

BOTANICAL SOCIETY OF AMERICA, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2017

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Independent Auditor's Report

Board of Directors
Botanical Society of America, Inc.
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Botanical Society of America, Inc. ("BSA"), which comprise the statement of assets, liabilities, and net assets – modified cash basis of as September 30, 2017, the related statements of revenues, support, expenses, and changes in net assets – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BSA's preparation and fair presentation of the financial statements 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 BSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, Inc. as of September 30, 2017, and its revenue, support, expenses, and changes in net assets and its cash flows for the year then ended, in accordance with the modified cash basis of accounting as described in Note A.

Other Matters

Basis of Accounting

As described in Note A, 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.

Other Information

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2019, on our consideration of BSA'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 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 BSA's internal control over financial reporting and compliance.

St. Louis, Missouri
[REDACTED], 2019

BOTANICAL SOCIETY OF AMERICA, INC.

Statement of Assets, Liabilities and Net Assets - Modified Cash Basis

September 30, 2017

(See Independent Auditor's Report)

ASSETS

Cash and cash equivalents	\$ 550,200
Investments, at fair value	4,866,954
Due from Missouri Botanical Garden	16,104
Due from Society for Economic Botany	13,282
Due from Conference Partners	21

TOTAL ASSETS	\$ 5,446,561
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LIABILITIES AND NET ASSETS

LIABILITIES

Due to Fern Society	\$ 10,360
Credit card payable	2,274

TOTAL LIABILITIES	12,634
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NET ASSETS

Unrestricted	
Undesignated	2,029,660
Board designated - program	1,542,105
Board designated - endowment	421,053

Total Unrestricted	3,992,818
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Temporarily restricted	1,381,109
Permanently restricted	60,000

TOTAL NET ASSETS	5,433,927
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TOTAL LIABILITIES AND NET ASSETS	\$ 5,446,561
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The accompanying notes are an integral part of these financial statements.

BOTANICAL SOCIETY OF AMERICA, INC.

Statement of Revenues, Support, Expenses and Changes in Net Assets - Modified Cash Basis

Year ended September 30, 2017

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Membership dues	\$ 140,601	\$ -	\$ -	\$ 140,601
Section dues	-	10,744	-	10,744
Subscriptions and editorial	1,033,278	-	-	1,033,278
Investment income, net	438,120	171,354	-	609,474
Botany meeting revenues	318,185	-	-	318,185
Management services	34,195	-	-	34,195
Grants - National Science Foundation	999,453	-	-	999,453
Donations	29,025	134,052	-	163,077
Total revenues and support	2,992,857	316,150	-	3,309,007
Net assets released from program restrictions:				
Section costs	62,990	(62,990)	-	-
	3,055,847	253,160	-	3,309,007
Expenses				
Employment	861,572	-	-	861,572
Consultants and contract labor	658,696	-	-	658,696
Travel and meetings	70,366	-	-	70,366
Facilities	12,739	-	-	12,739
Infrastructure	25,454	-	-	25,454
Office	23,740	-	-	23,740
Other	51,050	-	-	51,050
Publications	264,489	-	-	264,489
Development	33,484	-	-	33,484
Section and award expenses	56,896	-	-	56,896
Expense reimbursements	146,769	-	-	146,769
Grant expense	50,455	-	-	50,455
Botany meeting expenses	345,555	-	-	345,555
Total expenses	2,601,265	-	-	2,601,265
Change in net assets	454,582	253,160	-	707,742
Net assets at beginning of year	3,538,236	1,127,949	60,000	4,726,185
Net assets at end of year	\$ 3,992,818	\$ 1,381,109	\$ 60,000	\$ 5,433,927

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

BOTANICAL SOCIETY OF AMERICA, INC.

