

# **The Herb Society of America, Inc.**

**Financial Statements**  
**March 31, 2008 and 2007**



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## Accountants' Review Report

Board of Directors  
The Herb Society of America, Inc.

We have reviewed the accompanying statement of financial position of The Herb Society of America, Inc. (a nonprofit organization) as of March 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Herb Society of America, Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended March 31, 2007, were audited by us, and we expressed an unqualified opinion on them in our report dated June 13, 2007, but we have not performed any auditing procedures since that date.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
July 18, 2008



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## The Herb Society of America, Inc.

### Statement of Financial Position

March 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 35,225	\$ -	\$ -	\$ 35,225
Investments	969,350	435,155	852,553	2,257,057
Interest receivable	7,044	-	-	7,044
Inventory	13,848	-	-	13,848
Prepaid expenses	15,390	-	-	15,390
Property, plant, and equipment, net	<u>181,908</u>	<u>-</u>	<u>-</u>	<u>181,908</u>
<b>Total assets</b>	<b>\$ <u>1,222,765</u></b>	<b>\$ <u>435,155</u></b>	<b>\$ <u>852,553</u></b>	<b>\$ <u>2,510,473</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 22,671	\$ -	\$ -	\$ 22,671
Accrued expenses	6,286	-	-	6,286
Deferred revenue	<u>105,768</u>	<u>-</u>	<u>-</u>	<u>105,768</u>
<b>Total liabilities</b>	<b>134,725</b>	<b>-</b>	<b>-</b>	<b>134,725</b>
<b>Net assets:</b>				
Operating	121,185	-	-	121,185
Board-designated	966,855	-	-	966,855
Donor-restricted	<u>-</u>	<u>435,155</u>	<u>852,553</u>	<u>1,287,708</u>
<b>Total net assets</b>	<b><u>1,088,040</u></b>	<b><u>435,155</u></b>	<b><u>852,553</u></b>	<b><u>2,375,748</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>1,222,765</u></b>	<b>\$ <u>435,155</u></b>	<b>\$ <u>852,553</u></b>	<b>\$ <u>2,510,473</u></b>

See accompanying notes and accountants' report

## The Herb Society of America, Inc.

### Statement of Financial Position

March 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,633	\$ -	\$ -	\$ 3,633
Investments	1,120,867	416,040	863,039	2,399,946
Interest receivable	9,496	-	-	9,496
Inventory	11,585	-	-	11,585
Prepaid expenses	18,634	-	-	18,634
Property, plant, and equipment, net	<u>185,005</u>	<u>-</u>	<u>-</u>	<u>185,005</u>
<b>Total assets</b>	<b>\$ <u>1,349,220</u></b>	<b>\$ <u>416,040</u></b>	<b>\$ <u>863,039</u></b>	<b>\$ <u>2,628,299</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 12,877	\$ -	\$ -	\$ 12,877
Accrued expenses	4,414	-	-	4,414
Deferred revenue	<u>67,059</u>	<u>-</u>	<u>-</u>	<u>67,059</u>
<b>Total liabilities</b>	<b>84,350</b>	<b>-</b>	<b>-</b>	<b>84,350</b>
<b>Net assets:</b>				
Operating	167,942	-	-	167,942
Board-designated	1,096,928	-	-	1,096,928
Donor-restricted	<u>-</u>	<u>416,040</u>	<u>863,039</u>	<u>1,279,079</u>
<b>Total net assets</b>	<b><u>1,264,870</u></b>	<b><u>416,040</u></b>	<b><u>863,039</u></b>	<b><u>2,543,949</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>1,349,220</u></b>	<b>\$ <u>416,040</u></b>	<b>\$ <u>863,039</u></b>	<b>\$ <u>2,628,299</u></b>

