

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

The Pennsylvania Horticultural Society

June 30, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Pennsylvania Horticultural Society

Opinion

We have audited the consolidated financial statements of The Pennsylvania Horticultural Society (the "Society"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as of June 30, 2025 and 2024, and the results of its activities, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date the consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
November 24, 2025

The Pennsylvania Horticultural Society

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 659,868	\$ 788,643
Accounts and contributions receivable, net		
Government grants and contracts	11,191,020	6,939,914
Other grants, contributions, and bequests	1,868,058	2,210,510
Fee for service, sponsorships, other	1,897,684	1,947,668
Prepaid expenses and other assets	464,890	544,009
Investments, at fair value	51,394,916	47,618,490
Beneficial interest in perpetual trust	2,056,055	1,975,231
Right-of-use assets	3,902,760	4,752,634
Property and equipment, net	1,395,680	1,577,812
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Collections (Note A)	-	-
	<hr/>	<hr/>
Total assets	<u><u>\$ 74,830,931</u></u>	<u><u>\$ 68,354,911</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,284,699	\$ 3,135,587
Accrued pension obligations	241,437	648,850
Lease liabilities	3,902,760	4,752,634
Deferred revenue, dues and conditional contributions	1,264,261	1,173,691
Tenant improvement allowance	274,819	366,440
Annuities payable	61,188	70,543
Line of credit obligation	2,450,000	-
	<hr/>	<hr/>
Total liabilities	11,479,164	10,147,745
	<hr/>	<hr/>
Commitments and contingencies (Note L)		
Net assets		
Without donor restrictions	17,257,489	15,519,267
With donor restrictions	46,094,278	42,687,899
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Total net assets	63,351,767	58,207,166
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Total liabilities and net assets	<u><u>\$ 74,830,931</u></u>	<u><u>\$ 68,354,911</u></u>

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

The Pennsylvania Horticultural Society
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Ticketing	\$ 9,354,442	\$ -	\$ 9,354,442
Marketplace and merchandise	1,580,574	-	1,580,574
Program operations	2,510,020	-	2,510,020
Government grants and contracts	13,032,859	75,000	13,107,859
Foundation and corporate support	1,709,285	4,155,444	5,864,729
Major individual giving	1,193,458	2,025,098	3,218,556
Membership and annual fund	1,630,930	-	1,630,930
Total revenue and support	31,011,568	6,255,542	37,267,110
Other income			
Interest and dividends, net	390,326	1,078,418	1,468,744
Subrental income	408,151	-	408,151
Net realized and unrealized gains on investments	1,100,117	3,160,682	4,260,799
Gain on disposal of assets	11,796	-	11,796
Total other income	1,910,390	4,239,100	6,149,490
Net assets released from restriction			
Net assets released from program and time restrictions	6,157,379	(6,157,379)	-
Release of endowment under spending rule	930,884	(930,884)	-
Total net assets released from restriction	7,088,263	(7,088,263)	-
Total revenue	40,010,221	3,406,379	43,416,600
Expenses			
Flower Show	11,906,427	-	11,906,427
Healthy Neighborhoods	17,482,795	-	17,482,795
Public Gardens & Landscapes	4,632,428	-	4,632,428
Education Services	186,898	-	186,898
Development	4,400,496	-	4,400,496
Total expenses	38,609,044	-	38,609,044
Changes in net assets before change in pension benefit obligation	1,401,177	3,406,379	4,807,556
Postretirement changes other than net periodic benefit costs (Note N)	337,045	-	337,045
CHANGES IN NET ASSETS	1,738,222	3,406,379	5,144,601
Net assets, beginning of year	15,519,267	42,687,899	58,207,166
Net assets, end of year	<u>\$ 17,257,489</u>	<u>\$ 46,094,278</u>	<u>\$ 63,351,767</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Pennsylvania Horticultural Society
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Ticketing	\$ 7,482,369	\$ -	\$ 7,482,369
Marketplace and merchandise	1,429,314	-	1,429,314
Program operations	2,538,881	-	2,538,881
Government grants and contracts	11,009,374	-	11,009,374
Foundation and corporate support	2,016,101	2,639,040	4,655,141
Major individual giving	1,196,750	1,864,116	3,060,866
Membership and annual fund	1,736,490	-	1,736,490
Total revenue and support	<u>27,409,279</u>	<u>4,503,156</u>	<u>31,912,435</u>
Other income			
Interest and dividends, net	262,522	724,400	986,922
Subrental income	407,813	-	407,813
Net realized and unrealized gains on investments	942,947	2,980,825	3,923,772
Loss on disposal of assets	(1,322)	-	(1,322)
Total other income	<u>1,611,960</u>	<u>3,705,225</u>	<u>5,317,185</u>
Net assets released from restriction			
Net assets released from program and time restrictions	7,075,888	(7,075,888)	-
Release of endowment under spending rule	1,118,961	(1,118,961)	-
Total net assets released from restriction	<u>8,194,849</u>	<u>(8,194,849)</u>	<u>-</u>
Total revenue	<u>37,216,088</u>	<u>13,532</u>	<u>37,229,620</u>
Expenses			
Flower Show	10,842,760	-	10,842,760
Healthy Neighborhoods	16,008,183	-	16,008,183
Public Gardens & Landscapes	4,418,978	-	4,418,978
Education Services	187,711	-	187,711
Development	4,094,385	-	4,094,385
Total expenses	<u>35,552,017</u>	<u>-</u>	<u>35,552,017</u>
Changes in net assets before change in pension benefit obligation	1,664,071	13,532	1,677,603
Postretirement changes other than net periodic benefit costs (Note N)	462,125	-	462,125
CHANGES IN NET ASSETS	2,126,196	13,532	2,139,728
Net assets, beginning of year	<u>13,393,071</u>	<u>42,674,367</u>	<u>56,067,438</u>
Net assets, end of year	<u><u>\$ 15,519,267</u></u>	<u><u>\$ 42,687,899</u></u>	<u><u>\$ 58,207,166</u></u>

The accompanying notes are an integral part of this consolidated financial statement.