Statement of Cash Flows - Modified Cash Basis

Year ended September 30, 2017

(See Independent Auditor's Report)

Cash flows from operating activities:

Change in net assets	\$ 707,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized/realized gains on investments	(583,735)
(Increase) decrease in operating assets:	
Due from Missouri Botanical Garden	74,038
Due from SEB	(9,562)
Due from conference partners	2,714
Increase (decrease) in operating liabilities:	
Due to Fern Society	1,619
Credit card payable	(4,754)
Net cash provided by operating activities	<u>188,062</u>

Cash flows from investing activities:

Proceeds from sale of investments	7,053,671
Purchase of investments	(6,983,354)
Net cash provided by investing activities	<u>70,317</u>

Cash flows from financing activities:

Payment of loan	(150,091)
Net cash used in financing activities	<u>(150,091)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	108,288
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Cash and cash equivalents, beginning of year	<u>441,912</u>
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Cash and cash equivalents, end of year	<u><u>\$ 550,200</u></u>
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The accompanying notes are an integral part of these financial statements.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis

September 30, 2017

(See Independent Auditor's Report)

Note A - Summary of Operations and Significant Accounting Policies

A summary of the organization and significant accounting policies used in the preparation of the accompanying financial statements follows.

Nature of Business

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, but the Society also sells the print magazine to its members and to institutional subscribers.

In addition to the revenue from memberships and magazine subscriptions, the Society may from time to time be the recipient of contributions in the form of gifts and grants.

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting; consequently, 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.

Basis of Presentation

The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note A - Summary of Operations and Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Unrestricted net assets are those resources over 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 unrestricted and designated for funding major initiatives, travel grants, scholarships, and other activities within the Society's mission.

Temporarily restricted net assets are 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, dues, or other contributions received that are restricted for programs where section accounts and special accounts are maintained.

Permanently restricted net assets are restricted to investment in perpetuity, the income of which can be used to support services to programs.

Use of Estimates in Financial Statement Preparation

The Society uses estimates and assumption in preparing 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.

Cash and Cash Equivalents

The Society considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Society's cash and cash equivalents are on deposit with a major domestic financial institution. At times, bank deposits may be in excess of federally insured limits. Management believes no risk of loss existed at September 30, 2017.

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 earnings, net of investment fees in the statements of revenues, support, expenses, and changes in net assets – modified cash basis.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note A - Summary of Operations and 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.

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.

Donated Goods and Services

Donated goods and services are recorded as contributions at fair market value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. BSA records donated goods and services if their value is readily ascertainable and if the services performed require specialized skills.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Numerous volunteers support BSA by providing a variety of services; however, the value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been met.

Restricted and Unrestricted Revenue and Support

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue, support, expenses and changes in net assets - 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 unrestricted net assets.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note A - Summary of Operations and Significant Accounting Policies (Continued)

Subsequent Events

The Society has evaluated all subsequent events through , 2019, the date the financial statements were available to be issued.

Note B - Investments

Investments are stated at fair value and at September 30, 2017, consist of the following:

Common and preferred stocks	\$ 1,999,631
Exchange-traded funds	930,704
Mutual funds	<u>1,936,619</u>
Investments, at fair value	<u>\$ 4,866,954</u>

Investment income for the year ended September 30, 2017, consists of the following:

Interest and dividends	\$ 92,137
Realized and unrealized gains	583,735
Investment fees	<u>(66,398)</u>
Investment income, net	<u>\$ 609,474</u>

Note C - Fair Value Measurements

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.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note C - Fair Value Measurements (Continued)

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 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.

Common stocks, preferred stocks: 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 net assets value (NAV) of shares held at year end.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate.

Fair value of assets measured on a recurring basis at September 30, 2017, are as follows:

		Fair Value Measurements Using		
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Common and preferred stocks	\$ 1,999,631	\$ 1,999,631	\$ -	\$ -
Exchange-traded funds	930,704	930,704	-	-
Mutual funds	<u>1,936,619</u>	<u>1,936,619</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,866,954</u>	<u>\$ 4,866,954</u>	<u>\$ -</u>	<u>\$ -</u>

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note D - Net Assets

The Society had \$1,381,109 of temporarily restricted net assets at September 30, 2017. These net assets have been restricted by donor for purpose of special section account awards and expenses.

During the year ended September 30, 2017, \$62,990 was released from temporarily restricted net assets as program restrictions had been satisfied.