See accompanying notes and accountants' report

## The Herb Society of America, Inc.

### Statement of Activities

For the year ended March 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and grants	\$ 58,327	\$ 43,755	\$ 7,319	\$ 109,401
Program fees	114,072	-	-	114,072
Educational conference	83,791	-	-	83,791
Publications	5,945	-	-	5,945
Investment income	25,899	21,941	(17,805)	30,035
Other income	<u>5,198</u>	<u>-</u>	<u>-</u>	<u>5,198</u>
Total support and revenue	293,232	65,696	(10,486)	348,442
Net assets released from restrictions	<u>46,581</u>	<u>(46,581)</u>	<u>-</u>	<u>-</u>
	339,813	19,115	(10,486)	348,442
Expenses:				
Program services:				
Programs	400,012	-	-	400,012
Membership development	<u>32,512</u>	<u>-</u>	<u>-</u>	<u>32,512</u>
Total program services	432,524	-	-	432,524
Supporting services:				
Management and general	60,085	-	-	60,085
Fundraising expenses	<u>24,034</u>	<u>-</u>	<u>-</u>	<u>24,034</u>
Total supporting services	<u>84,119</u>	<u>-</u>	<u>-</u>	<u>84,119</u>
Total expenses	<u>516,643</u>	<u>-</u>	<u>-</u>	<u>516,643</u>
Change in net assets	(176,830)	19,115	(10,486)	(168,201)
Net assets – beginning	<u>1,264,870</u>	<u>416,040</u>	<u>863,039</u>	<u>2,543,949</u>
Net assets – ending	<u>\$ 1,088,040</u>	<u>\$ 435,155</u>	<u>\$ 852,553</u>	<u>\$ 2,375,748</u>

See accompanying notes and accountants' report

## The Herb Society of America, Inc.

### Statement of Activities

For the year ended March 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and grants	\$ 45,709	\$ 11,231	\$ 3,150	\$ 60,090
Program fees	111,788	-	-	111,788
Educational conference	99,023	-	-	99,023
Publications	3,390	-	-	3,390
Investment income	103,361	19,428	42,091	164,880
Other income	4,536	-	-	4,536
Total support and revenue	<u>368,347</u>	<u>30,659</u>	<u>45,241</u>	<u>444,247</u>
Net assets released from restrictions	<u>41,724</u>	<u>(41,724)</u>	<u>-</u>	<u>-</u>
	410,071	(11,065)	45,241	444,247
Expenses:				
Program services:				
Programs	389,627	-	-	389,627
Membership development	29,282	-	-	29,282
Total program services	<u>418,909</u>	<u>-</u>	<u>-</u>	<u>418,909</u>
Supporting services:				
Management and general	65,725	-	-	65,725
Fundraising expenses	19,681	-	-	19,681
Total supporting services	<u>85,406</u>	<u>-</u>	<u>-</u>	<u>85,406</u>
Total expenses	<u>504,315</u>	<u>-</u>	<u>-</u>	<u>504,315</u>
Change in net assets	(94,244)	(11,065)	45,241	(60,068)
Net assets – beginning	<u>1,359,114</u>	<u>427,105</u>	<u>817,798</u>	<u>2,604,017</u>
Net assets – ending	<u>\$ 1,264,870</u>	<u>\$ 416,040</u>	<u>\$ 863,039</u>	<u>\$ 2,543,949</u>