The Pennsylvania Horticultural Society

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended June 30, 2025 and 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2023	\$ 13,393,071	\$ 42,674,367	\$ 56,067,438
Changes in net assets	<u>2,126,196</u>	<u>13,532</u>	<u>2,139,728</u>
Balance, June 30, 2024	15,519,267	42,687,899	58,207,166
Changes in net assets	<u>1,738,222</u>	<u>3,406,379</u>	<u>5,144,601</u>
Balance, June 30, 2025	<u><u>\$ 17,257,489</u></u>	<u><u>\$ 46,094,278</u></u>	<u><u>\$ 63,351,767</u></u>

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

The Pennsylvania Horticultural Society
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2025

	Program Activities				Supporting Activities		
	Flower Show	Healthy Neighborhoods	Public Gardens and Landscapes	Education Services	General and Administrative	Development	Total
Salaries	\$ 2,158,068	\$ 2,376,383	\$ 1,418,333	\$ 85,595	\$ 2,558,273	\$ 1,646,604	\$ 10,243,256
Other employee benefits	430,908	720,804	384,684	32,053	594,309	493,369	2,656,127
Staging	2,151,390	-	-	-	189	-	2,151,579
Subsidies	1,152,994	-	-	-	-	-	1,152,994
Flower show license fee	302,400	-	-	-	-	-	302,400
Advertising and publicity	634,913	-	18,928	-	-	175,301	829,142
Sponsorship expenses	193,039	-	-	-	-	20,820	213,859
Professional services	429,283	-	5,040	-	473,014	379,243	1,286,580
Program and project expenses	1,974,661	11,200,323	1,395,395	35,370	197,348	566,717	15,369,814
Publications	-	-	-	-	-	281,767	281,767
Training and development	38,330	432	34,967	-	89,997	4,970	168,696
Occupancy	148,535	47,818	231,182	-	933,942	-	1,361,477
Depreciation and amortization	37,637	6,414	167,486	-	297,363	-	508,900
Insurance	112,281	-	27,083	-	400,438	-	539,802
Technology	214	-	-	-	745,592	-	745,806
Banking and interest expenses	-	-	-	-	406,858	-	406,858
Other expenses	12,097	3,512	120,738	450	208,592	44,598	389,987
Subtotal	9,776,750	14,355,686	3,803,836	153,468	6,905,915	3,613,389	38,609,044
Allocation of general and administrative	2,129,677	3,127,109	828,592	33,430	(6,905,915)	787,107	-
Total functional expenses	<u>\$ 11,906,427</u>	<u>\$ 17,482,795</u>	<u>\$ 4,632,428</u>	<u>\$ 186,898</u>	<u>\$ -</u>	<u>\$ 4,400,496</u>	<u>\$ 38,609,044</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Pennsylvania Horticultural Society
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024

	Program Activities				Supporting Activities		
	Flower Show	Healthy Neighborhoods	Public Gardens and Landscapes	Education Services	General and Administrative	Development	Total
Salaries	\$ 1,838,986	\$ 2,173,529	\$ 1,349,580	\$ 84,132	\$ 2,271,527	\$ 1,557,318	\$ 9,275,072
Other employee benefits	458,806	724,972	361,754	37,531	541,782	457,190	2,582,035
Staging	1,997,391	-	-	-	-	-	1,997,391
Subsidies	1,060,554	-	-	-	-	-	1,060,554
Flower show license fee	274,400	-	-	-	-	-	274,400
Advertising and publicity	512,180	-	35,289	7,000	-	175,255	729,724
Sponsorship expenses	199,329	-	-	-	-	11,298	210,627
Professional services	479,151	-	5,674	-	330,442	341,073	1,156,340
Program and project expenses	1,792,612	10,280,816	1,353,556	26,244	62,005	532,251	14,047,484
Publications	-	-	-	-	-	247,086	247,086
Training and development	34,689	-	28,623	-	110,446	25,673	199,431
Occupancy	139,235	38,623	233,796	-	1,015,157	-	1,426,811
Depreciation and amortization	37,897	8,179	223,261	-	285,835	-	555,172
Insurance	127,793	-	24,499	-	341,955	-	494,247
Technology	-	-	-	-	686,467	-	686,467
Banking and interest expenses	-	-	-	-	339,263	-	339,263
Other expenses	17,984	18,621	39,856	400	152,660	40,392	269,913
Subtotal	8,971,007	13,244,740	3,655,888	155,307	6,137,539	3,387,536	35,552,017
Allocation of general and administrative	1,871,753	2,763,443	763,090	32,404	(6,137,539)	706,849	-
Total functional expenses	<u>\$ 10,842,760</u>	<u>\$ 16,008,183</u>	<u>\$ 4,418,978</u>	<u>\$ 187,711</u>	<u>\$ -</u>	<u>\$ 4,094,385</u>	<u>\$ 35,552,017</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Pennsylvania Horticultural Society
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30,

	2025	2024
Operating activities:		
Changes in net assets	\$ 5,144,601	\$ 2,139,728
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in pension valuation	(337,045)	(462,125)
Change in fair value of beneficial interest in perpetual trust	(80,824)	(158,083)
Right-of-use asset amortization	849,874	758,263
Depreciation	508,900	555,172
Net realized and unrealized gain on investments	(4,097,175)	(3,701,686)
(Gain)/loss on disposal of property and equipment	(11,796)	1,322
Changes in:		
Accounts and contributions receivable	(3,858,670)	866,564
Prepaid expenses and other assets	79,119	10,006
Accounts payable and accrued expenses	149,112	(669,514)
Accrued pension obligations	(70,368)	(6,949)
Deferred revenue, dues and conditional contributions	90,570	(468,024)
Tenant improvement allowance	(91,621)	(91,620)
Annuities payable	(9,355)	5,079
Net cash used in operating activities	<u>(1,734,678)</u>	<u>(1,221,867)</u>
Investing activities:		
Purchase of property and equipment	(337,014)	(397,615)
Purchases of investments	(5,651,764)	(6,540,073)
Proceeds from sale of investments	5,972,513	7,436,986
Proceeds from sale of equipment	<u>22,042</u>	<u>2,000</u>
Net cash provided by investing activities	<u>5,777</u>	<u>501,298</u>
Financing activities:		
Proceeds from credit line borrowings	9,450,000	2,225,000
Repayments on credit line borrowings	(7,000,000)	(2,225,000)
Repayments on installment loan obligations	-	(7,253)
Principal payments on capital lease obligations	<u>(849,874)</u>	<u>(758,263)</u>
Net cash provided by (used in) financing activities	<u>1,600,126</u>	<u>(765,516)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(128,775)</u>	<u>(1,486,085)</u>
Cash and cash equivalents, beginning of year	<u>788,643</u>	<u>2,274,728</u>
Cash and cash equivalents, end of year	<u><u>\$ 659,868</u></u>	<u><u>\$ 788,643</u></u>
Supplemental information:		
Cash paid for interest	<u><u>\$ 40,393</u></u>	<u><u>\$ 4,778</u></u>

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

The Pennsylvania Horticultural Society
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

The Pennsylvania Horticultural Society (the "Society") is a not-for-profit organization founded in 1827 that activates horticulture to advance the health and well-being of the Greater Philadelphia region. The Society advances this purpose through its annual Philadelphia Flower Show; Healthy Neighborhoods program; Public Gardens and Landscapes; and membership and educational activities.