Note E - Endowment Funds

The Endowment Fund of the Society 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 Board has interpreted the Uniform Prudent Management 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 Society classified 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) 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 temporarily restricted net assets 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 accumulated donor-restricted endowment funds:

- (a) The duration and preservation of the funds;
- (b) The purposes of the Society and the donor-restricted endowment funds;
- (c) The general economic conditions
- (d) The possible effect of inflation and deflation
- (e) The expected total return from income and appreciation of investments
- (f) Other resources of the Society
- (g) The investment policies of the Society.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note E - Endowment Funds (Continued)

Changes in endowment net assets are as follows for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, beginning of year, October 1, 2016	\$ 355,681	\$ 22,284	\$ 60,000	\$ 437,965
Dues and donations	25,380	38	-	25,418
Allocations and expenses	-	(6,000)	-	(6,000)
Investment return, net	<u>39,992</u>	<u>9,118</u>	<u>-</u>	<u>49,110</u>
Endowment Net Assets, end of year, September 30, 2017	\$ <u>421,053</u>	\$ <u>25,440</u>	\$ <u>60,000</u>	\$ <u>506,493</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 421,053	\$ -	\$ -	\$ 421,053
Donor designated endowment funds	<u>-</u>	<u>25,440</u>	<u>60,000</u>	<u>85,440</u>
Total endowment funds	\$ <u>421,053</u>	\$ <u>25,440</u>	\$ <u>60,000</u>	\$ <u>506,493</u>

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets (including both permanently restricted endowment funds and board designated endowment funds) that attempt to provide a predictable stream of funding to support the operation of the Society, while achieving growth of the endowment assets over time.

Spending Policy

The BSA Board of Directors and Council may request a single annual withdrawal of funds from the endowment fund. The amount requested may not exceed 4% of the value of the endowment fund, averaged over the previous three fiscal years. This annual withdrawal must be used to support activities consistent with BSA policies and goals.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note F - Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis below for the year ended September 30, 2017. Accordingly, certain costs have been allocated among the programs and supporting services benefited:

Program	\$2,294,194
Management and general	307,071
Fundraising	<u>-</u>
Total	<u>\$2,601,265</u>

Note G - Concentrations

For the year ended September 30, 2017, 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.

Note H - Commitments

The Society does not have any long-term obligations for leases of facilities or equipment. However, 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 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, 2017, the Society made payments of \$786,554 to MOBOT for these services.

On July 10, 2017, the Society entered into a publishing agreement with Wiley Periodicals, Inc. whereby Wiley will publish and distribute the American Journal of Botany and Applications in Plant Sciences on behalf of the Society. Terms of this agreement include a one-time, non-returnable signing bonus of \$100,000 which was received in 2017 and included in subscriptions and editorial income on the statements of revenues, support and expenses and changes in net assets – modified cash basis. Beginning January 1, 2018, Wiley will collect subscription revenue but will compensate the Society a) an annual fee of \$285,000 payable in support of the Society's editorial costs, b) a guaranteed minimum annual royalty of \$430,000, c) a contribution towards the journals' development of \$20,000 annually, and d) a contribution of \$2,000 towards the Society's travel fund.

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Financial Statements – Modified Cash Basis - Continued

September 30, 2017

(See Independent Auditor's Report)

Note H - Commitments (Continued)

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 \$34,195 for the year ended September 30, 2017.

Note I - Botany Meeting

As part of the Society operations, an annual botanical conference is held as an extension of their outreach to the wider botanical community worldwide. This conference is at a new location each year. The Society collects the funds and pays all expenses related to this annual meeting.

The conference is held in July/August of each year and the Society's income is received from registration fees, sponsorships, advertising, and exhibitor booth rentals. Expenses include site selection expenses, registration and housing costs, promotion, field trip costs, honoraria, administration, etc.

Supplementary 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, Inc.

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, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of September 30, 2017, and the related statements of revenue, support, expenses and changes in net assets – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Botanical Society of America, Inc.'s internal control over financial reporting (internal control) to determine the 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 Botanical Society of America, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Botanical Society of America, Inc.'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 determination of financial statement amounts. 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 of the effectiveness of the BSA'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 BSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

St. Louis, Missouri
_____, 2019

Independent Auditor's Report on Compliance on Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Botanical Society of America, Inc.