See accompanying notes and accountants' report

# The Herb Society of America, Inc.

## Statement of Functional Expenses

For the year ended March 31, 2008

	Programs	Membership Development	Total Program	General & Administrative	Fundraising	Total
Executive:						
Board meetings	\$ 2,178	\$ 436	\$ 2,614	\$ 1,307	\$ 436	\$ 4,357
Executive committee	3,205	447	3,652	3,354	447	7,453
Delegates	9,057	1,293	10,350	1,294	1,294	12,938
Committees	1,859	1,051	2,910	4,283	889	8,082
National operations:						
Personnel	143,726	15,970	159,696	31,939	7,985	199,620
Professional fees	2,890	-	2,890	7,814	-	10,704
Office expenses	18,127	2,014	20,141	4,028	1,007	25,176
Occupancy	24,809	2,756	27,565	5,513	1,378	34,456
Other national operations	2,487	276	2,763	553	138	3,454
District operations	7,679	960	8,639	-	960	9,599
Membership	7,308	7,309	14,617	-	-	14,617
Fundraising	-	-	-	-	9,500	9,500
National conference	50,694	-	50,694	-	-	50,694
District gathering	18,486	-	18,486	-	-	18,486
Education and development	85,468	-	85,468	-	-	85,468
Botany and horticulture	22,039	-	22,039	-	-	22,039
Total expenses	\$ 400,012	\$ 32,512	\$ 432,524	\$ 60,085	\$ 24,034	\$ 516,643

See accompanying notes and accountants' report

# The Herb Society of America, Inc.

## Statement of Functional Expenses

For the year ended March 31, 2007

	Programs	Membership Development	Total Program	General & Administrative	Fundraising	Total
Executive:						
Board meetings	\$ 1,796	\$ 359	\$ 2,155	\$ 1,078	\$ 359	\$ 3,592
Executive committee	5,882	820	6,702	6,155	821	13,678
Delegates	9,92	1,418	11,340	1,418	1,417	14,175
Committees	2,698	1,525	4,223	6,217	1,290	11,730
National operations:						
Personnel	132,190	14,688	146,878	29,376	7,343	183,597
Professional fees	4,001	-	4,001	10,819	-	14,820
Office expenses	20,135	2,237	22,372	4,474	1,119	27,965
Occupancy	25,269	2,808	28,077	5,615	1,404	35,096
Other national operations	2,585	287	2,872	573	145	3,590
District operations	10,494	1,312	11,806	-	1,312	13,118
Membership	3,828	3,828	7,656	-	-	7,656
Fundraising	-	-	-	-	4,471	4,471
National conference	63,639	-	63,639	-	-	63,639
District gathering	20,552	-	20,552	-	-	20,552
Education and development	62,061	-	62,061	-	-	62,061
Botany and horticulture	24,575	-	24,575	-	-	24,575
Total expenses	\$ 389,627	\$ 29,282	\$ 418,909	\$ 65,725	\$ 19,681	\$ 504,315

See accompanying notes and accountants' report



## The Herb Society of America, Inc.

### Statements of Cash Flows

For the years ended March 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ (168,201)	\$ (60,068)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Permanently restricted contributions	(7,319)	(3,150)
Depreciation and amortization	11,895	12,246
Net realized and unrealized loss (gain) on investments	30,154	(101,917)
Donated securities	(20,540)	(2,008)
(Increase) decrease in operating assets:		
Grants receivable	-	10,000
Interest receivable	2,453	1,535
Inventory	(2,263)	2,066
Prepaid expenses	3,244	(9,616)
Increase (decrease) in operating liabilities:		
Accounts payable	9,794	(363)
Accrued expenses	1,870	(14,103)
Deferred revenue	38,709	(38,583)
Net cash used by operating activities	(100,204)	(126,795)
Cash flows from investing activities:		
Capital expenditures	(8,798)	(5,730)
Proceeds from sale of investments	195,916	330,411
Purchases of investments	(62,641)	(202,176)
Net cash provided by investing activities	124,477	122,505
Cash flows from financing activities:		
Collection of permanently restricted contributions	7,319	3,150
Net cash provided by financing activities	7,319	3,150
Increase (decrease) in cash and cash equivalents	31,592	(1,140)
Cash and cash equivalents at beginning of year	3,633	4,773
Cash and cash equivalents at end of year	\$ 35,225	\$ 3,633

See accompanying notes and accountants' report

# The Herb Society of America, Inc.

## Notes to Financial Statements

March 31, 2008 and 2007

### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

The Herb Society of America, Inc. (the "Society") is dedicated to promoting the knowledge, use, and delight of herbs through educational programs, research, and sharing the experience of its members with the community.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

*Unrestricted Net Assets (operating)* – Net assets that are not subject to donor-imposed or board-imposed restrictions.

