

Botanical Society of America

Financial Statements
Modified Cash Basis

September 30, 2023

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis	4
Statement of Revenues and Expenses - Modified Cash Basis	5
Statement of Functional Expenses - Modified Cash Basis	6
Statement of Cash Flows - Modified Cash Basis	7
Notes to Financial Statements	8 - 21
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23 - 24
Independent Auditor's Report on Compliance for Each Major Program, Internal Control Over Compliance, and on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	25 - 27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30 - 31

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Botanical Society of America
St. Louis, MO

Opinion

We have audited the accompanying financial statements of Botanical Society of America (the "Society"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of September 30, 2023, and the related statements of revenue and expenses, functional expenses, and cash flows - all on the modified cash basis 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 assets, liabilities, and net assets of Botanical Society of America as of September 30, 2023, and its revenue and expenses, functional expenses, and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Botanical Society of America 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.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Society has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, Leases. Our opinion is not modified with respect to that matter.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Botanical Society of America's ability to continue as a going concern within one year after the date that the 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 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 generally accepted auditing standards and *Government 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, including omissions, 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 and *Government 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 Botanical Society of America'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 Botanical Society of America'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

DRAFT

Armanino^{LLP}
St. Louis, Missouri

March 6, 2024

Botanical Society of America
Statement of Assets, Liabilities, and Net Assets
Modified Cash Basis
September 30, 2023

ASSETS

Cash and cash equivalents	\$ 705,175
Investments, at fair value	7,050,273
Due from Missouri Botanical Garden	55,719
Due from the Fern Society	24
Operating right of use asset	<u>70,064</u>
 Total assets	 <u><u>\$ 7,881,255</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Due to the Society for the Study of Evolution	\$ 1,288
Operating lease liability	<u>70,064</u>
Total liabilities	<u><u>71,352</u></u>
 Net assets	
Without donor restrictions	6,333,450
With donor restrictions	<u>1,476,453</u>
Total net assets	<u><u>7,809,903</u></u>
 Total liabilities and net assets	 <u><u>\$ 7,881,255</u></u>

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

Botanical Society of America
Statement of Revenues and Expenses
Modified Cash Basis
For the Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Botany annual meeting	\$ 429,756	\$ -	\$ 429,756
Selections and special income	35,505	-	35,505
Membership dues	129,061	-	129,061
Subscription income	659,787	-	659,787
Investment income, net	580,283	162,299	742,582
National Science Foundation	1,089,226	-	1,089,226
Contributions	<u>8,762</u>	<u>70,299</u>	<u>79,061</u>
Total revenues and support	2,932,380	232,598	3,164,978
Net assets released from restriction	<u>78,383</u>	<u>(78,383)</u>	<u>-</u>
Total revenues and support	<u>3,010,763</u>	<u>154,215</u>	<u>3,164,978</u>
Functional expenses			
Program services	<u>2,388,903</u>	<u>-</u>	<u>2,388,903</u>
Support services			
Management and general	256,623	-	256,623
Fundraising	<u>17,975</u>	<u>-</u>	<u>17,975</u>
Total support services	<u>274,598</u>	<u>-</u>	<u>274,598</u>
Total functional expenses	<u>2,663,501</u>	<u>-</u>	<u>2,663,501</u>
Change in net assets	347,262	154,215	501,477
Net assets, beginning of year	<u>5,986,188</u>	<u>1,322,238</u>	<u>7,308,426</u>
Net assets, end of year	<u>\$ 6,333,450</u>	<u>\$ 1,476,453</u>	<u>\$ 7,809,903</u>

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

Botanical Society of America
Statement of Functional Expenses
Modified Cash Basis
For the Year Ended September 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employment expenses	\$ 829,409	\$ 142,215	\$ 14,417	\$ 986,041
Contract labor and stipends	318,893	59,385	-	378,278
Participant support costs	73,652	13,883	-	87,535
Travel and meetings	367,032	25,226	3,030	395,288
Facility expenses	100,070	3,076	-	103,146
Infrastructure expenses	22,792	4,255	-	27,047
Office expenses	20,265	2,405	-	22,670
Other expenses	40,212	5,179	-	45,391
Publication expenses	70,193	-	-	70,193
Professional dues	6,049	999	-	7,048
Awards and Honoraria	118,229	-	-	118,229
Marketing expenses	2,796	-	528	3,324
Grant expenses	419,311	-	-	419,311
	<u>\$ 2,388,903</u>	<u>\$ 256,623</u>	<u>\$ 17,975</u>	<u>\$ 2,663,501</u>

