,196, 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.

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. There were no underwater funds as of March 31, 2026 and 2025.

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.

Leases

The Society determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Society also considers whether its service arrangements include the right to control the use of an asset.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Society recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

The Society made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Society utilizes the discount rate implicit in the lease agreement, if known, or the Society's incremental borrowing rate for a loan with terms similar to the lease's terms.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Society has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its equipment asset class. The non-lease components typically represent additional services transferred to the Society, such as maintenance, which are variable in nature and recorded in variable lease expense in the period incurred.

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.

Opening and closing balances for deferred revenue were as follows:

	March 31, 2026	March 31, 2025	April 1, 2024
Deferred revenue	\$ 734,870	\$ 654,944	\$ 624,835

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of cash and other financial assets

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.

Contributions of nonfinancial assets

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, 2026 and 2025.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$275,513 and \$274,044 for the years ended March 31, 2026 and 2025, 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, 2026 and 2025 are:

	2026	2025
Financial assets:		
Cash	\$ 312,757	\$ 447,064
Accounts receivable	44,865	57,152
Contributions receivable, net	588,289	802,334
Investments	35,059,989	31,721,521
Total financial assets	36,005,900	33,028,071
Less: Financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	3,379,566	3,637,970
Donor-restricted endowment funds, net of budgeted appropriation	29,323,783	26,622,097
Less: Board-designated endowment fund	1,549,010	1,754,809
Amount available for general expenditures within one year	<u>\$ 1,753,541</u>	<u>\$ 1,013,195</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 (\$19,116,515, of which \$11,099,980 is the original gift) or from its board designated endowment fund (\$1,549,010). The above table also reflects donor-restricted endowment funds net of the budgeted appropriation for operations for the following year. Reductions for budgeted appropriations were \$861,368 and \$812,457 as of March 31, 2026 and 2025, 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.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - CONTRIBUTIONS RECEIVABLE

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

2027	\$	256,609
2028		209,000
2029		70,000
2030		80,000
		<u>615,609</u>
Less: Unamortized discount		<u>27,320</u>
	\$	<u><u>588,289</u></u>

5 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2026</u>	<u>2025</u>
With donor restrictions:		
Donor restricted endowments	\$ 30,185,151	\$ 27,434,554
Purpose restrictions	2,791,277	2,532,158
Without donor restrictions:		
Board-designated endowment funds	1,549,010	1,754,809
Undesignated	534,551	-
	<u>\$ 35,059,989</u>	<u>\$ 31,721,521</u>

Investments are composed of the following:

	<u>2026</u>		<u>2025</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Money market funds	\$ 4,788,591	\$ 4,788,591	\$ 4,655,236	\$ 4,655,236
Mutual funds:				
Equity based	14,466,795	22,725,633	14,131,106	19,843,406
Fixed income	7,634,808	7,545,765	7,312,638	7,222,879
	<u>\$ 26,890,194</u>	<u>\$ 35,059,989</u>	<u>\$ 26,098,980</u>	<u>\$ 31,721,521</u>

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

	<u>2026</u>	<u>2025</u>
Interest and dividend income	\$ 1,344,675	\$ 1,220,125
Realized gains	162,946	605,549
Unrealized gains (losses)	2,547,254	(52,050)
Investment fees	<u>(62,802)</u>	<u>(57,298)</u>
Net investment return	<u>\$ 3,992,073</u>	<u>\$ 1,716,326</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	2026	2025
Land	-	\$ 1,827,335	\$ 1,827,335
Land improvements	27 to 33 years	14,019,485	13,059,887
Buildings and improvements	10 to 39 years	19,518,076	19,471,572
Equipment	5 to 15 years	1,234,158	951,693
Furniture and fixtures	5 to 15 years	865,372	709,126
Motor vehicles	5 years	166,001	166,001
Construction in progress	-	5,153,598	5,268,157
		42,784,025	41,453,771
Less: Accumulated depreciation and amortization		16,365,915	15,284,807
		<u>\$ 26,418,110</u>	<u>\$ 26,168,964</u>

Depreciation and amortization for property and equipment was \$1,104,225 and \$1,018,289 for the years ended March 31, 2026 and 2025, respectively.

7 - ENDOWMENT ASSETS

Changes in endowment assets for the year ended March 31, 2026 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 1,754,809	\$ 27,434,554	\$ 29,189,363
Investment return:			
Interest and dividend income, net of fees	40,216	1,132,760	1,172,976
Net realized and unrealized gains	178,321	2,531,879	2,710,200
Total investment return	218,537	3,664,639	3,883,176
Additions	-	65,667	65,667
Appropriation for expenditure	906,928	(906,928)	-
Releases from restriction	-	(72,781)	(72,781)
Endowment draw	(977,017)	-	(977,017)
Releases of Board designations	(354,247)	-	(354,247)
Endowment assets, end of year	<u>\$ 1,549,010</u>	<u>\$ 30,185,151</u>	<u>\$ 31,734,161</u>

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 (6.75% as of March 31, 2026). There was no balance outstanding on the line of credit as of March 31, 2026. There was \$28,274 outstanding on the line of credit as of March 31, 2025.

