

# **AMERICAN SPICE TRADE ASSOCIATION**

## **FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2023 AND 2022 AND  
FOR THE YEARS THEN ENDED**

# AMERICAN SPICE TRADE ASSOCIATION

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
American Spice Trade Association

### **Opinion**

We have audited the financial statements of the American Spice Trade Association (the Association), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2023, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 Matter – Prior Period Auditors' Report**

The financial statements of the Association as of and for the year ended June 30, 2022, were audited by E. Cohen and Company, CPAs, whose practice merged with Marcum LLP, and whose report dated March 10, 2023, expressed an unmodified opinion on those statements.

*Marcum LLP*

Rockville, Maryland  
February 29, 2024

# AMERICAN SPICE TRADE ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

### ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 614,425	\$ 1,049,005
Accounts receivable	56,302	26,051
Prepaid expenses	81,803	3,566
<b>Total current assets</b>	<u>752,530</u>	<u>1,078,622</u>
<b>Investments</b>	<u>1,072,895</u>	<u>550,630</u>
<b>Total assets</b>	<u><u>\$ 1,825,425</u></u>	<u><u>\$ 1,629,252</u></u>

### LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 146,673	\$ 210,387
Deferred revenue	101,094	70,131
<b>Total liabilities</b>	<u>247,767</u>	<u>280,518</u>
<b>Net assets without donor restrictions</b>	<u>1,577,658</u>	<u>1,348,734</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 1,825,425</u></u>	<u><u>\$ 1,629,252</u></u>

# AMERICAN SPICE TRADE ASSOCIATION

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Membership dues	\$ 1,133,433	\$ 953,102
Annual meeting	786,260	468,770
Check sample and other programs	112,062	76,382
Government relations	90,492	207,350
Publications and education	3,293	8,772
Other income	7,055	2,500
	<u>2,132,595</u>	<u>1,716,876</u>
<b>Total revenue</b>		
Expenses		
Program services		
Annual meeting	551,182	440,738
Government relations	341,636	384,763
Membership	161,804	212,570
	<u>1,054,622</u>	<u>1,038,071</u>
Total program services		
Supporting services		
Management and general	854,367	782,453
	<u>1,908,989</u>	<u>1,820,524</u>
<b>Total expenses</b>		
Other income		
Investment income (loss)	5,318	(98,303)
	<u>228,924</u>	<u>(201,951)</u>
<b>Change in net assets</b>		
Beginning net assets	1,348,734	1,550,685
	<u>1,348,734</u>	<u>1,550,685</u>
<b>Ending net assets</b>	<u>\$ 1,577,658</u>	<u>\$ 1,348,734</u>

# AMERICAN SPICE TRADE ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

	Annual Meeting	Government Relations	Membership	Total Program Services	Supporting Services	Total
Professional and consultant fees	\$ 129,205	\$ 124,000	\$ 60,930	\$ 314,135	\$ 604,571	\$ 918,706
Entertainment	301,480	-	26,384	327,864	36,536	364,400
Chemical containment	-	160,645	9,334	169,979	-	169,979
Communications	14,118	45,550	5,250	64,918	72,649	137,567
Audio and visual	48,273	-	5,787	54,060	-	54,060
Bank fees	-	-	-	-	45,229	45,229
Speaker fees	35,270	-	3,398	38,668	-	38,668
Check sample services	-	-	37,009	37,009	-	37,009
Travel	8,249	-	800	9,049	26,942	35,991
Hosting	-	-	-	-	35,346	35,346
Office expense	8,420	-	912	9,332	7,103	16,435
Committee expenses	-	-	-	-	12,262	12,262
Insurance	-	-	-	-	10,593	10,593
Dues and subscriptions	-	6,909	-	6,909	2,150	9,059
Other	6,167	4,532	12,000	22,699	986	23,685
	<u>\$ 551,182</u>	<u>\$ 341,636</u>	<u>\$ 161,804</u>	<u>\$ 1,054,622</u>	<u>\$ 854,367</u>	<u>\$ 1,908,989</u>