The Society is the sole member of Meadowbrook Farm, a not-for-profit entity. Meadowbrook Farm is part of the Society's network of Public Gardens and Landscapes. The Society is required to maintain Meadowbrook Farm in perpetuity pursuant to the bequest of the donor's estate.

The Society is also the sole member of Philadelphia Flower Show, Incorporated ("PFSI"), a not-for-profit entity.

The accompanying consolidated financial statements include the activities of the Society, Meadowbrook Farm and PFSI, collectively referred to as the Society. All significant intercompany balances have been eliminated.

Cash and Cash Equivalents

The Society considers all highly liquid debt instruments purchased with an original maturity of three months or less, which are not intended to be held for investment purposes, to be cash equivalents.

Contributions and Net Assets

Net assets are categorized as follows:

Net assets without donor restrictions: are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions: consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved pending policy.

Contributions, including unconditional pledges, are recognized as revenue in the period the promise is received. Contributions of assets other than cash are recorded at their estimated fair values at the date of donation.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time or purpose restriction is accomplished), net assets with donor restrictions are transferred to net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same fiscal year are initially recorded as net assets with donor restrictions and subsequently reclassified as net assets without donor restrictions.

Conditional contributions, that is, those contributions that contain one or more barriers that must be overcome before the Society is entitled to the assets transferred or promised, and contain a right of return to the contributor for assets transferred, or for a reduction, settlement, or cancellation of liabilities or a right of release of the promisor from its obligation to transfer assets, are recorded as a liability on the Statement

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

of Financial Position. When the conditions are satisfied, the liability is relieved and the contribution is recorded as revenue with donor restrictions, and subsequently reclassified as net assets without donor restrictions.

When the Society receives contributions of long-lived assets or cash or other assets restricted to the purchase of long-lived assets, the related net assets with donor restrictions are released to net assets without donor restrictions when the asset is placed into service.

Investment income and gains earned on net assets with donor restrictions of a perpetual nature are recorded as net assets with donor restrictions until they are permitted to be transferred to net assets without donor restrictions for use in operations (see Note I).

Current Expected Credit Losses

The Society adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments*, on July 1, 2023. Based upon the provisions of the new standard, the Society's allowance for uncollectible accounts reflects the Society's best estimate of expected losses based upon the types of individual accounts, prior collection history, the nature of services provided and other pertinent factors. Accounts deemed uncollectible are charged to the allowance. The allowance for doubtful accounts was \$92,600 and \$0 as of June 30, 2025 and 2024, respectively. Accounts and contributions receivable that are still outstanding after management has used reasonable collection efforts are written off.

Property and Equipment

Property and equipment are capitalized at cost at the date the asset is purchased or placed into service, or at fair market value as of the date of donation. Depreciation and amortization are provided using the straight-line method over the estimated useful lives below. Amortization of leasehold improvements is included in depreciation.

Nursery buildings	10 years
Nursery improvements	5 years
Land improvements	15 years
Leasehold improvements	Lesser of lease term or useful life
Furniture and equipment	3-10 years
Machinery and equipment	5 years
Vehicles	5 years
Equipment and vehicles under capital leases	4-5 years

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Investments and Beneficial Interest in Perpetual Trust

The Society's investments are stated at fair value (see Note F). Purchases and sales of securities are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Society follows an investment policy statement that has been approved by the Board of Directors. This investment policy establishes guidelines that define the endowment's investment objectives, long term asset allocation, permissible investments and management responsibilities. The assets are invested in a manner that is intended to produce returns that exceed spending, while assuming a moderate level of investment risk. Actual returns may vary from the intended results. 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 and yield. The Society targets a diversified asset allocation

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The beneficial interest in perpetual trust is stated at fair value. The investment policy of the beneficial interest in perpetual trust is determined and administered by a third-party trustee. The Society is the beneficiary of income earned based on the spending rule policy of the trust.

Collections

The Society does not capitalize its collections. All collections are protected and preserved and are held for exhibition to the public for educational purposes and not financial gain. It is the Society's policy to designate proceeds from the sale of collection items for the purchase of other collection items. The collections are material to the consolidated financial statements and include library, art and educational assets. The purchase of additional collections and proceeds from the sale of collections are reflected on the consolidated statements of activities as change in net assets related to collection items not capitalized, collection items purchased but not capitalized, and proceeds from sales of collection items if applicable, respectively.

Gift Annuities

The Society maintains a gift annuity program whereby the Society receives a transfer of assets from a donor and agrees to pay such annuitant a fixed amount of money quarterly for their lifetime. Upon the death of the annuitant, the remaining balance will be available for the Society for daily operations. The annuity is not assignable, with the exception that it may be assigned to the Society.

Deferred Revenue, Dues and Conditional Contributions

Deferred revenue, dues and conditional contributions include income received under fee-for-service and governmental contracts for services that have not yet been performed, the unearned portion of membership dues, the value of Grow Magazine subscriptions not yet delivered, deposits received from vendors for the following year's Marketplace at the Flower Show and liabilities related to conditional contributions.

Tenant Improvement Allowance

In March 2014, the Society signed an amendment to the lease agreement for its office space. The amendment includes a tenant improvement allowance in the amount of \$1,259,664, which was used to construct improvements and renovations to the space and has been capitalized as leasehold improvements as of June 30, 2025 and 2024, respectively. The allowance is being amortized over the life of the lease and had a balance of \$274,819 and \$366,440 as of June 30, 2025 and 2024, respectively.

Sponsorships

The Society receives sponsorships from organizations that help to support the Flower Show, the Society's urban greening programs, and other activities. Such revenue is accounted for as exchange transactions in the accompanying consolidated financial statements.

Income Taxes

The Society, PFSI, and Meadowbrook Farm follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Society and Meadowbrook Farm are exempt from federal income tax under Internal Revenue Code (the "Code") Section 501(c)(3). PFSI is exempt from federal Income tax under 501(c)(5). The Society is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Society, PFSI, and Meadowbrook Farm have processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Society, PFSI, and Meadowbrook Farm have determined that there are no material uncertain tax positions that require recognition or disclosure in its financial statements.