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

Botanical Society of America
Statement of Cash Flows
Modified Cash Basis
For the Year Ended September 30, 2023

Cash flows from operating activities	
Change in net assets	\$ 501,477
Adjustments to reconcile change in net assets to net cash used in operating activities	
Unrealized/realized gains on investments	(672,683)
Changes in operating assets and liabilities	
Due from Missouri Botanical Garden	(59,713)
Due from the Society for Economic Botany	2,091
Due to the Society for the Study of Evolution	<u>2,692</u>
Net cash used in operating activities	<u>(226,136)</u>
Cash flows from investing activities	
Proceeds from sale of investments	(6,208,700)
Purchase of investments	<u>6,241,757</u>
Net cash provided by investing activities	<u>33,057</u>
Net decrease in cash and cash equivalents	(193,079)
Cash and cash equivalents, beginning of year	<u>898,254</u>
Cash and cash equivalents, end of year	<u><u>\$ 705,175</u></u>

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

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

1. NATURE OF OPERATIONS

The Botanical Society of America, Inc (the "Society") or ("BSA") is a not-for-profit organization devoted to the promotion of botany, the field of basic science dealing with the study and inquiry into the form, function, diversity, reproduction, evolution, and uses of plants and their interaction within the biosphere. To accomplish this mission, the objectives of the Society are to: sustain and provide improved formal and informal education about plants; encourage basic plant research; provide expertise, direction, and position statements concerning plants and ecosystems; and foster communication within the professional botanical community, and between botanists and the rest of humankind through publications, meetings, and committees.

The Society is supported primarily through membership dues and the sale of their publications, the American Journal of Botany and Applications in Plant Sciences. The American Journal of Botany on-line version is included in each annual membership. The Society also holds an annual conference that allows for conference revenue in the form of registration fees, sponsorships, and exhibitor booths. In addition to the revenue from memberships, magazine publications, and conference revenue, the Society receives grants from government and other agencies along with contributions from members or donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that certain short-term assets such as contributions receivable and revenue based on pledges from donors (where pledges have been made but cash has not been received) or grants receivable and revenue from government agencies (where expenses have been incurred but not yet billed or revenue earned but not yet collected) are not recognized in the financial statements. Other revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred. However, investments are adjusted to the fair market value with a corresponding recognition of income (loss) on the change in fair market value.

Also, with the modified cash basis of accounting, short-term liabilities such as accounts payable and expenses from vendors (where expenses for goods or services have been received but not yet paid) are not included in these financial statements, while long-term liabilities such as debt are recognized in the financial statements. The Society also does not capitalize property and equipment and expense over the useful life of the assets but rather expenses them as incurred.

Basis of accounting and financial statement presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets without donor restrictions are those resources that are utilized for general operations or for which the Board of Directors has discretionary control. Board designated amounts consist of funds set aside in the Society's investment accounts for a specified purpose, program or reserve. The income earned on the board designated funds are considered without donor restrictions and designated for funding major initiatives, travel grants, scholarships, and other activities within the Society's mission.
- *Net assets with donor restrictions* - Net assets subject to donor imposed restrictions. Some donor restrictions are temporary in nature, such as those resources subject to donor-imposed purpose of time restrictions that will be satisfied by actions of the Society or the passage of time. This net asset class consists of grants or contributions received that are restricted for programs where section accounts and special accounts are maintained. Other donor imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained or invested in perpetuity. The donors of these resources may permit the Society to use all or part of the income earned, including capital appreciation, on related investments for purposes with or without restrictions.

Cash and cash equivalents

The Society considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Society will not be able to recover its deposits. The Society maintains cash and cash equivalents at federally insured banks which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the specified limit of \$250,000 per institution. At times, bank deposits may be in excess of federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents as of September 30, 2023.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of assets, liabilities and net assets – modified cash basis. Both realized and unrealized gains and losses are recorded in investment income, net of investment fees in the statements of revenues and expenses – modified cash basis. Investment income (e.g. interest and dividends and realized and unrealized gains) with donor-imposed restrictions that are met in the same year as earned are reported as net assets without donor restrictions.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Marketable 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 changes could materially affect the amounts reported in the statements of assets, liabilities and net assets – modified cash basis.

Leases

The Society has operating lease for office space. As of October 1, 2022, operating leases are required to be included in the right-of-use ("ROU") assets and lease liabilities on the statement of assets, liabilities, and net assets - modified cash basis. ROU assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent the Society's obligation to make lease payments arising from the lease at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received and any impairment recognized. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. For operating leases with a term of one year or less, the Society has elected to not recognize a lease liability or ROU asset on the statement of assets, liabilities, and net assets - modified cash basis. Instead, lease payments are recognized as expenses on a straight-line basis over the lease term.

