National Arbor Day Foundation
d/b/a Arbor Day Foundation
Lincoln, Nebraska

June 30, 2023
With Comparative Totals for
June 30, 2022

Consolidated Financial Statements
and
Independent Auditor's Report

HBE

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National Arbor Day Foundation
d/b/a Arbor Day Foundation

Year ended June 30, 2023
With Comparative Totals for the Year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
National Arbor Day Foundation
d/b/a Arbor Day Foundation
Lincoln, Nebraska

Opinion

We have audited the consolidated financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of National Arbor Day Foundation d/b/a Arbor Day Foundation and its subsidiary as of June 30, 2023, and the change in their net assets and their cash flows for the years 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of National Arbor Day Foundation d/b/a Arbor Day Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note S to the consolidated financial statements, in 2023, the entity adopted new accounting guidance ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Arbor Day Foundation d/b/a Arbor Day Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 consolidated 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 consolidated 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 consolidated 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 National Arbor Day Foundation d/b/a Arbor Day Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Arbor Day Foundation d/b/a Arbor Day Foundation'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.

Report on Summarized Comparative Information

We have previously audited National Arbor Day Foundation d/b/a Arbor Day Foundation's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

HBE LLP

Lincoln, Nebraska
November 9, 2023

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National Arbor Day Foundation
d/b/a Arbor Day Foundation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023
With comparative totals as of June 30, 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents (notes A and E)	$ 33,119,635	$ 31,302,097
Investments (notes A, B, E and L)	9,463,720	8,704,162
Accounts receivable, net of allowance of $0 (2023) and $582,862 (2022) (note A)	6,706,940	7,313,836
Unconditional promises to give (note A)	661,008	550,800
Grants receivable (note A)	297,434	396,361
Prepaid expense	14,430,763	9,677,043
Refundable income taxes (notes A and M)	851,065	-
Inventory (notes A and C)	16,009,909	14,571,347
Total current assets	81,540,474	72,515,646
PROPERTY AND EQUIPMENT, net (notes A and D)	33,244,942	31,761,227
OTHER ASSETS		
Investments held for deferred compensation plan (notes B and L)	228,268	204,147
Intangible asset	12,267	18,667
Operating lease right-of-use assets (notes A, I and S)	2,101,636	-
Construction in progress	282,055	639,653
Contributions receivable from charitable trusts (notes E and L)	30,020	30,343
Total assets	$ 117,439,662	$ 105,169,683

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 2,270,742	$ 3,769,316
Accrued expenses (note A)	8,804,860	10,507,667
Income tax payable (notes A and M)	-	891,043
Operating lease obligations, current portion (notes A, I and S)	171,988	-
Conditional contributions (note A)	6,423,097	5,394,351
Deferred revenue (notes A and R)	1,645,242	406,011
Total current liabilities	19,315,929	20,968,388
LONG-TERM OBLIGATIONS		
Operating lease obligations, net of current portion (notes A, I and S)	1,902,544	-
OTHER LIABILITIES		
Annuities payable (notes E and L)	560,262	710,229
Total liabilities	21,778,735	21,678,617
NET ASSETS (notes A and G)		
Without donor restrictions		
Undesignated	83,634,550	72,197,978
Designated	11,130,403	10,308,446
With donor restrictions	895,974	984,642
Total net assets	95,660,927	83,491,066
Total liabilities and net assets	$ 117,439,662	$ 105,169,683

See accompanying notes to financial statements.