Advertising Costs

The Society expenses advertising costs as incurred. Advertising expense was approximately \$646,605 for year ended June 30, 2025, \$440,136 of which was paid through a restricted grant. For year ended June 30, 2024, advertising expense was approximately \$613,011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Estimates used in accounting include calculating the fair value of investments, determining useful lives for depreciation and amortization of long-lived assets, calculation of pension benefit obligations, allowance for doubtful accounts, functional expense allocation, and evaluating contingencies. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. General and administrative costs that benefit multiple functional areas have been allocated across programs and other supporting services based on the proportion of program or other supporting activity expenses incurred as compared to total organizational expenses incurred.

Total expense includes all operating expenses exclusive of postretirement changes other than net periodic benefit costs.

Defined Benefit Pension Plan

The Society accounts for its defined benefit plan in accordance with the recognition and measurement provision of FASB Accounting Standards Codification ("ASC") Topic 715, *Compensation - Retirement Benefits*.

Recently Adopted Accounting Pronouncements

In June 2016, ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*, was issued. This ASU requires entities to measure the impairment of certain financial instruments, including accounts receivables, based on expected losses rather than incurred losses. For non-public business entities, this ASU is effective for fiscal years beginning after

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

December 15, 2022. The Society adopted this guidance using the modified retrospective method as of July 1, 2023. The adoption did not have a material impact on the Society's consolidated financial statements.

Reclassifications

Certain amounts in the prior-year consolidated financial statements have been reclassified to be consistent with the current-year presentation.

NOTE B - CONCENTRATION OF CREDIT RISK

Cash

The Society maintains its cash balances in the custody of two financial institutions in non-interest and interest bearing accounts. The Society's accounts are insured up to the Federal Deposit Insurance Corporation limit of \$250,000 at each financial institution. At June 30, 2025, the total cash balance on deposit with banks in aggregate of approximately \$2,102,854 exceeded the federal insured limits by approximately \$1,708,413. The Society mitigates any potential risk by depositing funds with major financial institutions. The Society has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Significant Grants and Contributions Receivable and Revenue

At June 30, 2025, the Society had uncollateralized accounts receivable from various public agencies and individuals. One agency made up approximately 80% and 72% of government contract revenues for years ended June 30, 2025 and 2024, respectively. One agency made up approximately 84% government contracts accounts receivable as of June 30, 2025 and two agencies made up 83% of government contracts accounts receivable as of June 30, 2024, respectively. Three not-for-profit agencies and individual donors made up approximately 44% and 30% of other grants and contributions revenues for years ended June 30, 2025 and 2024, respectively. Five individual donors and not-for-profit agencies made up approximately 82% and 79% of other grants and contributions receivable as of June 30, 2025 and 2024, respectively.

Investments

The Society invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Society's consolidated statements of financial position and consolidated statements of activities.

NOTE C - OTHER GRANTS, CONTRIBUTIONS AND BEQUESTS RECEIVABLE

Other grants, contributions and bequests receivable at June 30, 2025 of \$2,065,433 are expected to be received as follows:

Year Ending June 30,

2026	\$ 1,455,780
2027	382,278
2028	30,000
	<hr/>
	\$ 1,868,058
	<hr/>

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2025 and 2024:

	2025	2024
Buildings and improvements	\$ 1,290,243	\$ 1,279,101
Furniture and fixtures	3,576,881	3,693,095
Machinery and equipment	570,626	605,237
Vehicles	443,299	436,049
Leasehold improvements	2,992,411	3,232,879
Equipment and vehicles under capital leases	284,616	320,028
	9,158,076	9,566,389
Less: accumulated depreciation	(7,762,396)	(7,988,577)
	<u>\$ 1,395,680</u>	<u>\$ 1,577,812</u>

Depreciation expense was \$508,900 and \$555,172 for the years ended June 30, 2025 and 2024, respectively.

NOTE E - INVESTMENTS AND BENEFICIAL INTEREST IN PERPETUAL TRUST

Investments and beneficial interest in perpetual trust at fair value (see Note F) are as follows at June 30:

	2025	2024
Money market funds	\$ 1,948,998	\$ 679,678
Mutual funds	26,032,324	25,589,433
Equity securities	995,812	3,633,684
Exchange-traded funds	6,301,088	1,735,857
Common investment funds	16,116,694	15,979,838
	51,394,916	47,618,490
Beneficial interest in perpetual trust	2,056,055	1,975,231
Total	<u>\$ 53,450,971</u>	<u>\$ 49,593,721</u>

Interest and dividends are shown on the consolidated statements of activities net of investment expense which is \$265,632 and \$256,265 for the years ended June 30, 2025 and 2024, respectively.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE F - FAIR VALUE MEASUREMENTS

The Society accounts for the fair value of its financial instruments in accordance with the guidance in ASC Topic 820, *Fair Value Measurements* (ASC 820). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data; and

Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Investments at Net Asset Value

ASC 820 provides a practical expedient for investments where fair value is measured at net asset value ("NAV") per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category are the common investment funds which generally include private fund investment structures and limited partnership interests, without quoted prices.

Alternative investments for which quoted market prices are not available are valued based on the NAV, as a practical expedient, of the underlying funds owned by the trust, less its liabilities and then divided by the number of shares outstanding.

The following is a description of the valuation methodologies used for investments measured at fair value as of June 30, 2025 and 2024:

Level 1 Fair Value Measurements

Money market funds, mutual funds, equity securities and exchange-traded funds are valued based on quoted market prices in active markets for identical assets. Equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued based on quoted NAVs of the shares held by the Society.

Level 2 Fair Value Measurements

As of June 30, 2024 and 2025 no investments were classified as Level 2 within the fair value hierarchy.

Level 3 Fair Value Measurements

The beneficial interest in the perpetual trust is valued based on the fair value of the underlying investments of the trust, which consists of money market funds, equity securities and mutual funds. The Society will never have the ability to redeem its interest in the trust.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following tables set forth by level, within the fair value hierarchy, the Society's investments and beneficial interest in perpetual trust measured at fair value as of June 30, 2025 and 2024:

Description	June 30, 2025				Total
	Level 1	Level 2	Level 3	Investments at NAV	
Money market funds	\$ 1,948,998	\$ -	\$ -	\$ -	\$ 1,948,998
Mutual funds	26,032,324	-	-	-	26,032,324
Equity securities	995,812	-	-	-	995,812
Exchange-traded funds	6,301,088	-	-	-	6,301,088
Common investment funds					
Alternative	-	-	-	3,815,026 (a)	3,815,026
Value	-	-	-	6,372,079 (b)	6,372,079
Growth and emerging markets	-	-	-	5,929,589 (c)	5,929,589
Beneficial interest in perpetual trust	-	-	2,056,055	-	2,056,055
Total assets, at fair value	<u>\$ 35,278,222</u>	<u>\$ -</u>	<u>\$ 2,056,055</u>	<u>\$ 16,116,694</u>	<u>\$ 53,450,971</u>