# AMERICAN SPICE TRADE ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022

	Annual Meeting	Government Relations	Membership	Total Program Services	Supporting Services	Total
Professional and consultant fees	\$ 144,700	\$ 121,137	\$ 58,870	\$ 324,707	\$ 596,381	\$ 921,088
Entertainment	207,690	-	43,736	251,426	21,912	273,338
Chemical containment	-	248,173	-	248,173	-	248,173
Communications	8,628	-	-	8,628	73,441	82,069
Audio and visual	36,989	-	35,899	72,888	-	72,888
Speaker fees	31,861	-	15,387	47,248	-	47,248
Check sample services	-	-	36,681	36,681	-	36,681
Bank fees	-	-	-	-	36,054	36,054
Travel	4,092	-	7,809	11,901	8,168	20,069
Office expense	1,476	-	2,855	4,331	7,611	11,942
Committee expenses	-	-	-	-	11,900	11,900
Hosting	-	-	-	-	10,995	10,995
Insurance	-	-	-	-	9,976	9,976
Dues and subscriptions	-	6,025	-	6,025	2,016	8,041
Other	5,302	9,428	11,333	26,063	3,999	30,062
	<u>\$ 440,738</u>	<u>\$ 384,763</u>	<u>\$ 212,570</u>	<u>\$ 1,038,071</u>	<u>\$ 782,453</u>	<u>\$ 1,820,524</u>

See independent auditors' report and notes to the financial statements.



# AMERICAN SPICE TRADE ASSOCIATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 228,924	\$ (201,951)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net unrealized and realized loss on investments	28,990	143,537
Net changes in:		
Accounts receivable	(30,251)	23,876
Prepaid expenses	(78,237)	12,450
Accounts payable and accrued expenses	(63,714)	95,922
Deferred revenue	<u>30,963</u>	<u>(6,317)</u>
Net cash provided by operating activities	<u>116,675</u>	<u>67,517</u>
<b>Cash flow from investing activities</b>		
Proceeds from sale and maturity of investments	954,004	734,756
Purchase of investments	<u>(1,505,259)</u>	<u>(268,709)</u>
Net cash provided by (used in) investing activities	<u>(551,255)</u>	<u>466,047</u>
<b>Net change in cash and cash equivalents</b>	(434,580)	533,564
<b>Cash and cash equivalents, beginning</b>	<u>1,049,005</u>	<u>515,441</u>
<b>Cash and cash equivalents, ending</b>	<u><u>\$ 614,425</u></u>	<u><u>\$ 1,049,005</u></u>

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 1. Nature of activities

The American Spice Trade Association (the Association) is a non-profit membership corporation, established in New York in 1907 as the voice of the U.S. spice industry, working to ensure clean, safe spices, and to shape public policy on behalf of the global industry.

### 2. Summary of significant accounting policies

#### Basis of accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, prepaid expenses, payables, accruals, and other liabilities.

#### Basis of presentation

The Association is required to report information regarding its financial position and activities according to two classes of net assets: *net assets without donor restrictions* and *net assets with donor restrictions*

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:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Association reports contributions restricted by the donor as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. There are no donor restricted net assets at June 30, 2023 and 2022.

#### Cash and cash equivalents

The Association considers all undesignated, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents as of June 30, 2023 and 2022, were approximately \$467,000 and \$863,000, respectively.

#### Accounts receivable

Accounts receivable principally represent amounts due from members. The balance is expected to be collected within one year and is recorded at net realizable value.

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 2. Summary of significant accounting policies (continued)

The Association uses the allowance method to determine uncollectible receivables. The allowance for doubtful accounts is based upon prior years' experience, management's analysis, and other historical factors pertaining to receivables. There was no allowance for doubtful accounts as of the beginning and end of the years ended June 30, 2023 and 2022.