National Arbor Day Foundation
d/b/a Arbor Day Foundation

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
CHANGES IN NET ASSETS				
Revenue and support				
Membership dues	$ 15,707,066	$ -	$15,707,066	$16,844,190
Contributions	53,424,178	-	53,424,178	52,576,669
Trees for America	30,915,517	-	30,915,517	34,124,345
Program grant income	707,685	-	707,685	894,538
Arbor Day Farm income	12,483,686	-	12,483,686	11,018,322
Rain Forest Rescue income	395,209	-	395,209	560,311
Other income (note H)	4,333,780	(88,668)	4,245,112	3,332,541
Total revenue and support	117,967,121	(88,668)	117,878,453	119,350,916
Expenses				
Program services				
Tree City USA	1,668,324	-	1,668,324	1,352,007
Arbor Day/Youth Education	1,911,238	-	1,911,238	1,587,244
Rain Forest Rescue	2,943,369	-	2,943,369	2,493,728
Trees for America	57,629,907	-	57,629,907	58,474,542
Arbor Day Farm	14,671,622	-	14,671,622	14,325,889
Conference programs	1,048,753	-	1,048,753	674,280
Supporting activities		-		
General and administrative	12,909,367	-	12,909,367	9,590,382
Membership development	6,026,677	-	6,026,677	6,960,324
Fundraising	6,748,081	-	6,748,081	6,294,815
Total expenses	105,557,338	-	105,557,338	101,753,211
Increase in net assets before income taxes	12,409,783	(88,668)	12,321,115	17,597,705
Income taxes (notes A and M)				
Current tax expense	151,254	-	151,254	891,043
INCREASE (DECREASE) IN NET ASSETS	12,258,529	(88,668)	12,169,861	16,706,662
Net assets, beginning of year	82,506,424	984,642	83,491,066	66,784,404
Net assets, end of year	$ 94,764,953	$ 895,974	$95,660,927	$83,491,066

See accompanying notes to financial statements.

National Arbor Day Foundation
d/b/a Arbor Day Foundation

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	Program Services				
	Tree City USA	Arbor Day/ Youth Education	Rain Forest Rescue	Trees for America	Arbor Day Farm
Salaries, payroll taxes and employee benefits (note J)	$ 873,411	$ 345,898	$ 45,976	$ 6,610,764	$ 6,557,682
Contract labor	4,349	23,083	-	118,109	220,783
Advertising and promotion (note A)	7,249	8,302	17,848	586,291	229,976
Printing, publications, mailing, and photography	236,757	687,574	1,552,287	4,066,737	265,829
Travel and mileage	52,761	72,967	443	354,144	80,393
Professional services	78,686	138,929	3,770	1,377,539	202,633
Recognition material	459	498	-	11,254	4,697
Professional development	763	-	54	7,055	11,333
Taxes	1,148	1,532	978	16,390	300,865
Repairs and maintenance	10,849	17,755	5,655	60,171	450,225
Tree purchases and shipping expenses	63,104	24,398	99,927	7,839,752	32,318
Reforestation expenses	-	-	-	10,424,497	-
Rain forest preservation	-	-	11,740	-	-
Inventory costs	222,555	109,407	292,071	-	1,827,489
Computer services	9,629	1,048	481	370,721	62,721
Bank charges	13	4	-	518,586	275,111
Insurance	1,760	1,760	8,051	25,584	253,893
Telephone and utilities	8,042	7,010	2,586	59,560	743,162
Postage	43,870	381,345	873,270	2,031,646	98,824
Office supplies	1,339	975	172	16,286	18,420
Operating supplies	2,844	1,862	4,800	132,065	578,532
Dues and subscriptions	6,472	45	4	125,168	70,457
Interest expense	-	-	-	-	34
Bad debts	-	260	1,357	13,305	3,326
Rental expense (note I)	-	-	-	42,729	119,465
Depreciation (note D)	37,818	37,818	19,208	130,398	2,167,609
Subsidies for community tree planting initiatives	-	36,563	-	5,481,551	-
Reforestation carbon credits	-	-	-	16,955,406	-
Research and development	-	-	32	28,467	121
Miscellaneous	4,446	12,205	2,659	225,732	95,724
TOTAL EXPENSES	$ 1,668,324	$ 1,911,238	$ 2,943,369	$ 57,629,907	$ 14,671,622
TOTAL EXPENSES June 30, 2022	$ 1,352,007	$ 1,587,244	$ 2,493,728	$ 58,474,542	$ 14,325,889

See accompanying notes to financial statements.