*Unrestricted Net Assets (board designated)* – Net assets subject to board-imposed restrictions.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed restrictions that they be maintained by the Society in perpetuity. Generally, the donors of these assets permit the Society to use interest and dividend income earned on any related investments for general or specific purposes.

#### Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# The Herb Society of America, Inc.

## Notes to Financial Statements

March 31, 2008 and 2007

### Note 1: Summary of Significant Accounting Policies (continued)

#### Cash and Equivalents

The Society considers all highly liquid unrestricted investments with remaining maturities at the time of acquisition of three months or less to be cash equivalents. Cash held in investment accounts is considered an investment rather than a cash equivalent.

#### Receivables

Receivables are for accrued interest on investments and amounts due from reliable funding sources, and as such, management deems these accounts to be collectible and has determined it unnecessary to establish an allowance account for amounts that will not be collected.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in investment income. The Society has adopted a policy of distributing 5% of the preceding three years average market value to the operating fund from the board-designated fund.

#### Inventory

Inventories, consisting of books and publications, are valued at the lower of cost (determined on a first-in, first-out basis) or net realizable value.

#### Property, Plant, and Equipment

The Society utilizes the straight-line method of depreciation based upon the following estimated useful lives:

Buildings and improvements	10-40 years
Equipment	5 years
Office furniture	10 years

The Society capitalizes purchases or donations of property and equipment that exceed \$500. Purchased property and equipment is stated at cost.

# The Herb Society of America, Inc.

## Notes to Financial Statements

March 31, 2008 and 2007

### Note 1: Summary of Significant Accounting Policies (continued)

#### Property, Plant, and Equipment (continued)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### Vacation Pay

Vacation pay is expensed when paid. Accrual of vacation pay as earned would not have a material effect on the financial statements.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

#### Membership Dues and Program Fees

Membership dues and program fees are recognized over the periods to which they relate. Dues and fees billed in advance are recorded as deferred income. Life memberships are being deferred over a period of 15 years.

#### Contributed Services

The Society recognizes contributions of services received when those services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by the donation.

#### Income Taxes

The Society is tax exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 and operates as a public charity.

# The Herb Society of America, Inc.

## Notes to Financial Statements

March 31, 2008 and 2007

### Note 1: Summary of Significant Accounting Policies (continued)

#### Concentrations of Credit Risk

Financial instruments which potentially subject the Society to concentrations of credit risk consist of cash, temporary investments, and investment securities.

The Society has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors in accordance with the investment policy established by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board believes that the investment policy is prudent for the long-term welfare of the Society.

At various times during the year, the Society's cash in bank balances may exceed the federally insured limits. The Society places its cash and temporary investments with creditworthy, high quality financial institutions.

### Note 2: Investments

Investments are stated at fair value and consist of the following at March 31, 2008 and 2007 as summarized below:

	<u>2008</u>	<u>2007</u>
Equities	\$ 1,227,246	\$ 1,089,447
Corporate bonds and notes	468,756	788,531
Mutual funds – fixed income	195,474	344,534
Money market funds / cash equivalents	<u>365,581</u>	<u>177,434</u>
	\$ <u>2,257,057</u>	\$ <u>2,399,946</u>

The following schedule summarizes investment income for the year ended March 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 60,189	\$ 62,963
Realized and unrealized gains (losses)	<u>(30,154)</u>	<u>101,917</u>
	\$ <u>30,035</u>	\$ <u>164,880</u>

# The Herb Society of America, Inc.

## Notes to Financial Statements

March 31, 2008 and 2007

### Note 3: Property, Plant, and Equipment

Property, plant, and equipment consist of the following at March 31, 2008 and 2007:

