

National Garden Clubs, Inc

May 31, 2024



CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

NATIONAL GARDEN CLUBS, INC.

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

YEAR ENDED MAY 31, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Garden Clubs, Inc.
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of National Garden Clubs, Inc. (a nonprofit organization or the "Organization"), which comprise the statement of financial position as of May 31, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2024, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Organization'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 Organization'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.

Conner Ash P.C.

St. Louis, Missouri
November 20, 2024

NATIONAL GARDEN CLUBS, INC.

STATEMENT OF FINANCIAL POSITION

May 31, 2024

	2024
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 123,720
Investments	22,355,039
Inventories	159,145
Convention income receivable	26,032
Prepaid expenses and other	17,584
TOTAL CURRENT ASSETS	22,681,520
PROPERTY AND EQUIPMENT, NET	2,318,751
INTANGIBLE ASSETS, NET	47,500
TOTAL ASSETS	\$ 25,047,771
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 8,459
Accrued liabilities	102,952
TOTAL CURRENT LIABILITIES	111,411
NET ASSETS	
Without donor restrictions	
Undesignated	2,524,757
Board-designated quasi-endowments	18,816,092
	21,340,849
With donor restrictions	3,595,511
TOTAL NET ASSETS	24,936,360
	\$ 25,047,771

See accompanying notes.

NATIONAL GARDEN CLUBS, INC.

STATEMENT OF ACTIVITIES

Year Ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 272,874	\$ 193,110	\$ 465,984
Convention and meetings	110,875	-	110,875
Investment return, net	2,680,398	337,497	3,017,895
Member dues	155,651	-	155,651
Member service items	119,055	-	119,055
Publications	8,050	-	8,050
School fees	25,340	-	25,340
Miscellaneous income	2,165	-	2,165
Net assets released from restriction	103,468	(103,468)	-
TOTAL REVENUES AND SUPPORT	3,477,876	427,139	3,905,015
EXPENSES			
Program services	1,404,034	-	1,404,034
Management and general	598,729	-	598,729
TOTAL EXPENSES	2,002,763	-	2,002,763
INCREASE IN NET ASSETS	1,475,113	427,139	1,902,252
NET ASSETS AT BEGINNING OF YEAR	19,865,736	3,168,372	23,034,108
NET ASSETS AT END OF YEAR	\$ 21,340,849	\$ 3,595,511	\$ 24,936,360

See accompanying notes.

NATIONAL GARDEN CLUBS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2024

	Program Services	Management and General	Total
Awards	\$ 10,291	\$ -	\$ 10,291
Blue Star Memorial	235,685	-	235,685
Building and grounds maintenance	173,086	173,086	346,172
Conference, conventions, and meeting	113,944	300	114,244
Depreciation and amortization	112,791	72,079	184,870
Grants and scholarships	326,722	-	326,722
Insurance	14,766	10,035	24,801
Member services	117,580	-	117,580
Miscellaneous	6,153	-	6,153
Professional fees	-	49,380	49,380
Public relations	11,653	-	11,653
Salaries and employee benefits	256,105	256,104	512,209
Supplies, postage, and printing	4,861	4,494	9,355
Technology	-	33,251	33,251
Travel	20,397	-	20,397
TOTAL EXPENSES	\$ 1,404,034	\$ 598,729	\$ 2,002,763

See accompanying notes.

NATIONAL GARDEN CLUBS, INC.

STATEMENT OF CASH FLOWS

Year Ended May 31, 2024

	<u>2024</u>
OPERATING ACTIVITIES	
Increase in total net assets	\$ 1,902,252
Adjustments to reconcile increase in total net assets to net cash used by operating activities:	
Depreciation and amortization	184,870
Net unrealized and realized gain on investments	(2,448,418)
Effects of changes in operating assets and liabilities:	
Inventories	10,637
Accrued revenue	(26,032)
Prepaid expenses and other	11,558
Accounts payable	(229,304)
Accrued liabilities	<u>31,240</u>
Net cash used by operating activities	<u>(563,197)</u>
INVESTING ACTIVITIES	
Proceeds from the sale of investments	1,618,088
Payments for investments	<u>(1,099,402)</u>
Net cash provided by investing activities	<u>518,686</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,511)
BEGINNING CASH AND CASH EQUIVALENTS	<u>168,231</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 123,720</u></u>

See accompanying notes.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

1. ORGANIZATION

National Garden Clubs, Inc. (the "Organization") is a non-profit Missouri Corporation that was founded August 18, 1959. The Organization was formed for the purpose, among other things, to coordinate and further the interest and activities of State Garden Clubs, together with similar organizations, in the territories and possessions of the United States and foreign countries. In addition, the Organization provides education, resources, and national networking opportunities for its members to promote the love of gardening, floral design, civic, and environmental responsibility. The Organization's mission is fulfilled through gardening promotion, memberships, gardening education, and the National Gardener and publications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements are prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations. The Organization uses the accrual method of accounting for its operations.