Conference Programs	Total Program Services	Supporting Activities: General and Administrative	Supporting Activities: Membership Development	Supporting Activities: Fund Raising	2023 Totals	2022 Totals
$ 141,848	$ 14,575,579	$ 6,452,700	$ 1,895,699	$ 2,217,868	$ 25,141,846	$ 21,514,231
-	366,324	64,140	-	40	430,504	781,238
433	850,099	806,468	2,149	16,805	1,675,521	1,659,441
5,403	6,814,587	145,257	2,105,092	1,932,000	10,996,936	10,761,162
34,572	595,280	611,275	22,056	238,081	1,466,692	983,847
37,947	1,839,504	2,396,737	82,644	83,278	4,402,163	3,693,861
247	17,155	57,616	-	2,141	76,912	65,669
-	19,205	31,749	-	1,021	51,975	66,379
-	320,913	61,740	6,788	8,364	397,805	364,733
72	544,727	262,450	186,850	65,862	1,059,889	906,577
-	8,059,499	38,474	1,575	-	8,099,548	7,998,336
-	10,424,497	-	-	-	10,424,497	11,256,117
-	11,740	-	-	-	11,740	12,120
-	2,451,522	54,808	-	659,689	3,166,019	2,548,777
8,911	453,511	1,028,211	5,878	38,007	1,525,607	1,461,202
15	793,729	26,115	-	51	819,895	748,599
224	291,272	119,313	10,939	10,762	432,286	335,912
252	820,612	89,061	35,126	41,670	986,469	1,014,676
1,573	3,430,528	16,219	1,405,937	1,122,865	5,975,549	5,818,507
687	37,879	37,179	2,198	3,339	80,595	116,703
531,352	1,251,455	65,013	9,181	17,911	1,343,560	997,057
-	202,146	151,656	6,052	17,162	377,016	337,029
-	34	-	-	-	34	579
1,242	19,490	-	60	-	19,550	53,518
77,098	239,292	140,190	-	190	379,672	248,782
-	2,392,851	-	234,970	231,108	2,858,929	2,556,677
-	5,518,114	-	-	-	5,518,114	4,188,140
-	16,955,406	-	-	-	16,955,406	20,489,184
-	28,620	128,429	-	27,386	184,435	349,618
206,877	547,643	124,567	13,483	12,481	698,174	424,540
$ 1,048,753	$ 79,873,213	$ 12,909,367	$ 6,026,677	$ 6,748,081	$ 105,557,338	
$ 674,280	$ 78,907,690	$ 9,590,382	$ 6,960,324	$ 6,294,815		$ 101,753,211

See accompanying notes to financial statements.

National Arbor Day Foundation
d/b/a Arbor Day Foundation

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2023
With comparative totals for the year ended June 30, 2022

	2023	2022
Cash flows from operating activities		
Cash received from revenue and support	$ 118,518,497	$ 113,554,024
Cash paid to employees and suppliers	(113,934,322)	(104,189,830)
Interest received	1,235,049	50,345
Interest paid	(34)	(579)
Net cash provided by operating activities	5,819,190	9,413,960
Cash flows from investing activities		
Purchase of investments	(7,184,139)	(2,480,137)
Proceeds from the sale of investments	7,399,883	2,693,118
Proceeds from sale of certificates of deposit	-	8,325,567
Purchase of property and equipment	(4,118,652)	(5,915,651)
Proceeds from disposal of assets	-	32,172
Net cash provided (used) by investing activities	(3,902,908)	2,655,069
Cash flows from financing activities		
Payments on annuities	(98,744)	(106,593)
Net increase in cash and cash equivalents	1,817,538	11,962,436
Cash and cash equivalents, beginning of year	31,302,097	19,339,661
Cash and cash equivalents, end of year	$ 33,119,635	$ 31,302,097
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Increase in net assets	$ 12,169,861	$ 16,706,662
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,858,929	2,556,677
Reduction in the carrying amount of right-of-use assets	126,706	-
Reinvested interest and dividends	(147,347)	(312,820)
Gain on disposal of assets	-	(17,509)
Bad debt write off	19,550	53,518
Investment (gain) loss	(821,602)	1,483,069
Actuarial (gain) loss on annuities	(99,124)	(148,712)
Retired annuity liabilities	41,871	75,798
Gain on extinguished debt	-	(2,664,300)
(Increase) decrease in assets		
Accounts receivable	587,346	(2,622,242)
Unconditional promises to give	(110,208)	(147,026)
Grants receivable	98,927	(40,131)
Prepaid expense	(4,753,720)	(8,721,324)
Refundable income taxes	(851,065)	-
Inventory	(1,438,562)	(2,803,150)
Assets held for deferred compensation plan	(24,121)	(83,197)
Increase (decrease) in liabilities		
Accounts payable	(1,358,568)	1,375,320
Accrued expenses	(1,702,807)	5,275,381
Income tax payable	(891,043)	891,043
Operating lease obligations	(153,810)	-
Conditional contributions	1,028,746	1,416,845
Deferred revenue	1,239,231	(2,859,942)
Total adjustments to increase in net assets	(6,350,671)	(7,292,702)
Net cash provided by operating activities	$ 5,819,190	$ 9,413,960