Report on Compliance for Each Major Federal Program

We have audited Botanical Society of America, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Botanical Society of America, Inc.'s major federal programs for the year ended September 30, 2017. Botanical Society of America, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Botanical Society of America, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Botanical Society of America, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Botanical Society of America, Inc.'s compliance.

Basis for Qualified Opinion on National Science Foundation Cluster

As described in the accompanying schedule of findings and questioned costs, Botanical Society of America, Inc. did not comply with requirements regarding CFDA 47.076 and 47.074 National Science Foundation cluster as described in finding numbers 2017-001 for Reporting and 2017-002 for Subrecipient Monitoring.

Qualified Opinion on National Science Foundation Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Botanical Society of America, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on National Science Foundation cluster for the year ended September 30, 2017.

Other Matters

Botanical Society of America, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Botanical Society of America, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Botanical Society of America, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Botanical Society of America, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Botanical Society of America, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, 2017-005 and 2017-006 to be material weaknesses.

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.

Botanical Society of America, Inc.'s response to the internal control over compliance findings in our audit is described in the accompanying schedule of findings and questioned costs. Botanical Society of America, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

St. Louis, Missouri
_____, 2019

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Expenditures of Federal Awards - Modified Cash Basis

Year ended September 30, 2017

Federal Grantor/Pass-through Grantor/ Program Titles	Federal CFDA Number	Award #	Provided to Subrecipient	Pass-through Entity Identifying Number	Federal Expenditures
National Science Foundation					
<u>Research and Development Cluster</u>					
Education and Human Resources:	47.076	1502892 DRL	\$ 424,894	n/a	\$ 888,668
Planting Science - Digging Deeper Together					
Biological Sciences:					
Plants II - Increasing the diversity of plant scientists	47.074	1549708 DEB	-	n/a	31,741
Conference	47.074	1641279 DEB	-	n/a	77,378
Total National Science Foundation			<u>424,894</u>		<u>997,787</u>
Total Expenditures of Federal Awards			<u>\$ 424,894</u>		<u>\$ 997,787</u>

BOTANICAL SOCIETY OF AMERICA, INC.

Notes to Schedule of Expenditures of Federal Awards

September 30, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Botanical Society of America, Inc. under programs of the Federal government for the year ended September 30, 2017. 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 Botanical Society of America, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Botanical Society of America, Inc.

Note B - Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the modified cash basis of accounting.

Note C - 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, INC.

Schedule of Findings and Questioned Costs

September 30, 2017

Summary of Audit Results

1. Financial statements:

- a. Type of auditor's report issued. Unmodified
- b. Internal control over financial reporting:
 - i. Material weakness identified? No
 - ii. Significant deficiencies identified? None reported
- c. Noncompliance material to financial statements noted? No

2. Federal Awards:

- a. Internal control over major programs:
 - i. Material weakness identified? Yes
 - ii. Significant deficiencies identified? None reported
- b. Type of auditor's report issued on compliance for major programs Qualified
- c. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes
- d. The programs tested as major programs include:
 - National Science Foundation Cluster
 - 47.076 Education and Human Resources: Planting Science – Digging Deeper Together
 - 47.074 Biological Sciences: Plants II and Conference
- e. The threshold for distinguishing Types A and B programs was \$750,000.
- f. Botanical Society of America, Inc.. was determined to be a high-risk auditee.

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Findings and Questioned Costs – Continued **September 30, 2017**

Findings and Questioned Costs – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

National Science Foundation

Research and Development Cluster

CFDA #47.076; Grant #1502892 DRL; Grant period October 1, 2015 to September 30, 2019

CFDA #47.074; Grant #1549708 DEB; Grant period September 1, 2015 to August 31, 2020

CFDA #47.074; Grant #1641279 DEB; Grant period January 1, 2017 to December 31, 2017

Finding 2017-001 – Noncompliance with federal reporting requirements

Condition: Late submission of audit report under Uniform Guidance and Data Collection Form

Criteria: Single Audit and Data Collection Form for those entities receiving greater than \$750,000 in one year must be submitted within nine months of year end.