The Society determines if an arrangement is a lease, or contains a lease, at inception of a contract or when the terms of an existing contract are changed. Finance and operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Society's leases do not provide an implicit rate, the Society uses the risk free rate based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. Option periods are included in the ROU asset and liability when it is reasonably certain the option will be exercised. Rent expense for lease payments is recognized on a straight-line basis over the lease term.

For any lease agreements with lease and non-lease components, the Society has elected, for operating leases on office space, to account for operating costs as nonlease components. The Society is a lessee in lease agreements with third parties that do not have any material restrictions or covenants in their lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and support with donor restrictions

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restriction and reported in the statement of revenues and expenses - modified cash basis as net assets released from restrictions. Donor-restricted contributions received and used for the purpose or time-period intended during the same year are reported as increases in net assets without donor restrictions.

Donor-restricted contributions are invested when received and all earnings on those investments are to be utilized for those specified donor purposes under the BSA investment policy. These earnings along with the original restricted contributions are included in net assets with donor restrictions until they are released.

The Society receives government funding on a cost reimbursement basis under various agreements, which require the fulfillment of certain conditions. Failure to fulfill the conditions could result in the return of the funds or no release of the funds. No amounts have been reflected in these financial statements until barriers are overcome then amounts received are recorded as revenue in the statement of revenues and expenses - modified cash basis.

Functional allocation of expenses

The cost of providing program and supporting services have been summarized on a functional basis in the Statements of Revenues and Expenses – Modified Cash Basis. The Statements of Functional Expenses – Modified Cash Basis present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated, except publications and grant expenditures, based on on time and effort expended.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the Society to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosures in the financial statements. Those estimates and assumption affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Actual results could differ from those estimates.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Society is a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal, state and local income taxes. Accordingly, there is no provision for income taxes reflected in these financial statements.

The Society continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that the provision for income taxes is adequate to cover any uncertain tax positions. The Society files federal informational returns which are subject to audit by the Internal Revenue Service generally for three years from the date they are to be filed.

Change in accounting policy

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), including subsequently issued ASUs, to increase transparency and comparability among organizations by requiring the recognition of right of use ("ROU") assets and lease liabilities on the statement of assets, liabilities, and net assets - modified cash basis. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Society adopted FASB Topic 842, Leases, using the modified-retrospective transition as of October 1, 2022 for the date of initial adoption. The Society elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Society to not reassess expired or existing contracts for lease identification, the lease classification for any existing or expired leases, or the initial direct costs for any existing leases. The Society adopted the standard effective October 1, 2022 and recognized and measured leases existing at, or entered into after, October 1, 2022, with certain practical expedients available. Lease disclosures for the year ended September 30, 2022 are made under prior lease guidance in FASB ASC 840. The adoption of ASC 842 on October 1, 2022 did not have an effect on net assets.

The Society elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

In preparing the financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through December 14, 2023, the date the financial statements were available to be issued.

3. FAIR VALUE MEASUREMENTS AND INVESTMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- *Level 1* - Valuations based on unadjusted quoted prices available for identical assets in active markets that the Society has the ability to access.
- *Level 2* - Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3* - Inputs to the valuation methodology are significant, unobservable inputs. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. Management assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Society recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There have been no changes in the methodologies used at September 30, 2023.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

3. FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of assets, liabilities, and net assets – modified cash basis, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Corporate stock: Valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Society are open-end mutual funds that are registered with the United States Securities and Exchange Commission ("SEC"). These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Society are deemed to be actively traded.
- Fixed income: Valued at fair value based on market quotations for similar assets in active markets, outside pricing services, or computerized pricing models. The fair values of these assets are primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

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

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Corporate stocks	\$ 1,861,029	\$ -	\$ -	\$ 1,861,029
Mutual funds	1,277,346	-	-	1,277,346
Exchange traded funds	2,449,436	-	-	2,449,436
Fixed income	<u>-</u>	<u>1,462,462</u>	<u>-</u>	<u>1,462,462</u>
	<u>\$ 5,587,811</u>	<u>\$ 1,462,462</u>	<u>\$ -</u>	<u>\$ 7,050,273</u>

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

3. FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

Investment income, net of fees, consists of the following, as of for the year ended September 30, 2023:

Interest and dividends	\$ 164,581
Realized gains and losses	116,500
Unrealized gains and losses	556,183
Investment fees	<u>(94,682)</u>
	<u>\$ 742,582</u>