Supplemental disclosure of noncash information:

Noncash investing activities

	2023	2022
Accounts payable assumed for property and equipment purchases	$ 140,006	$ 209,636
Right-of-use assets obtained in exchange for operating lease obligations upon ASC 842 implementation	$ (1,704,294)	$ -
Right-of-use assets obtained in exchange for operating lease obligations post ASC 842 implementation	$ (524,048)	$ -

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The National Arbor Day Foundation d/b/a Arbor Day Foundation (ADF) was incorporated under the Nebraska Nonprofit Corporation Act on September 3, 1971. Its purpose is to engage in educational and charitable activities including officially promoting the annual observance of Arbor Day; inspiring people to plant, nurture, and celebrate trees; stimulating a world-wide program of tree and horticultural planting and care; advancing nature education and environmental education; and maintaining Arbor Day Farm, the estate of J. Sterling Morton, founder of the Arbor Day holiday.

Arbor Day Carbon, LLC (ADC, LLC) was formed on June 30, 2021 as an LLC taxed as a C-Corporation and is a wholly owned subsidiary of the Foundation. The purpose of Arbor Day Carbon, LLC is to use market mechanisms to accelerate reforestation.

The consolidated entities are collectively referred to as "the Foundation".

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation. The consolidated financial statements include the accounts of National Arbor Day Foundation d/b/a Arbor Day Foundation and Arbor Day Carbon, LLC, collectively referred to as the Foundation. All significant intercompany investments, transactions and account balances have been eliminated in consolidation.

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

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

With donor restrictions. Net assets subject to donor- or grantor-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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue until the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

Cash and Cash Equivalents. For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Accounts receivable due from customers are uncollateralized customer obligations due under normal trade terms either due upon receipt or requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. The Foundation does not charge interest on overdue customer account balances. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Grants Receivable. Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history of grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Revenue Recognition. The following is a description of the Foundation's principal sources of revenue:

Government and Other Grants.
The Foundation is the recipient of federal, state, and local grants to fund its primary programs. Grants consist primarily of conditional grants, that is, those with a measurable performance or other barrier, and a right of return. Grants are not recognized until the conditions on which they depend have been substantially met. The federal, state, and local grants are conditioned upon the incurrence of allowable qualifying expenses. Grants are recorded as revenue when the related approved expenditures are made. At June 30, 2023 and 2022, conditional grants of $737,565 and $330,610, respectively, were awarded to the Foundation, for which the Foundation has not yet incurred related expenditures.

Contributions.
Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional contributions received prior to the satisfaction of significant conditions are recognized as liabilities on the consolidated statement of financial position.

Sales of Goods or Services.
Fees charged to program users are recognized at the point in time when the Foundation satisfies its performance obligations by transferring program goods or services to users. The Foundation's primary fees relate to conference revenue, tree sales, carbon credit sales, Arbor Day Farm revenues (food, beverage, merchandise, activity, and hotel/conference center rentals), and Rain Forest Rescue revenues, in which program users simultaneously consume and receive benefits. Any program fees prepaid by users are accounted for as deferred revenue until the Foundation satisfies its obligations to provide the related program goods or services.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition – Continued.

The Foundation records the freight billed to customers as sales revenue and the related freight costs as tree purchases and shipping expenses.

The Foundation collects sales tax from all nonexempt customers at the rate in effect in the state where the delivery occurs if the Foundation has nexus in the state. The Foundation's accounting policy is to exclude the tax collected from revenue and remit the balance to the appropriate state.

Membership Dues.
Dues recognition generally follows contribution recognition. However, some members, based upon the level of membership, receive trees as a part of their membership, thus membership dues are split with a portion recognized when received as a contribution and the remaining balance deferred until the trees are shipped to the member.