Description	June 30, 2024				Total
	Level 1	Level 2	Level 3	Investments at NAV	
Money market funds	\$ 679,678	\$ -	\$ -	\$ -	\$ 679,678
Mutual funds	25,589,433	-	-	-	25,589,433
Equity securities	3,633,684	-	-	-	3,633,684
Exchange-traded funds	1,735,857	-	-	-	1,735,857
Common investment funds					
Alternative	-	-	-	4,652,216 (a)	4,652,216
Value	-	-	-	5,484,279 (b)	5,484,279
Growth and emerging markets	-	-	-	5,843,343 (c)	5,843,343
Beneficial interest in perpetual trust	-	-	1,975,231	-	1,975,231
Total assets, at fair value	<u>\$ 31,638,652</u>	<u>\$ -</u>	<u>\$ 1,975,231</u>	<u>\$ 15,979,838</u>	<u>\$ 49,593,721</u>

(a) These funds consist of the following:

1. Magnitude International Class A invests in underlying direct hedge funds. The fund management's objective is to deliver attractive risk-adjusted returns through manager selection, seeking out compelling opportunities and limiting passive exposures to major risk factors. The investment can be redeemed quarterly, with prior notice of 65 days. There are no unfunded commitments to the fund as of June 30, 2025 and 2024.
2. Harvest MLP Income Fund invests in publicly-traded MLPs and U.S. energy infrastructure companies. The fund management's objective is to take advantage of opportunities to invest in MLPs and U.S. energy infrastructure companies. The investment can be redeemed monthly, with prior notice of 30 days. There are no unfunded commitments to the fund as of June 30, 2025 and 2024.
3. Marathon Distressed Credit (Europe) Fund invests primarily in the debt of stressed and distressed corporations, including listed bonds, directly originated loans, and other debt instruments. The fund seeks to create return through bankruptcy restructurings or through yield generated from the debt investments. As a closed end fund, the fund does not have voluntary liquidity rights; the stated fund life is five years, with two optional one-year extensions. The fund will also make distributions throughout its life as investments are realized. As of June 30, 2025, the Society has an unfunded commitment for this investment in the amount of \$220,000.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

- (b) The Silchester International Value Equity Trust invests in publicly traded, non-U.S. equity securities. Management of the fund does not short securities, utilize leverage, margin or borrow. The investment approach is a bottom up one. The investment can be redeemed on the first business day of each month and requires a notice of at least six days before the end of the month. There are no unfunded commitments to the fund as of June 30, 2025 and 2024.
- (c) These funds consist of the following:
1. City of London Emerging Market Equity Fund invests in equities of international companies that derive the majority of their profits from emerging economies. The fund's objective is to allocate assets through fundamental analysis with durations of 12 to 18 months. There are no redemption restrictions and no unfunded commitments as of June 30, 2025 and 2024.
 2. The Closed-end International Equity fund contains investments that are foreign public equity securities wherein the custodian invests in closed-end funds holding these equities. While inputs used to value these securities includes quoted prices in active markets, additional information used includes monthly liquidity metrics and NAV. There are no unfunded commitments to the fund as of June 30, 2025 and 2024.

The following is a reconciliation of financial instruments for which significant unobservable inputs (Level 3) were used in determining value.

	<u>2025</u>	<u>2024</u>
Beneficial interest in perpetual trust		
Beginning balance, July 1	\$ 1,975,231	\$ 1,817,148
Dividends reinvested	46,196	43,408
Distributions	(90,289)	(72,477)
Fees	(38,708)	(34,934)
Unrealized gain	<u>163,625</u>	<u>222,086</u>
Ending balance, June 30	<u>\$ 2,056,055</u>	<u>\$ 1,975,231</u>

NOTE G - LEASES

In accordance with ASC 842, *Leases*, the Society recognizes its right-of-use ("ROU") assets and lease liabilities at the commencement date of the lease.

The Society is the lessee in a lease contract when we obtain the right to control the use of the asset and the Society is the lessor in a lease contract when we agree to let others use assets that we own or control. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent obligations to make lease payments arising from the lease agreement. The Society recognizes an ROU asset and a lease liability at the commencement date of the lease, which is the date on which control over the right to direct the use of an underlying asset transfers from the lessor to the lessee.

The Society uses a risk-free rate to compute the present value of its lease payments as a lessee under an accounting policy election. The risk-free rate is the rate of return that would be received on an investment with zero risk over a specified period of time, and is typically associated with US Treasury rates. As a lessor, the Society computes the present value of lease payments using the rate implicit in the lease, based on information available at the lease commencement date. The rate implicit in the lease is defined as the rate that causes the aggregate present value of the lease payments and the lessor's estimate of the asset's residual value at the end of the lease term to equal the sum of (1) the asset's fair value, less any investment tax credit retained and expected to be realized by the lessor, and (2) the lessor's deferred initial direct costs.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

ROU assets are initially measured using the present value of the future minimum lease payments and subsequently remeasured throughout the lease term using the present value of the remaining lease payments, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease liabilities are measured based on the present value of the future lease payments. As a lessee, the Society expenses leases with a term of 12 months or less at inception as incurred.

The Society is a sublessor of certain property consisting of land, buildings and equipment under operating leases expiring through June 30, 2028.

Quantitative information regarding sublessor leases as of June 30, are as follows:

	<u>2025</u>	<u>2024</u>
ROU assets obtained in exchange for lease liabilities:	\$ 1,487,855	\$ 1,766,244
Weighted-average remaining lease term (in years)	3.05	3.76
Weighted-average discount rate	1.33%	1.55%

The following is a schedule of future minimum payments required under sublessor operating leases that have lease terms in excess of one year as of June 30, 2025:

Years Ending June 30,

2026	\$ 518,354
2027	501,211
2028	484,068
2029	<u>50,932</u>
Total minimum payments	1,554,565
Less: present value discount	<u>(66,710)</u>
Total	<u>\$ 1,487,855</u>

The Society is a lessee of certain real property and equipment under operating leases expiring through June 30, 2029. The options to renew the leases were considered when assessing the value of the ROU assets if it was reasonably certain that the Society would assert its option to renew the corresponding lease.