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at September 30, 2023:

Board designated endowment	\$ 601,494
Board designated reserves	121,091
Undesignated	<u>5,610,865</u>
	<u>\$ 6,333,450</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2023:

Awards funds	\$ 951,776
Section funds	425,335
Section funds held in perpetuity	60,000
Endowment earnings	<u>39,342</u>
	<u>\$ 1,476,453</u>

Net assets were released from net assets with donor restrictions, during the year ending September 30, 2023, were as follows:

Section funds	\$ 40,297
Award funds	<u>38,086</u>
	<u>\$ 78,383</u>

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

6. ENDOWMENT

The Society's endowment consists of both donor-restricted endowment funds and endowment funds designated by the Board. Assets associated with endowment funds, including funds designated by the Board to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Society's Board of Trustees has interpreted 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 Society classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society 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 purposes of the Society and 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 Society
- (7) The investment policies of the Society

Return objectives and risk parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the Society diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

6. ENDOWMENT (continued)

Funds with deficiencies

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 UPMIFA requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2023.

Spending policy

Under the current policy adopted by the Board of Trustees, the value of the investment portfolio without donor restrictions (all non-restricted, non-sectional funds) will be averaged over the previous twelve (12) quarters, prior to the annual meeting each year. The ‘averaged unrestricted value’ available for use during the next fiscal year will be a maximum of 4%, and this amount will be reported at the BSA annual BoD and Council Meetings. Any usable income from this averaged unrestricted value unallocated or unused by the end of the fiscal year (September 30) shall revert to the investment portfolio unrestricted principle. All earnings of the endowment funds not withdrawn shall be reinvested.

Endowment composition

Endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 99,342	\$ 99,342
Board-designated endowment funds	<u>601,494</u>	<u>-</u>	<u>601,494</u>
	<u>\$ 601,494</u>	<u>\$ 99,342</u>	<u>\$ 700,836</u>

Changes in endowment net assets for the fiscal year ended September 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, beginning of year	\$ 513,714	\$ 88,244	\$ 601,958
Contributions	22,520	85	22,605
Investment income, net of fees	<u>65,260</u>	<u>11,013</u>	<u>76,273</u>
	<u>87,780</u>	<u>11,098</u>	<u>98,878</u>
Balance, end of year	<u>\$ 601,494</u>	<u>\$ 99,342</u>	<u>\$ 700,836</u>

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

7. CONCENTRATIONS

For the year ended September 30, 2023, the Society received approximately 30% of all revenue from government funded grants: National Science Foundation. Any significant decrease in this funding could have a significant effect on program services and finances.

8. COMMITMENTS

On January 1, 2023, the Society entered into a publishing agreement with Wiley Periodicals, Inc. whereby Wiley will publish and distribute the hybrid publications, American Journal of Botany and Applications in Plant Sciences, on behalf of the Society. As part of this agreement, Wiley will collect subscription revenue but will compensate the Society a) an annual fee payable in two semi annual payments in support of the Society’s editorial costs, b) a guaranteed minimum annual royalty payable no later than January 31 of each year, c) a contribution towards the journals’ development annually, and d) a contribution towards the Society’s travel fund. If annual revenues generated by journal decrease more than 15%, the guaranteed minimum annual royalty will be renegotiated based on the year following that calendar year. This agreement can be cancelled by either party with a notice of not less than 12 months.

9. RELATED PARTY TRANSACTIONS

The Society is responsible for reimbursement to the Missouri Botanical Garden (“MOBOT”) for expenses and administrative costs incurred on the Society’s behalf. The Society also utilizes the facilities, supplies, and employees of MOBOT. The Society reimburses MOBOT for these expenses including wages and the related expenses for workers compensation, fringe benefits, and retirement. For the year ended September 30, 2023, the Society made payments of \$1,057,160 to MOBOT for these services.

The Society provides services to the Society for Economic Botany (SEB), the Society for the Study of Evolution (SSE), and the Fern Society including membership, subscription, publishing, meeting, communications, web, financial, and general management. Management fees collected by the Society totaled \$75,584 for the year ended September 30, 2023.

Due from (to) related parties consisted of the following as of September 30:

Due from Missouri Botanical Garden	\$ 55,719
Due to the Society for the Study of Evolution	(1,288)
Due from the Fern Society	<u>24</u>
	<u>\$ 54,455</u>

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

10. LEASES

In August 2020, the Society began leasing office space under a non-cancelable operating leases with the Missouri Botanical Garden. The lease expires in 10 years through 2030 and require a monthly payment of \$17,160 that includes an \$6,000 monthly allocation for staffing and other related services that are non-lease components and not included in the lease liability as of September 30, 2023.