Inventory. Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. It is the Foundation's policy to capitalize property and equipment with a cost of $5,000 or more and an estimated useful life of greater than one year. The cost of routine maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The estimated lives by asset class follow:

Buildings	5-50 years
Leasehold improvements	5-20 years
Farm improvements	5-20 years
Orchards	5-20 years
Computer hardware	5-10 years
Lied Lodge equipment and improvements	3-30 years
Furniture and equipment	5-30 years
Computer software	5-10 years

Accrued Vacation. The Foundation's vacation pay policy allows full-time employees 80 hours of vacation time for the first year of full-time employment, increasing each year of employment up to a maximum of 160 hours per year after 10 years of employment. Vacation time is also available on a pro-rata basis for regular part-time employees. Up to 160 hours of accrued vacation time may be carried into a new calendar year but no more than 160 hours may be accumulated and unused at any time. All accumulated vacation time is paid out upon termination. Accrued vacation for the years ended June 30, 2023 and 2022 was $829,771 and $687,214, respectively.

Contract Balances. Contracts assets represent the Foundation's right to consideration in exchange for services that have been transferred to the customer before payment is due. Contract liabilities include consideration due or paid by a customer prior to when the Foundation transfers services and represent the Foundation's obligation to the customer. The Foundation refers to contract liabilities as deferred revenue on the consolidated statement of financial position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In-Kind Donations. In-kind donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Foundation. It is the Foundation's policy to sell all contributed assets immediately upon receipt at auction or for salvage unless the asset is restricted for use in a specific program by the donor.

Leases. At inception, the Foundation determines if a contract is or includes a lease arrangement. The Foundation's lease commitments include office space and equipment. The following describes the Foundation's accounting policies related to its leasing arrangements:

As lessee

Leased assets represent the right to control the use of an identified asset for the lease term and lease obligations represent the obligation to make lease payments arising from the lease. The Foundation recognizes a right-of-use asset and related obligation at the commencement date, generally based on the present value of lease payments over the lease term using the Foundation's risk free rate. Leases with an initial term of 12 months or less, including month to month leases, are not recorded on the balance sheet and are expensed on a straight-line basis.

Operating Leases

Operating lease assets and liabilities are recognized separately on the Foundation's statement of financial position. The Foundation recognizes a single lease expense on a straight-line basis over the lease term. Nonlease components are expensed as incurred.

As lessor

Operating Leases

Under operating lease arrangements, the Foundation continues to recognize the underlying asset on its statement of financial position and recognizes income and initial direct costs expense generally on a straight-line basis over the lease term.

Advertising. The Foundation expenses advertising as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was $1,675,521 and $1,659,441, respectively.

Functionalized Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, and property insurance, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance and other, which are allocated on the basis of estimates of time and effort.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements. The Financial Accounting Standards Board has issued guidance defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes a fair value hierarchy to prioritize 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 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

Income Taxes. The National Arbor Day Foundation d/b/a Arbor Day Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates.

Arbor Day Carbon, LLC accounts for income taxes using the “balance sheet method” of accounting for income taxes. Accordingly, deferred assets and liabilities are determined based on the difference between the consolidated financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Use of Estimates. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Financial Information. The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE B - INVESTMENTS

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	$ 7,510,792	$ 8,294,520	$ 8,413,236	$ 8,799,783
Agency bonds	-	-	10,006	10,007
Exchange traded funds	1,397,888	1,397,468	92,715	98,519
	$ 8,908,680	$ 9,691,988	$ 8,515,957	$ 8,908,309
Unrealized gains		$ 783,308		$ 392,352

Other income - investment income (loss) consists of:

	2023	2022
Interest and dividend income	$ 147,347	$ 231,791
Realized gains	337,250	158,818
Unrealized gain (losses)	521,782	(1,601,660)
Investment management fees	(37,430)	(40,227)
	$ 968,949	$ (1,251,278)

NOTE C - INVENTORY

Inventory consists of:

	2023	2022
Food and beverage inventory	$ 176,946	$ 190,271
Merchandise inventory	284,215	94,132
Coffee inventory	48,517	103,981
Catalog inventory	655,862	629,869
Other print inventory	17,501	23,382
Greenhouse inventory	33,684	33,684
Carbon inventory	14,720,866	13,422,540
Miscellaneous inventory	72,318	73,488
	$ 16,009,909	$ 14,571,347

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2023	2022
Land	$ 4,725,162	$ 4,575,162
Buildings	45,892,580	42,975,430
Leasehold improvements	271,697	125,082
Farm improvements	2,874,873	2,864,732
Orchards	76,356	76,356
Computer hardware	3,120,047	2,899,967
Lied Lodge equipment and improvements	6,963,663	6,561,944
Furniture and equipment	5,443,771	5,114,078
Computer software	4,515,864	4,355,019
	73,884,013	69,547,770
Less accumulated depreciation	(40,639,071)	(37,786,543)
	$ 33,244,942	$ 31,761,227

Depreciation expense for the years ended June 30, 2023 and 2022 was $2,858,929 and $2,556,677, respectively.