9 - LEASES

The Society leases certain equipment under finance lease agreements with terms ranging from 4 to 5 years and interest rates ranging from 2.12% to 28.50%. The Society's finance leases do not contain any material restrictive covenants or residual value guarantees.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended March 31, 2026 and 2025:

	2026	2025
Amortization of right-of-use assets	\$ 17,814	\$ 15,447
Interest on lease liabilities	4,306	2,171
Total finance lease cost	<u>\$ 22,120</u>	<u>\$ 17,618</u>

Right-of-use assets for finance leases are included in property and equipment on the statement of financial position. Supplemental statement of financial position information related to leases is as follows as of March 31, 2026 and 2025:

	2026	2025
Equipment	\$ 80,180	\$ 72,145
Less: Accumulated amortization	39,679	39,684
Right-of-use assets for finance leases, net	<u>\$ 40,501</u>	<u>\$ 32,461</u>
Weighted-average remaining lease term	3.37 years	2.83 years
Weighted-average discount rate	19.92%	4.61%

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

9 - LEASES (Continued)

Future undiscounted cash flows and a reconciliation to the finance lease liabilities recognized on the statement of financial position are as follows as of March 31, 2026:

2027	\$ 21,274
2028	14,340
2029	11,039
2030	10,740
2031	<u>3,578</u>
Total minimum lease payments	60,971
Less: Imputed interest	<u>20,300</u>
Present value of minimum lease payments	<u><u>\$ 40,671</u></u>

10 - NET ASSETS WITH DONOR RESTRICTIONS

At March 31, 2026 and 2025, net assets with donor restrictions are available for the following purposes or periods:

	<u>2026</u>	<u>2025</u>
Purpose restrictions, available for spending:		
Building and improvements	\$ 2,316,179	\$ 2,491,977
Various activities	<u>475,098</u>	<u>343,659</u>
Total purpose restricted net assets	<u>2,791,277</u>	<u>2,835,636</u>
Time restrictions:		
Contributions receivable, which are unavailable for spending until due and are also subject to purpose restrictions	<u>588,289</u>	<u>802,334</u>
Endowment funds, which must be appropriated by the Board of Trustees before use:		
General operations (original gifts of \$11,099,980 in 2026 and \$11,044,496 in 2025)	19,116,515	17,355,622
Horticulture (original gifts of \$4,208,144 in 2026 and \$4,185,849 in 2025)	6,960,778	6,329,016
Education (original gifts of \$669,773 in 2026 and \$669,590 in 2025)	1,653,128	1,503,474
Other (original gifts of \$1,237,809 in 2026 and \$1,235,351 in 2025)	<u>2,454,730</u>	<u>2,246,442</u>
Total endowment funds managed by the Society	<u>30,185,151</u>	<u>27,434,554</u>
Total net assets with donor restrictions	<u><u>\$ 33,564,717</u></u>	<u><u>\$ 31,072,524</u></u>

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

10 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During 2026 and 2025, 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:

	2026	2025
Satisfaction of program or purpose restrictions		
Education programs	\$ 126,067	\$ 123,600
Other expenses	331,635	202,813
	<u>\$ 457,702</u>	<u>\$ 326,413</u>
Appropriation of endowment investment return		
General operations	\$ 608,635	\$ 559,873
Horticulture	226,107	212,939
Education	51,282	45,359
Executive director position fund	20,904	20,256
	<u>\$ 906,928</u>	<u>\$ 838,427</u>
Satisfaction of capital restrictions	<u>\$ 943,768</u>	<u>\$ 1,972,113</u>

11 - 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 \$98,778 and \$84,048 for the years ended March 31, 2026 and 2025, respectively.

12 - 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.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

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, 2026 and 2025.

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.

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, 2026 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 4,788,591	\$ -	\$ -	\$ 4,788,591
Mutual funds				
Equity based	22,725,633	-	-	22,725,633
Fixed income	7,545,765	-	-	7,545,765
Total investments	<u>\$ 35,059,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,059,989</u>

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

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, 2025 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 4,655,236	\$ -	\$ -	\$ 4,655,236
Mutual funds				
Equity based	19,843,406	-	-	19,843,406
Fixed income	7,222,879	-	-	7,222,879
Total investments	<u>\$ 31,721,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,721,521</u>

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

13 - 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.

14 - RELATED PARTY TRANSACTIONS

At March 31, 2026 and 2025, contributions receivable included \$3,417 and \$3,333, respectively, from members of the Society's Board of Trustees. Total contributions received from board members were \$118,453 and \$99,766 for the years ended March 31, 2026 and 2025, respectively.

15 - COMMITMENTS

The Society has construction in progress for significant capital projects. Remaining commitments on the contracts for these projects totaled \$1,150,254 as of March 31, 2026. The Society entered into additional contracts totaling \$84,245 after year-end.

16 - CONTINGENCIES

The Society is subject to certain claims and legal proceedings which arise in the normal course of business conducted by the Society. In the opinion of management, such proceedings are not expected to have a material adverse effect on the Society's financial position, results of operations or cash flows.

WORCESTER COUNTY HORTICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS (Continued)

17 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information is as follows:

	<u>2026</u>	<u>2025</u>
Cash paid during the year for:		
Interest	\$ 4,833	\$ 2,171

Supplemental cash flow information related to leases is as follows for the years ended March 31, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows - payments on finance leases	\$ 4,306	\$ 2,171
Financing cash outflows - payments on finance leases	16,438	15,797
Right-of-use assets obtained in exchange for new lease obligations:		
Finance leases	\$ 23,275	\$ 13,795

18 - RECLASSIFICATIONS

Certain amounts in the 2025 comparative information have been reclassified to conform with the 2026 presentation. Such reclassifications had no net effect on the change in net assets as previously reported.

19 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 24, 2026, 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.