#### **Investments**

Investments consist of mutual funds, fixed income securities, and ETFs and are reported at their fair values in the statements of financial position, which may differ from the amount ultimately realized at the time of sale. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

#### **Revenue recognition**

In accordance with Accounting Standards Codification (ASC 606) *Revenue from Contracts with Customers*, the Association recognizes revenue when control of promised goods or services is transferred to its members in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods or services (a reciprocal transaction). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The Association does not have any significant financing components as payment is received at or shortly after the goods or services are provided. Costs incurred to obtain a contract are expensed as incurred as the amortization period is less than one year. The Association has multiple revenue sources that are accounted for as exchange transactions subject to ASC 606, including membership dues, annual meetings, check sample and other programs, government relations, and publications and education.

#### Membership dues

Membership with the Association is categorized as a reciprocal transaction as there is a commensurate value received for the benefits provided to members. These benefits are recognized by members over the course of the 12-month membership period. As such, the Association recognizes membership dues revenue ratably over the membership period. Amounts received in advance are recorded as deferred revenue.

#### Annual meetings and government relations

The Association recognizes revenue from annual meetings and government relations webinars and workshops at the time of the event when control is transferred from the Association to the member or outside party. Payments for these activities are due at the time of registration. Amounts received in advance are recorded as deferred revenue.

#### Check sample and other programs

The Association recognizes check sample and other program revenue at the time the performance obligation is satisfied, which equates to the point in time when the laboratory tests are complete. Payments are due at the time of testing. Amounts received in advance are recorded as deferred revenue.

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 2. Summary of significant accounting policies (continued)

#### Publications and education

Revenue from publications and education resources are recognized at the time of purchase when control is transferred from the Association to the member or outside party. Amounts received in advance are recorded as deferred revenue.

#### Disaggregation of revenue

The Association disaggregates revenue subject to ASC 606 by the timing of transfer of goods or services as follows:

	2023	2022
Performance obligations satisfied over time	\$ 1,133,433	\$ 953,102
Performance obligations satisfied at a point in time	999,162	763,774
Total revenue subject to ASC 606	<u>\$ 2,132,595</u>	<u>\$ 1,716,876</u>

#### **Functional allocation of expenses**

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Costs that can be identified with a particular program or supporting function are charged directly to that program. Expenses not specifically identified with a particular program are allocated among program and supporting services expenses using management's best estimate of the allocation of hours of management and staff. Based on this allocation, the estimate of supporting services time spent providing management and oversight of the Association's program services during the years ended June 30, 2023 and 2022, was 14% to execute the annual meeting, 13% to advance government relations, and 16% to support membership.

#### **Income tax status**

The Association is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. However, income from activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association has been classified as an entity that is not a "private foundation" under Section 509(a)(2) of the Internal Revenue Code.

The income tax positions taken by the Association for any years open under the various statutes of limitations are that the Association continues to be exempt from income taxes and that it has properly reported unrelated business income that is subject to income taxes. The Association believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities. There are currently no examinations pending or in progress regarding the Association's federal or state income tax returns.

#### **Fair value measurements**

FASB ASC 820, *Fair Value Measurements*, established 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.

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 2. Summary of significant accounting policies (continued)

#### Fair value measurements

FASB ASC 820, *Fair Value Measurements*, established 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 the 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 under FASB ASC 820 are described as follows:

- *Level 1*: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e.g., equity securities traded on the New York Stock Exchange).
- *Level 2*: Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3*: Level 3 inputs are unobservable (e.g., an organization's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The 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 the observable inputs and minimize the use of the unobservable inputs.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

#### Reclassification

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

### 3. Contract liabilities

The Association recognizes a contract liability (deferred revenue) when a member pays the promised consideration in advance of the good or service being delivered and through the time until the good or services has been fully delivered.

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 4. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 614,425	\$ 1,049,005
Accounts receivable	56,302	26,051
Investments	1,072,895	550,630
	1,743,622	1,625,686
Board-designated operating reserves	(1,072,895)	(550,630)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 670,727</u>	<u>\$ 1,075,056</u>

The Association has Board-designated operating reserves that are available for withdrawal in the event of an unanticipated liquidity need, upon approval of the Board. The Association has a goal to maintain operating reserves equal to or more than 50% of its projected annual operating expenses.