NOTE E - SPLIT-INTEREST AGREEMENTS

The Foundation has entered into charitable gift annuity contracts which provide for periodic distributions to the donor over a specified period of time, usually the life of the donor. Any amounts remaining, after all distributions have been made, are left to the Foundation.

When a gift annuity is created, the value of the annuity contract (payments due the annuitant) is treated as a liability of the Foundation. The discount rate used in calculating the annuity obligation is the prime rate at measurement date and the actuarial assumptions used in calculating the annuity obligation are those provided in actuarial tables. The difference between this liability and the total amount deposited by the annuitant is treated as a current contribution for that portion which ultimately accrues to the Foundation.

For the agreements where the Foundation is not the trustee, the Foundation has recorded an asset included in the caption “contributions receivable from charitable trusts” which represents its beneficial interest in the agreements.

For the years ended June 30, 2023 and 2022, contributions include gift annuity contracts valued at $3,970 and $25,502, respectively, after recognizing the liabilities relating to the annuity contracts.

The Foundation complies with requirements of various states’ laws, including mandated annuity reserves and limitations on the manner in which net assets are invested.

NOTE E - SPLIT-INTEREST AGREEMENTS - CONTINUED

Assets of the Foundation, as derived from split-interest agreements, are as follows:

	2023	2022
Cash and cash equivalents	$ 33,190	$ 26,971
Contributions receivable from charitable trusts	30,020	30,343
Investments	1,344,615	1,406,934
	$ 1,407,825	$ 1,464,248

NOTE F - REVOLVING CREDIT NOTE PAYABLE AND LETTER OF CREDIT

The National Arbor Day Foundation d/b/a Arbor Day Carbon has secured a revolving credit note agreement with a financial institution, which provides it may borrow up to $3,000,000 at the bank's variable interest rate. The note is secured by substantially all of the assets of the National Arbor Day Foundation d/b/a Arbor Day Carbon. No amounts had been borrowed on the revolving credit note as of June 30, 2023 and 2022. The revolving credit note expires January 31, 2024.

As of July 25, 2022, Arbor Day Carbon, LLC has secured a revolving credit note agreement with a financial institution, which provides it may borrow up to $4,000,000 at the bank's variable interest rate. The note is secured by substantially all of the assets of Arbor Day Carbon, LLC. No amounts had been borrowed on the revolving credit note as of June 30, 2023. The revolving credit note expired August 1, 2023 and was subsequently extended to November 1, 2023.

NOTE G - NET ASSETS

Net assets without donor restrictions have been designated by the governing board as follows:

Board designated:		
Board designated reserve fund (cash and investments)	$ 7,774,965	$ 6,976,767
Board designated reserve fund (property)	3,075,257	3,075,257
Quasi-endowment fund	280,181	256,422
	$ 11,130,403	$ 10,308,446

Net assets with donor restrictions comprise the following:

Subject to purpose restrictions:		
Earnings on permanently restricted endowment funds	$ 36,708	$ 28,908
Subject to time restrictions:		
Split-interest agreements	814,374	910,842
Subject to perpetual restrictions:		
Permanent endowments	44,892	44,892
	$ 895,974	$ 984,642

NOTE H - OTHER INCOME

Other income consists of:

	2023	2022
List rental income	$ 595,869	$ 832,451
Education material sales	212,856	301,496
Tree City USA material sales	57,677	41,577
Conference and training	1,056,800	432,528
Rental income	302	124,337
Investment income (loss)	968,949	(1,251,278)
Interest income	1,235,049	131,374
Gain on disposal of property and equipment	-	17,509
Gain on extinguishment of debt	-	2,696,856
Other income	117,610	5,691
	$ 4,245,112	$ 3,332,541

NOTE I - LEASES

As Lessee

The Foundation leases real property under two operating lease agreements. Under the first agreement, lease payments are $42,000 plus inflation adjustments annually through December 31, 2098. Under the second agreement, lease payments are $28,000 plus inflation adjustments annually through December 31, 2046.