Quantitative information regarding the Society's lease obligations as a lessee as of June 30, are as follows:

	<u>2025</u>	<u>2024</u>
ROU assets obtained in exchange for lease liabilities:	\$ 2,414,905	\$ 2,986,390
Weighted-average remaining lease term (in years)	2.90	3.73
Weighted-average discount rate	3.46%	3.19%

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following is a schedule of future minimum payments required under lessee operating leases that have lease terms in excess of one year as of June 30, 2025:

<u>Years Ending June 30,</u>	
2026	\$ 895,863
2027	853,768
2028	735,477
2029	<u>32,381</u>
Total minimum payments	2,517,489
Less: present value discount	<u>(102,584)</u>
Total	<u><u>\$ 2,414,905</u></u>

Total amount included in ROU assets and lease liabilities on statement of financial position as of June 30, are as follows:

	<u>2025</u>	<u>2024</u>
Society as a Sublessor	\$ 1,487,855	\$ 1,766,244
Society as a Lessee	<u>2,414,905</u>	<u>2,986,390</u>
Total	<u><u>\$ 3,902,760</u></u>	<u><u>\$ 4,752,634</u></u>

NOTE H - LINE OF CREDIT

The Society has a revolving line of credit agreement with a bank in the amount of \$5,000,000 that expires in July 2025. The line of credit bears interest at the greater of the Secured Overnight Financing Rate ("SOFR") or the Index Floor, plus 2.25%. The Index Floor is specified as 1.25%. SOFR represents the Secured Overnight Financing Rate published by the SOFR Administrator (Federal Reserve Bank of New York) each day on its website. The line of credit is secured by certain investments pledged as collateral. Under the agreement, the Society may borrow up to the lesser of \$5,000,000 or the Borrowing Base. The Borrowing Base consists of the sum of the Collateral Value of the investments, determined as of the close of the most recent regular trading day, multiplied by the applicable Advance Percentage for each type of investment. Interest on outstanding borrowings is payable monthly. The Society is not subject to any financial ratio covenants under this agreement. The current line of credit replaces the Society's previous line of credit agreement with the bank. As of June 30, 2025 and 2024, the outstanding balance on the line of credit was \$2,450,000 and \$0, respectively, and the Society incurred interest expense of \$40,393 and \$4,778, respectively, in each of the years then ended under these agreements.

NOTE I - ENDOWMENT FUNDS

The Society's investments include both donor-restricted endowment funds and funds designated by the Society's Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Society maintains the financial controls necessary to ensure proper expenditures from donor-restricted and Board-designated funds.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The Society maintains master investment accounts for its donor-restricted and Board-designated endowments. Realized and unrealized gains and losses as well as investment income from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Board-Designated Endowment Funds

In 2009, the Society's Board designated certain funds to function as endowments. A spending policy has been adopted by the Board providing for withdrawals from these funds in the amount necessary to sustain operations each year. For the years ended June 30, 2025 and 2024, the Board authorized a transfer of its designated endowment funds to operations in the amount of \$42,572 and \$42,226, respectively.

Donor Restricted Endowments

The use of donor restricted net assets and related income and gains is limited by Pennsylvania Statute Act 141. Each year, the Board determines the amount that can be spent, subject to donor restrictions. The Society has elected to utilize the total return concept for administering its donor restricted funds by transferring between 2% and 7% of the fair value of the investments (based upon an average of three or more years).

Meadowbrook Farm

Funds with donor restrictions for the benefit of Meadowbrook Farm are available to support Meadowbrook Farm operations and programs. During the years ended June 30, 2025 and 2024, the Board authorized transfers of approximately 5%, which amounted to \$776,498 and \$974,955, respectively.

Other

Endowment funds with donor restrictions on the income for other purposes are available to support programmatic activities. During the years ended June 30, 2025 and 2024, the Board authorized transfers of 5%, which amounted to \$154,386 and \$144,006, respectively.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Pennsylvania law requires the organization to maintain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of June 30, 2025 and 2024.

Beneficial Interest in Perpetual Trust - Donor Restricted Endowment

Under the terms of a perpetual trust held by a third party, the Society is the beneficiary of income earned based on the spending rule policy of the trust. Changes in the fair value of the trust's assets are recognized as a change in fair value of beneficial interest in perpetual trust in the consolidated statements of activities. Income is unrestricted and is recorded in the period received by the Society on the consolidated statements of activities.

The Pennsylvania Horticultural Society
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

Endowment Funds - Net Asset Composition

The Society's endowment funds by net asset category are as follows as of June 30, 2025 and 2024:

<u>2025</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 20,190,069	\$ 20,190,069
Board-designated endowment funds	<u>13,953,822</u>	<u>-</u>	<u>13,953,822</u>
Total funds	<u>\$ 13,953,822</u>	<u>\$ 20,190,069</u>	<u>\$ 34,143,891</u>
 <u>2024</u>	 <u>Without Donor Restrictions</u>	 <u>With Donor Restrictions</u>	 <u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 18,910,486	\$ 18,910,486
Board-designated endowment funds	<u>12,455,019</u>	<u>-</u>	<u>12,455,019</u>
Total funds	<u>\$ 12,455,019</u>	<u>\$ 18,910,486</u>	<u>\$ 31,365,505</u>

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The Society had the following endowment fund related activities for the years ended June 30, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2023	\$ 11,219,463	\$ 17,998,358	\$ 29,217,821
Investment income	247,335	390,454	637,789
Net realized/unrealized gain	942,947	1,492,135	2,435,082
Total investment return	1,190,282	1,882,589	3,072,871
New designations/contributions	87,500	148,500	236,000
Appropriations of endowment assets for expenditure	(42,226)	(1,118,961)	(1,161,187)
Total additions/withdrawals on investment	45,274	(970,461)	(925,187)
Balance at June 30, 2024	12,455,019	18,910,486	31,365,505
Investment income	391,257	583,278	974,535
Net realized/unrealized gain	1,100,118	1,607,189	2,707,307
Total investment return	1,491,375	2,190,467	3,681,842
New designations/contributions	50,000	20,000	70,000
Appropriations of endowment assets for expenditure	(42,572)	(930,884)	(973,456)
Total additions/withdrawals on investment	7,428	(910,884)	(903,456)
Balance at June 30, 2025	\$ 13,953,822	\$ 20,190,069	\$ 34,143,891

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE J - NET ASSETS

Net assets consist of:

	June 30,	
	2025	2024
Net assets without donor restrictions		
Unrestricted	\$ 2,149,424	\$ 2,135,286
Board designated endowment	13,953,822	12,455,019
Pension benefit obligation	(241,437)	(648,850)
Net investment in property and equipment	1,395,680	1,577,812
	<u>17,257,489</u>	<u>15,519,267</u>
Net assets with donor restrictions		
Subject to expenditure for specified purpose or passage of time:		
Programs and support	26,596,294	23,290,739
Subject to restriction in perpetuity		
Beneficial interest in perpetual trust	2,056,055	1,975,231
Endowment funds:		
Healthy Neighborhoods	1,946,513	1,926,513
Public Gardens & Landscapes - Meadowbrook Farm	14,495,416	14,495,416
Flower Show	1,000,000	1,000,000
	<u>19,497,984</u>	<u>19,397,160</u>
	<u>46,094,278</u>	<u>42,687,899</u>
Total net assets with donor restrictions		
	<u>\$ 63,351,767</u>	<u>\$ 58,207,166</u>