As a result of adopting the new standards effective October 1, 2022, the Society recorded net lease assets and lease liabilities of approximately \$78,666. Adoption of the new standard does not impact the Society's change in net assets and had no impact on beginning net assets.

The following summarizes the line items on the Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis as of September 30, 2023:

Operating leases:	
Operating lease right-of-use assets	<u>\$ 70,064</u>
Operating leases:	
Operating lease liabilities, current	\$ 8,928
Operating lease liabilities, noncurrent	<u>61,136</u>
Total operating lease liabilities	<u><u>\$ 70,064</u></u>

The following summarizes the line items on the Statements of Revenues and Expenses - Modified Cash Basis for the year ended September 30, 2023:

Operating leases included in rent expenses	<u><u>\$ 11,910</u></u>
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The following summarizes the cash flow information related to operating leases for the year ended September 30, 2023:

Lease assets obtained in exchange for lease obligations:	
Operating leases	<u><u>\$ 78,666</u></u>

The following summarizes the weighted average remaining lease term and discount rate as of September 30, 2023:

Weighted average remaining lease term in years	
Operating leases	7
Weighted average discount rate	
Operating leases	<u>3.8 %</u>

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

10. LEASES (continued)

The maturities of lease liabilities as of September 30, 2023 were as follows:

Year ending September 30,

2024	\$	11,160
2025		11,160
2026		11,160
2027		11,160
2028		11,160
Thereafter		<u>33,480</u>
Total lease payments		89,280
Less: interest		<u>(19,216)</u>
Total lease payments		70,064
Current portion		<u>(8,928)</u>
Present value of lease liabilities	\$	<u><u>61,136</u></u>

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or management restrictions limiting their use, within one year of the statements of assets, liabilities, and nets assets date, comprise the following, as of September 30, 2023:

Financial assets:		
Cash and cash equivalents	\$	705,175
Investments, at fair value		7,050,273
Other assets		<u>54,455</u>
		<u>7,809,903</u>
Less: amounts unavailable for general expenditures within one year		
Board designated net assets		(722,585)
Restricted by donor for purpose		<u>(1,476,453)</u>
		<u>(2,199,038)</u>
	\$	<u><u>5,610,865</u></u>

The Society has a board-designated endowment investment fund totaling \$601,494 as of September 30, 2023 as described in Note 6 and additional board designated amounts of \$121,091 as described in Note 4. Although the Board does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval), these amounts could be made available if necessary.

Botanical Society of America
Notes to Financial Statements
Modified Cash Basis
September 30, 2023

11. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The Society maintains a reserve fund cash balance of \$400,000 in support of operating expenditures and could open a line of credit with Morgan Stanley, if needed.

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Botanical Society of America
St. Louis, MO

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Botanical Society of America (the "Society"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of September 30, 2023, and the related statements of revenue and expenses, functional expenses, and cash flows - all on the modified cash basis for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

Armanino^{LLP}
St. Louis, Missouri

March 6, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Botanical Society of America
St. Louis, MO

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Botanical Society of America (the "Society")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Society's major federal programs for the year ended September 30, 2023. The Society's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Society's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Society's federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Society’s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Society’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Society’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Society’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Society as of and for the year ended September 30, 2023, and have issued our report thereon dated March 6, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

DRAFT

Armanino^{LLP}
St. Louis, Missouri

March 6, 2024

Botanical Society of America
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>				
National Science Foundation				
Research and Development Cluster				
Direct awards				
Education and Human Resources:				
Comparing the Efficacy of Collaborative Professional Development Formats for Improving Student Outcomes of a Student-Teacher-Scientist Partnership Program	47.076		966,298	510,944
Biological Sciences:				
Preparing Leaders and Nurturing Tomorrows Scientists: Botany and Beyond (PLANTS III)	47.074		<u>122,928</u>	<u>-</u>
Total National Science Foundation			<u>1,089,226</u>	<u>510,944</u>
Total Expenditures of Federal Awards			<u>\$ 1,089,226</u>	<u>\$ 510,944</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
 are an integral part of this schedule.

Botanical Society of America
Notes to Schedule of Expenditures of Federal Awards
September 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Botanical Society of America (the "Society") under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Society, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Society.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

3. INDIRECT COST RATE

Botanical Society of America, Inc. has elected to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.

Botanical Society of America
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>AL Number</u>
Research and Development Cluster: Education and Human Resources	47.076
Research and Development Cluster: Biological Sciences	47.074
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Botanical Society of America
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.