The Organization reports its information regarding financial position and activities according to two classes of net assets depending upon the existence or nature of any donor restriction. The following is a description of these classes of net assets:

Net assets without donor restrictions - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Board has set aside for a particular purpose.

Net assets with donor restrictions - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time, or the Organization will maintain in perpetuity.

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and cash equivalents

The Organization considers all short-term investments with a maturity of three months or less to be cash equivalents. Cash consists of commercial checking accounts maintained in financial institutions, which provide Federal Deposit Insurance Corporation ("FDIC") coverage on the first \$250,000 at each bank. The cash balances of the Organization did not exceed FDIC coverage at May 31, 2024.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Collections and donated services

Collections that have been donated, including sculptures, artwork, and silverware, are not capitalized. The values of these donated inexhaustible collections have not been determined.

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) 958-605-15, *Contributions Received*, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A substantial number of volunteers have donated their time in carrying out the Organization's operations and various programs. The values of these donated services are not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

Property and equipment

Property and equipment are stated at cost, if purchased, and fair value, if donated. Buildings, furnishings and equipment costing \$1,000 or more with a life expectancy of over one year are capitalized. Repairs and improvements costing \$5,000 or more and which extend the life of the fixed asset are capitalized. The assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Building and improvements	7-50
Furniture and fixtures	5-20
Landscaping	10-25

Intangible assets

Website costs of \$203,563 were incurred by the Organization and are currently being amortized over five years on a straight-line basis. Total amortization expense for the year ended May 31, 2024 was \$40,712 resulting in accumulated amortization of \$156,063 and net book value of \$47,500.

Inventories

Inventories consist of books, pins, award ribbons, and the Organization's promotional items which are sold through the online store. Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue and revenue recognition

Revenues and expenses are recorded on an accrual basis. Donations and member dues are recognized as revenues in the period received. Sales of member service items are recognized at the point in time of the sale. The Organization recognizes advertising revenue, included in publications, related to the National Gardener at the point in time of the magazine's online publication. Convention and meeting revenue is recognized at the point in time of the event.

The Organization records increases in net assets with donor restrictions whose restrictions are met in the same period as increases in unrestricted net assets. Additionally, the Organization recognizes donations of property and equipment as contributions without donor restrictions at the time of donation.

Allocated expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Expenses by function have been allocated among program and support classifications on the basis of estimates by the Organization's management. Compensation and benefits are allocated on the basis of estimates of time and effort. Depreciation and occupancy are allocated on a square footage basis.

3. INVESTMENTS

Investments are reported at fair value in the accompanying statements of financial position.

FASB Accounting Standards Codification 820-10, *Fair Value Measurement*, 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 consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

Level 1 inputs are quoted prices in active markets on the actual asset being valued. An active market has sufficient transaction activity to provide pricing information on an ongoing basis.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

3. INVESTMENTS – CONTINUED

Level 2 Fair Value Measurements

Level 2 inputs are those other than quoted prices in Level 1 that are observable including the following: quoted prices on similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices such as yield curves, volatilities, prepayment speeds, or inputs derived principally or corroborated by observable market data by correlation or other means.

Level 3 Fair Value Measurements

Level 3 inputs are unobservable inputs for the asset reflecting internal assumptions used to arrive at an estimate or exit price. Those inputs are based on the best information available in the circumstances.

Investment fair value measurement at May 31, 2024, consisted of the following measurement levels:

	Fair Value	2024 Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Mutual funds	\$22,355,039	\$22,355,039	\$ -	\$ -
	\$22,355,039	\$22,355,039	\$ -	\$ -

Investments are composed of the following for the year ended May 31, 2024:

	Cost	Fair Value
Mutual funds	\$18,037,815	\$22,355,039
	\$18,037,815	\$22,355,039

Investment income for the year ended May 31, 2024 consisted of the following:

	2024
Dividends and interest	\$ 621,791
Realized gain	686,899
Unrealized gain	1,761,519
Investment fees	(52,314)
Investment income	\$ 3,017,895

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

4. PROPERTY AND EQUIPMENT

	2024		
	Cost	Accumulated depreciation	Net book value
Building and improvements	\$ 3,702,690	\$ 2,343,867	\$ 1,358,823
Furniture and fixtures	511,602	511,481	121
Landscaping	1,517,860	640,730	877,130
Land	55,000	-	55,000
Construction in progress	27,677	-	27,677
	\$5,814,829	\$3,496,078	\$2,318,751

Depreciation expense for the year ended May 31, 2024 amounted to \$144,158.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at May 31, 2024 consisted of the following:

	2024
Subject to expenditure for specific purpose:	
International Flower Show Fund	\$ 50,264
National Garden Project	62,620
Plant a Tree renamed from Penny Pines	33,401
World and Disaster Funds	91,077
Running Water Project	6,171
Path of Success	34,724
June Kummer – Headquarters Maintenance, Repairs and Improvements	395,466
	673,723
Subject to perpetual restriction:	
June Kummer – Headquarters Maintenance, Repairs and Improvements	2,000,000
Deen Day Sanders	866,788
Land Warranty Deed and Indenture	55,000
	2,921,788
Total assets with donor restrictions	\$3,595,511

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

5. NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

Net assets subject to perpetual restrictions consist of endowment funds restricted by a donor for investment in perpetuity. Earnings on the endowment fund are available for the specific purpose of maintenance, repair, and improvements of National Garden Clubs, Inc.'s headquarters. The remaining net assets subject to perpetual restriction are related to a Warranty Deed and Indenture to the Organization for the Organization's use of the land, as long as the premises is used solely for charitable purposes in the botanical and related fields and as a site for its national headquarters indefinitely.