Net assets with donor restrictions as of June 30 are as follows:

Net assets subject to expenditure for specific purposes or the passage of time:

	2025	2024
Flower Show	\$ 642,711	\$ 286,721
Healthy Neighborhoods	5,113,181	4,930,729
Public Gardens & Landscapes		
Meadowbrook Farm		
General operations in future periods	1,623,399	649,102
Philadelphia Museum of Art		
Landscape Restoration Fund	1,545,437	1,448,877
Legacy Landscapes	15,640,681	14,779,564
Public Gardens & Landscapes General	892,707	903,534
Other	1,138,178	292,212
	<u>\$ 26,596,294</u>	<u>\$ 23,290,739</u>

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Net assets subject to restriction in perpetuity:

	2025	2024
Beneficial interest in perpetual trust	\$ 2,056,055	\$ 1,975,231
Healthy Neighborhoods	1,946,513	1,926,513
Public Gardens & Landscapes - Meadowbrook Farm	14,495,416	14,495,416
Flower Show	1,000,000	1,000,000
	<u>\$ 19,497,984</u>	<u>\$ 19,397,160</u>

NOTE K - LIQUIDITY AND FUNDS AVAILABLE

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In order to manage unanticipated liquidity needs, the Society has a line of credit in the amount of \$5,000,000, of which \$2,450,000 and \$0 were outstanding as of June 30, 2025 and 2024, respectively.

The following table reflects the Society's financial assets as of June 30, 2025 and 2024 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as Board-designated endowments. These Board designations could be drawn upon if the board approves that action.

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 659,868	\$ 788,643
Accounts and contributions receivable, net	14,956,762	11,098,092
Investments	51,394,916	47,618,490
Beneficial interest in perpetual trust	2,056,055	1,975,231
	<u>69,067,601</u>	<u>61,480,456</u>
Financial assets, at year-end		
Less those unavailable for general expenditure within one year, due to		
Beneficial interest in perpetual trusts held by others not convertible to cash within next 12 months	(2,056,055)	(1,975,231)
Contributions and accounts receivable collectible beyond one year	(412,278)	(170,300)
Investments and other financial assets held for others	(21,212)	(25,867)
Restricted by donors with purpose or time restrictions	(26,596,294)	(23,290,739)
Restricted by donors in perpetuity	(17,441,929)	(17,421,929)
	<u>(46,527,768)</u>	<u>(42,884,066)</u>
Amounts unavailable to management without Board approval		
Board designated investments	<u>(13,911,943)</u>	<u>(12,385,061)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,627,890</u>	<u>\$ 6,211,329</u>

Included within net assets with donor restrictions are Board-designated endowment funds (Note I). Board-designated endowment funds could be accessed to satisfy operations with action by the Board.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE L - COMMITMENTS AND CONTINGENCIES

Investments

The Society has an unfunded commitment in the amount of \$220,000 as of June 30, 2025 in connection with its investment in Marathon Distressed Credit (Europe) Fund.

Potential Lawsuits

At times, the Society is subject to disputes or legal actions in the ordinary course of business. Management does not believe the outcome of such disputes or legal actions will have a material adverse effect on the Society's financial position or results of operations.

NOTE M - LICENSE AGREEMENTS

The Society has license agreements with the City of Philadelphia and the Pennsylvania Convention Center in connection with its presentation of the Philadelphia Flower Show. The license fee expense for the years ended June 30, 2025 and 2024 was \$302,400 and \$274,400, respectively.

NOTE N - PENSION PLANS

Defined Benefit Plan

The Society has a non-contributory defined benefit pension plan (the "Plan"). The Plan provides for pre-retirement death benefits, as well as pension benefits. The Society's funding policy is to contribute amounts at least equal to the minimum funding requirements as required by the Employee Retirement Income Security Act of 1974, as amended. The Society contributed \$225,000 and \$251,000 to the plan for the years ended June 30, 2025 and 2024, respectively. The expected contribution to the Plan for the year ending June 30, 2026 is \$230,000. Effective January 1, 2007, the Executive Committee of the Council of the Society froze the Plan to new participants and froze the accrual of benefits under the Plan.

The Society's investment policy for the Plan assets is to seek long-term growth by maintaining a diverse, actively managed portfolio of equity and fixed income securities, with targeted allocations of approximately 60% in equity securities and 40% in fixed income securities. Cash and cash equivalents are not to be held except on a temporary basis. The assets will be reallocated periodically to meet the targeted allocations. The Society has an Investment Committee that monitors the performance of its investment managers and uses outside investment analysts to analyze and comment on the Society's investment strategy.

The Society has adopted the recognition provisions of ASC Topic 715, *Compensation - Retirement Benefits*, which requires that the funded status of defined benefit pension and postretirement plans be fully recognized in the consolidated statements of financial position.

The Society utilizes a June 30 measurement date for the Plan.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following table sets forth the Plan's funded status and amounts recognized in the consolidated financial statements as of and for the years ended June 30:

	2025	2024
Projected benefit obligation	\$ (6,037,746)	\$ (6,174,577)
Fair value of plan assets, net of liabilities	5,796,309	5,525,727
	<u>\$ (241,437)</u>	<u>\$ (648,850)</u>

The components of net periodic pension cost include the following at June 30:

	2025	2024
Amounts recognized in the consolidated statements of financial position		
Accrued pension obligation	\$ 241,437	\$ 648,850
Unrestricted net assets (actuarial loss)	(397,833)	(734,878)
Weighted average assumptions		
Discount rate	5.21%	5.24%
Expected return on Plan assets	5.75%	5.75%
Contributions	225,000	251,000
Benefits paid	368,183	348,680
Accumulated benefit obligation	6,037,746	6,174,577
Net periodic benefit cost recognized for the year		
Service cost	131,550	131,075
Interest cost	309,555	297,684
Amortization of net gain	23,484	111,762
Expected return on Plan assets	(309,957)	(296,470)
Total net periodic benefit cost	<u>154,632</u>	<u>244,051</u>
Amounts recognized in the consolidated statements of activities		
Net gain	(313,561)	(350,363)
Amortization of net gain	(23,484)	(111,762)
Net recognized pension gain	<u>\$ (337,045)</u>	<u>\$ (462,125)</u>

To develop the assumptions for the long-term rate of return, the Society considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets for the portfolio. This resulted in the selection of the 5.75% assumption.