### 5. Investment and fair-value measurements

Fixed-income securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The following tables represent investments that are measured at fair value on a recurring basis for the years ended:

June 30, 2023	Total	Level 1	Level 2
Money market funds	\$ 6,009	\$ 6,009	\$ -
Fixed-income securities	234,438	-	234,438
Mutual funds - bond funds	464,605	464,605	-
Mutual funds - equity funds	159,296	159,296	-
Exchange Traded Funds	208,547	208,547	-
Total investments	<u>\$ 1,072,895</u>	<u>\$ 838,457</u>	<u>\$ 234,438</u>
June 30, 2022	Total	Level 1	Level 2
Equity securities	\$ 14,396	\$ 14,396	\$ -
Fixed-income securities	536,234	-	536,234
Total investments	<u>\$ 550,630</u>	<u>\$ 14,396</u>	<u>\$ 536,234</u>

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 5. Investment and fair-value measurements (continued)

All investments have been valued using a market approach. There were no changes in the valuation techniques during the current year. There were no transfers between levels 1 and 2, and no transfers into level 3 for the years ended June 30, 2023 and 2022.

Investment returns consist of the following as of June 30:

	2023	2022
Interest and dividends	\$ 34,308	\$ 45,234
Unrealized loss on investments	60,072	(143,537)
Realized loss on investments	(89,062)	-
Total investment income (loss)	<u>\$ 5,318</u>	<u>\$ (98,303)</u>

### 6. Deferred revenue

The Association's deferred revenue consists of the following on June 30:

	2023	2022	2021
Membership dues	\$ 76,184	\$ 36,344	\$ 46,213
Meetings and projects	22,860	25,787	30,235
Scholarships	2,050	8,000	-
Total deferred revenue	<u>\$ 101,094</u>	<u>\$ 70,131</u>	<u>\$ 76,448</u>

### 7. Board-designated net assets

Net assets without donor restrictions include amounts designated by the Board of Directors that consist of investments and are designated for future operating reserves. Board designated net assets without donor restrictions amounted to \$1,072,895 and \$550,630 for the years ended June 30, 2023 and 2022, respectively.

### 8. Commitments and contingencies

#### Future meetings

The Association entered into contracts for services and accommodations for meetings to be held in future years. These contracts include penalty clauses which would require the Association to pay fees based on escalating schedules if the meetings were to be canceled or other commitments were not met. The Association does not anticipate cancellation of any of these meetings. If unforeseen circumstances make it impossible to hold meetings, management will make every effort to mitigate the liability.

#### Association management agreement – Verto Solutions, LLC

The Association has an agreement with Verto Solutions, LLC (Verto) for association management services. Under the terms of the agreement, Verto provides facilities, staffing, government relations, other management services, and annual meeting management services to the Association.

# AMERICAN SPICE TRADE ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 8. Commitments and contingencies (continued)

The contract may be terminated without cause by either party by giving the other party a one-hundred and eighty-day (180) notice. During the years ended June 30, 2023 and 2022, the Association paid association management fees of \$1,059,779 and \$905,603, respectively. The Association had amounts due to Verto in the amounts of \$83,359 and \$157,216 as of June 30, 2023 and 2022, respectively. These amounts are included in accounts payable and accrued expenses on the statements of financial position.

### 9. Risk and uncertainties

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and investments held with banks and/or brokers in excess of the insurance limitations of the Federal Deposit Insurance Corporation (FDIC) and/or the Securities Investor Protection Corporation (SIPC). Securities balances in excess of these limitations are automatically invested in federal funds and/or certificates of deposit with various banks. Cash in excess of FDIC-insured limits on June 30, 2023, approximated \$363,000.

### 10. Subsequent events

Management of the Association has evaluated events and transactions that occurred after June 30, 2023 through February 29, 2024, the date the financial statements were available to be issued and has determined that no subsequent events or transactions have occurred that require recognition or disclosure in the financial statements.