	2008	2007
Land, buildings, and improvements	\$ 281,928	\$ 273,959
Equipment	40,194	39,365
Office furniture	30,779	30,779
Computer software	13,667	13,667
Inexhaustible collections	34,447	34,447
	401,015	392,217
Less: accumulated depreciation	(219,107)	(207,212)
	\$ 181,908	\$ 185,005

### Note 4: Net Assets

Temporarily restricted net assets as of March 31, 2008 and 2007 have donor-imposed restrictions for the following uses:

	2008	2007
Tasha Tudor/National Herb Garden	\$ 12,413	\$ 20,382
Ellen Rimmel web site	-	7,751
Vision fund (capital)	319,839	292,052
District delegates	56,551	51,186
Joanne Reed Award	3,417	3,558
Library	4,382	3,150
Members at Large	38,553	37,961
	\$ 435,155	\$ 416,040

Net assets released from restrictions for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Tasha Tudor/National Herb Garden	\$ 14,438	\$ 15,717
Ellen Rimmel web site	8,488	5,604
Vision fund (capital)	18,868	15,051
District delegates	829	1,725
Library	133	-
Joanne Reed Award	141	-
Members at Large	1,898	1,860
Educator	1,786	1,767
	\$ 46,581	\$ 41,724

## The Herb Society of America, Inc.

### Notes to Financial Statements

March 31, 2008 and 2007

#### Note 4: Net Assets (continued)

The balances of permanently restricted net assets are reported below as of March 31, 2008 and 2007, and the investment income earned on these balances is restricted to the following uses:

	<u>2008</u>	<u>2007</u>
Francis Ellis Price	\$ 567,275	\$ 579,126
General endowment	193,939	195,341
Library – Society library expenses	30,371	31,005
National Herb Garden	<u>60,968</u>	<u>57,567</u>
	\$ <u>852,553</u>	\$ <u>863,039</u>

#### Note 5: Retirement Plan

The Society has established a Simple IRA plan covering all employees who receive at least \$5,000 in compensation. The Society is required to contribute 2% of each eligible employee's compensation to the plan. Contributions to this plan amounted to \$3,280 and \$2,461 for the years ended March 31, 2008 and 2007, respectively.

#### Note 6: Gift Annuity

During the year, the Society has entered into a gift annuity arrangement agreeing to pay an individual a contracted amount per quarter for life. The Society received 200 shares of Gas Fund stock valued at \$9,240, and in return has agreed to make quarterly annuity payments of \$229. Upon the death of this individual, any remaining principal will be transferred to the Society's temporarily restricted Vision fund for the purpose of expanding the Society's headquarters facility. If the fund is liquidated prior to this individual's death, the Society is required to continue the quarterly payments. The total annuity payments amounted to \$600 and \$0 for the years ended March 31, 2008 and 2007, respectively. The Society has not recorded the asset nor the liability in the accompanying financial statements, as the effect is not material.

The Society had entered into a gift annuity arrangement agreeing to pay an individual a contracted amount per quarter for life. The Society had received a total of \$20,000 and made quarterly payments of \$400. The individual received annuity payments until her death in February 2007. The remaining principal of \$17,882 was transferred to the Society's temporarily restricted Vision fund during the year ended March 31, 2008 upon settlement of the gift annuity on May 30, 2007.

# The Herb Society of America, Inc.

## Notes to Financial Statements

March 31, 2008 and 2007

### Note 7: Obligations Under Leases

The Society has leases for equipment that expire at various dates through 2012.

Future minimum lease payments due under these noncancellable operating lease agreements for equipment are as follows:

<u>Year Ending March 31,</u>	
2009	6,096
2010	6,096
2011	4,449
2012	<u>1,625</u>
	\$ <u>18,266</u>

Rent expense for the years ended March 31, 2008 and 2007 was \$6,096 and \$6,096, respectively.