The Plan's asset managers' investment approach/methodology is intended, over the long term, to provide performance in between Blended Index Returns and Blended Lipper Returns, which is performance between index and actively managed benchmarks.

The Pennsylvania Horticultural Society
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2025 and 2024

The weighted-average asset allocations at June 30, by asset category, are as follows:

	2025	2024
Equity securities	26.51%	36.15%
International equities	19.04	21.74
Fixed income securities	52.48	39.94
Cash and cash equivalents	1.97	2.17
	<u>100.00%</u>	<u>100.00%</u>

As of June 30, 2025, the following benefit payments are expected to be paid:

<u>Year Ending June 30,</u>	
2026	\$ 489,938
2027	514,333
2028	537,204
2029	507,892
2030	492,964
2031-2035	<u>2,293,555</u>
Total	<u>\$ 4,835,886</u>

Expected benefit payments are based on the same assumptions used to measure the benefit obligation.

The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investment portfolio. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Plan's assets measured at fair value as of June 30:

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted NAVs of the shares held by the Plan at year-end.

Investments at Net Asset Value

ASC 820 provides a practical expedient for investments where fair value is measured at NAV per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited partnership interests without quoted prices.

Alternative investments for which quoted market prices are not available are valued based on the NAV, as a practical expedient, of the underlying funds owned by the trust, less its liabilities, and then divided by the number of shares outstanding.

There were no investments valued based on Level 2 and 3 inputs as of June 30, 2025 and 2024.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following tables set forth the components of the Plan's assets at fair value as of June 30, 2025 and 2024:

	Level 1	NAV	Total
Money market	\$ 114,274	\$ -	\$ 114,274
Mutual funds			
Large cap	1,146,382	-	1,146,382
Mid cap	194,401	-	194,401
Small cap	136,195	-	136,195
Growth	532,473	-	532,473
Fixed income	2,634,871	-	2,634,871
Exchange-traded funds	-	-	-
Common investment funds			
Growth	-	522,706	522,706
Alternative	-	515,007	515,007
	<u>\$ 4,758,596</u>	<u>\$ 1,037,713</u>	<u>\$ 5,796,309</u>

	Level 1	NAV	Total
Money market	\$ 119,695	\$ -	\$ 119,695
Mutual funds			
Large cap	1,424,823	-	1,424,823
Mid cap	230,314	-	230,314
Small cap	203,457	-	203,457
Growth	653,039	-	653,039
Fixed income	1,840,895	-	1,840,895
Exchange-traded funds	-	-	-
Common investment funds			
Growth	-	571,720	571,720
Alternative	-	481,784	481,784
	<u>\$ 4,472,223</u>	<u>\$ 1,053,504</u>	<u>\$ 5,525,727</u>

Defined Contribution Plan

The Society sponsors a defined contribution retirement plan (the "DC Plan"), pursuant to Section 403(b) of the Code, covering all employees of the Society at the beginning of the month following commencement of employment. The DC Plan allows for employee contributions to the DC Plan up to the maximum amount allowed by the Code. The Society makes safe harbor contributions to the DC Plan. The Society contributed \$333,533 and \$315,402 to the DC Plan for the years ended June 30, 2025 and 2024, respectively.

NOTE O - CONTRIBUTED SERVICES

A number of unpaid volunteers have made significant contributions of time to the Society. The value of these contributed services is not reflected in these consolidated financial statements since they did not meet the criteria for recognition under U.S. GAAP.

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE P - RELATED-PARTY TRANSACTIONS

The Society has an agreement with Neighborhood Gardens Trust (“NGT”) to collaboratively care for and strengthen the community garden network and open space in the City of Philadelphia using land in the land trust. NGT owns and/or leases 53 gardens, of which 46 gardens participate in the Society’s Community Gardens Program, as of June 30, 2025. An additional 20 gardens that NGT is actively working to secure and protect are also in the Society’s Community Gardens Program. 26 of the NGT-protected gardens also participate in City Harvest. The arrangement furthers the missions of both organizations.

For the years ended June 30, 2025 and 2024, the Society provided approximately \$111,454 and \$158,942, respectively, of in-kind contributions related to the use of the Society office space and equipment, as well as program goods and garden capital projects. These gifts are recorded as expenses in the functional classification for the program in which the gifts in kind were used. As of June 30, 2025 and 2024, NGT owed \$153,653 and \$50,161, respectively, to the Society.

NOTE Q - REVENUE RECOGNITION FROM EXCHANGE TRANSACTIONS

The Society has multiple revenue sources that are accounted for as exchange transactions under ASC 606, including membership dues and other revenue, consisting of ticket sales, fee-for-service contracts, special event income, sponsorship income, royalties, and meetings & workshop fees.

Membership Dues

The Society offers memberships consisting of various categories that typically last for a term of one year and are billed annually. The Society recognizes membership dues ratably over the applicable membership period. Dues collected in advance are recorded as deferred revenue. Member benefits, including complimentary tickets to the Philadelphia Flower Show and a subscription to the Society’s publication, Grow Magazine, are included in membership dues packages. For the years ended June 30, 2025 and 2024 a total of \$629,916 and \$609,406, respectively, relating to the value of complimentary tickets to the Philadelphia Flower Show, and \$243,968 and \$251,405, respectively, relating to the value of Grow Magazine, are included as part of membership dues revenue in the accompanying financial statements.

Other Revenue

Revenue from ticket sales, fee-for-service contracts, special event income, sponsorship income, royalties, and workshop fees is recognized when the Society satisfies the accompanying performance obligation, namely, when the ticket is sold, the service is performed, or the event occurs.

As of June 30, 2025, the performance obligations corresponding to the deferred revenue balance totaling \$391,764 included in deferred revenue and membership dues, are expected to be satisfied during the fiscal year ending June 30, 2026 as follows:

Memberships	\$	285,444
Subscriptions to Grow Magazine		106,320
Total	\$	<u>391,764</u>

The Pennsylvania Horticultural Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE R - SUBSEQUENT EVENTS

On July 1, 2025, the Society signed a line of credit amendment with the bank, increasing the line from \$5,000,000 to \$7,000,000. This agreement expires July 1, 2026.

The Society evaluated its June 30, 2025 consolidated financial statements for subsequent events through November 24, 2025 and is not aware of any other subsequent events that would require recognition or disclosure in the consolidated financial statements.