Cause: Unpredictable timing of federal drawdowns triggered the Single Audit requirement (federal funds expended over \$750,000). Due to various factors including staff turnover, management was not prepared to complete Single Audit timely.

Effect: The Society is in violation of federal reporting requirements.

Recommendation: For periods in which the Society receives greater than \$750,000 of federal grant awards, timely audits should be performed.

View of Responsible Officials and Planned Corrective Actions: At the end of each fiscal year, when the Executive Director and Finance/Administrative Manager work with our accounting firm to prepare our annual financial statements, we will monitor if we have gone over the \$750,000 cap and if we did, our Executive Director will immediately arrange to issue a request for proposal for an audit.

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Findings and Questioned Costs – Continued **September 30, 2017**

Finding 2017-002 – Noncompliance with Subrecipient Monitoring Requirements

Condition: Lack of subrecipient monitoring for the grant period.

Criteria: Pass through entities are responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Cause: Procedures had not been formalized over subrecipient monitoring.

Effect: Without proper monitoring by pass through entity, subrecipients may not be complying with the provisions of the grant agreements or federal award requirements.

Recommendation: Procedures should be implemented requiring the monitoring of each subrecipient of federal awards.

View of Responsible Officials and Planned Corrective Actions: During FY2017, the Principal Investigator (PI) on DIG grant was working closely with subrecipients with weekly meetings, co-presented on-site workshops and co-produced deliverables and monitoring progress towards project outcomes. Subrecipients submitted detailed invoices for reimbursement that were reviewed by PI, but the reviews were not formally documented at that time. We were provided with audit finding summaries annually from sub-recipients who were required to have them but requesting these was not included in our formal procedures.

Subsequent to year end, we formalized procedures and edited our policies about subrecipient monitoring including the audit requirements and have referenced the 2 CFR 200.330-332 and Appendix II document. This included completing a pre-award subrecipient risk assessment which was retroactively applied to our subrecipients in FY2018, who were found to be in compliance. We also just recently, created a Subrecipient Monitoring Report template to be completed annually by grant PI in order to document subrecipient monitoring activity.

Finally, we modified sub-award agreements with both active sub-awardees to reference the award terms and conditions of the prime award by link. Revised signed copies of these documents are on file.

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Findings and Questioned Costs – Continued

September 30, 2017

Finding 2017-003 – Material weakness in internal control over compliance – allowable costs

Condition: Absence of a consistent, formal review and approval process of disbursements within grant guidelines and constraints.

Criteria: Best practices over internal control over cash disbursements provide for a level of review by management prior to grant related payments.

Cause: There were no procedures in place to require approval from the proper level of management for costs to be charged to the grant.

Effect: Because of the failure to require a formal review and approval process over disbursements, costs may be charged to grants without the approval or knowledge of management resulting in a greater possibility of unallowable or inaccurate disbursements being made with federal award dollars. For example, our audit identified a request for reimbursement of indirect costs in excess of approved allocation of indirect costs under grant agreement in the amount of \$15,176 for fiscal year ended September 30, 2017.

Recommendation: Procedures should be implemented requiring a formal review and approval process over costs charged to federal grant programs.

View of Responsible Officials and Planned Corrective Actions: Subsequent to year end, we updated our written procedures for cash drawdowns to include additional formal review and oversight and segregation of duties. We also added specific timeframes for processing cost transfers and record retention to our policies.

We formalized specific levels of review and expenditures by staff and identification of staff responsible for determining and ensuring costs charged to federal grants and reasonable, allocable and allowable.

In addition, we updated our participant cost policies to reflect the requirements of 2CFR 200 which applies to grants awarded post 2014. Changes included removing outdated REU language on the 25% allowance, removing our policy restricting substitute fees, adding a requirement for documentation of attendance/participation for participation stipend payments and referencing the requirements of 2CFR 200.456.

We also pursued ACM\$ access software and training for additional personnel (Publications Director) as a backup on internal control functions and to ensure continuity of operations.