Net assets released from restrictions totaling \$103,468 were related to satisfaction of specific purpose restrictions or by direct satisfaction of certain investment income during the year ended May 31, 2024.

6. BOARD DESIGNATED QUASI-ENDOWMENT

In August 2008, the FASB issued FASB Staff Position "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds" (funds and Board-designated endowment funds) whether or not the Organization is subject to UPMIFA. The state of Missouri enacted UPMIFA. It provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the UPMIFA. It also requires additional disclosures about an organization's endowment funds.

As of May 31, 2024, the Board of Directors had designated \$18,816,092, of without donor restrictions, as Board-designated quasi-endowments net assets to use the earnings and principal to support and maintain the Organization's building and to provide scholarships and other expenditures as defined for each fund in the current by-laws and standing rules. The by-laws and standing rules allow the Board to designate funds for release from restriction based on budgeting for needs in the future period.

The board designated quasi endowments are classified into the following categories:

Scholarship Fund – Effective with the May 2021 revised by-laws, income shall be derived from memorials, Honoria, donations from members of State Garden Clubs, and from investments.

Operation Wildflower – Revenue is derived from investment earnings and royalties from the use of Operation Wildflower designs.

Permanent Home and endowment – Effective with the May 2021 revised by-laws, revenues derived from contributions, bequests, and memorials shall be invested and shall not be expended. Revenues derived from contributions given for the purchase of specific items shall be used as designated.

Plant America – Effective May 2017, the fund was established by the Organization for the purpose of developing a grant program for community projects and gardening competitions. Revenue is derived from contributions received, sales of plants and other gardening materials, and investment earnings on the fund.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

7. ENDOWMENT NET ASSETS

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently 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 that is not classified in permanently restricted net assets is classified as board-designated unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purpose of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has established policies and procedures related to the endowment fund pertaining to return objectives, risk parameters, investment strategies and spending policy.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of May 31, 2024, the Organization has no endowments underwater.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

7. ENDOWMENT NET ASSETS – CONTINUED

The following summarizes the changes in endowment fund net assets for the year ended May 31, 2024:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2023	\$349,206	\$2,874,757	\$3,223,963
Investment return, net	149,317	337,497	486,814
Fund contributions	-	50,000	50,000
Fund distributions	(62,863)	-	(62,863)
Endowment net assets, May 31, 2024	\$435,660	\$3,262,254	\$3,697,914

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of May 31, 2024, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year or amounts set aside by the Board for future use.

	2024
Financial assets at year-end	
Cash	\$ 123,720
Investments	22,355,039
Total financial assets	22,478,759
Less amounts not available to be used within one year	
Restricted to satisfaction of donor restrictions	(673,723)
Restricted by donor in perpetuity	(2,921,788)
Board designations	(18,816,092)
Financial assets available to meet cash needs for general expenditures within one year	\$ 67,156

As part of the Organization's liquidity management, it has a policy to structure financial assets to be available for general expenditures, liabilities and other obligations as they become due. The board designated funds included in the reserve may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NATIONAL GARDEN CLUBS, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2024

9. INCOME TAXES

The Organization is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Unrelated business activities consist of the National Gardener advertisements and venue rental. At May 31, 2024, the Organization has net operating loss carryforwards that can be used to offset future unrelated business income. These credits expire at various times through 2037. Therefore, there are no provisions for income taxes reflected in these statements. Management does not believe there are any uncertain tax positions for which they have made aggressive assumptions or estimates. Income tax returns prior to 2020 are closed.

10. EMPLOYEE BENEFIT PLAN

The Organization offers its employees tax-sheltered annuity programs created in accordance with Internal Revenue Code Section 403(b). The plans, available to all the Organization's employees, permit them to defer a portion of their salary for investment and retirement purposes. The Organization matched \$8,908 of employee contributions for the year ended May 31, 2024.

11. RECLASSIFICATION OF NET ASSET RESTRICTIONS

Management discovered in prior years that the Deen Day Sanders funds should have been recorded as net assets with donor restrictions instead of without donor restrictions. Management made the following reclassifications to opening balances of net assets:

	Previously issued	Reclassified
Net assets without donor restrictions – board designated	\$706,024	\$ -
Net assets without donor restrictions – undesignated	30,079	-
Net assets with donor restrictions	-	736,103
	<u>\$736,103</u>	<u>\$ 736,103</u>

The effect of the reclassification has no impact on the total net assets or net income for the year ended May 31, 2023.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 20, 2024, the date on which the financial statements were available to be issued.