The overcharge of indirect cost mistake was discovered in FY2017 and corrected by undercharging indirect costs in FY2018 and FY2019.

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Findings and Questioned Costs – Continued

September 30, 2017

Finding 2017-004 – Material weakness in internal control over compliance – cash management

Condition: Detail support of expenses submitted for reimbursement was not maintained with each request for reimbursement.

Criteria: Federal cash draws should include supporting documentation of costs for which reimbursement was requested that have been paid prior to the date of the reimbursement request.

Cause: There were no procedures in place to require supporting documentation be attached to requests for reimbursement nor approval from the proper level of management of these requests.

Effect: Because of the failure to maintain supporting documentation for each request for reimbursement and the lack of oversight over this process, grant drawdowns may be submitted for unallowable or inaccurate costs.

Recommendation: Procedures should be implemented around the preparation and review of federal reimbursement requests including the maintenance of all supporting documentation.

View of Responsible Officials and Planned Corrective Actions: Subsequent to year end, we updated our written procedures for cash drawdowns to include additional formal review and oversight and segregation of duties.

We also added specific timeframes for processing cost transfers and record retention to our policies.

We formalized specific levels of review and expenditure by staff and identification of staff responsible for determining and ensuring costs charged to federal grants are reasonable, allocable, and allowable.

Starting FY2018, detail support of expenses submitted for reimbursement has been maintained with each request for reimbursements. Formal approval of expenses is documented by the PI of the grant and supporting documentation itemizing each request for reimbursement is reviewed and approved (initialed) by the Executive Director before drawdowns take place.

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Findings and Questioned Costs – Continued **September 30, 2017**

Finding 2017-005 – Material weakness over internal control over compliance – subrecipient monitoring

Condition: Lack of formal process established to monitor subrecipient compliance.

Criteria: Pass through entities are responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Cause: Procedures had not been formalized over subrecipient monitoring.

Effect: Without proper monitoring by pass through entity, subrecipients may not be complying with the provisions of the grant agreements or federal award requirements.

Recommendation: Procedures should be implemented requiring the monitoring of each subrecipient of federal awards.

View of Responsible Officials and Planned Corrective Actions: During FY2017, PI on DIG was working closely with sub-recipients with weekly meetings, co-presented on-site workshops and co-produced deliverables and monitoring progress towards project outcomes. Sub-recipients submitted detailed invoices for reimbursement that were reviewed by PI, but the reviews were not formally documented at that time. We were provided with audit finding summaries annually from sub-recipients but did not have a formal process for documenting subrecipient monitoring.

Subsequent to year end, we formalized procedures and edited our policies about sub-recipient monitoring including the audit requirements and have referenced the 2 CFR 200.330-332 and Appendix II document. This included completing a pre-award, pre-qualification assessment that was retroactively applied to our subrecipients in FY2018. They were all found to be qualified. We also recently created a Subrecipient Monitoring Report template to be completed annually by grant PI as a way of documenting subrecipient monitoring activities.

Finally, we modified sub-award agreements with both active sub-awardees to reference the award terms and conditions of the prime award by link. Revised signed copies of these documents are on file.

BOTANICAL SOCIETY OF AMERICA, INC.

Schedule of Findings and Questioned Costs – Continued **September 30, 2017**

Finding 2017-006 – Material weakness in internal control over compliance – reporting

Condition: Lack of formal process established over timely submission of federal reporting.

Criteria: Single Audit and Data Collection Form for those entities receiving greater than \$750,000 in one year must be submitted within nine months of year end. Management should monitor federal reporting deadlines to ensure timely filing.

Cause: Due to various factors including staff turnover, management was not prepared to complete Single Audit timely.

Effect: The Society is in violation of federal reporting requirements.

Recommendation: Management should establish an oversight process over all federal financial reporting, assign responsibility over this process, document all applicable filing deadlines, and comply.

View of Responsible Officials and Planned Corrective Actions: At the end of each fiscal year, when the Executive Director and Finance/Administrative Manager work with our accounting firm to prepare our annual financial statements, we will monitor if we have gone over the \$750,000 cap and if we did, our Executive Director will immediately arrange to issue a request for proposal for an audit.