The Foundation leases building space under an operating lease agreement. The term of the lease is from August 1, 2022 through October 31, 2027. Under the agreement, monthly rent payments at the beginning of the lease were $4,423 and will gradually increase to $9,574 by the end of the term.

Operating lease right-of-use assets and lease obligations as of June 30, 2023 were as follows:

	2023
Right-of-use assets	$ 2,101,636
Lease obligations	
Current	$ 171,988
Noncurrent	1,902,544
	$ 2,074,532
Lease expenses for the year ended June 30, 2023 are as follows:	
Operating lease expense	$ 126,707
Short-term lease expense	252,965
	$ 379,672

NOTE I – LEASES – CONTINUED

Average operating lease terms and discount rate at June 30, 2023 were as follows:

Weighted average remaining lease term (years):	48.42
Weighted average discount rate:	3.30%

The following summarizes cash paid for operating lease obligations and other non-cash information:

Cash paid for amounts included in measurement of operating lease obligations - operating cash flows	$ 154,936
Right-of-use assets obtained in exchange for operating lease obligations	$ 524,048

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2023, and a reconciliation to operating lease obligations reported on the statement of financial position:

Year ending June 30,	
2024	$ 178,460
2025	180,613
2026	182,808
2027	185,046
2028	109,204
Thereafter	3,560,052
Total minimum lease payments	4,396,183
Less: present value discount	(2,321,651)
Operating lease obligations	$ 2,074,532

For the year ended June 30, 2022, the financial statements include rent expense of $248,782 under FASB ASC 840 (pre-adoption of the new standard) for operating leases. The future minimum lease payments were as follows:

Year ending June 30,	
2022	$ 35,566
2023	35,566
2024	35,566
2025	26,400
2026	26,400
Thereafter	514,800
	$ 674,298

NOTE I – LEASES – CONTINUED

As Lessor

The Foundation has entered into a sublease agreement for real property. The sublease is under the same terms as the Foundation's; lease payments are $42,000 plus inflation adjustments annually through December 31, 2098.

The financial statements include rent income of $42,000 for each of the years ended June 30, 2023 and 2022.

Future minimum lease revenues for the years following June 30, 2023 are:

Year ending June 30,	
2024	$ 42,000
2025	42,000
2026	42,000
2027	42,000
2028	42,000
Thereafter	2,982,000
	$ 3,192,000

NOTE J - RETIREMENT PLAN

The Foundation has established a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan match covers all employees who have attained the age of twenty-one. Employees may, upon hire, make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employee contributions are matched dollar for dollar up to 3% and then are matched 50 cents on the dollar up to 4%. Matching contributions were $721,532 and $571,692 for the years ended June 30, 2023 and 2022, respectively. Employees become vested in the matching contributions over a five year period, 20% each year.

The Foundation also established a salary deferral plan for eligible employees under IRC Section 457(b). Executive team members and vice presidents, as designated by the Foundation, are eligible to participate in the plan. As of June 30, 2023 and 2022, $429,387 and $312,440 has been deferred on behalf of the participants, respectively.

NOTE K - ALLOCATION OF JOINT COSTS

The Foundation conducted activities which incurred joint costs for educational information and distribution of direct mail fundraising appeals, and for corporate marketing activities. These costs were allocated as follows:

	2023	2022
Total joint costs allocated to program services	$ 5,140,096	$ 3,888,140
Total joint costs allocated to fundraising	2,223,112	2,107,256
	$ 7,363,208	$ 5,995,396

NOTE L - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended June 30, 2023 and 2022.

Mutual funds: Valued at the observable net asset value (NAV) of shares held by the Foundation at year-end.

Agency bonds: Valued using independent pricing models.

Exchange traded funds: Valued at the observable net asset value (NAV) of shares held by the Foundation at year-end.

Contributions receivable from charitable trusts: Valued at an amount equal to the estimated present value of the life interest. The estimated value of the life interest of the trust is based on the trust's current market value, a discount rate of 4.2% (2023) and 3.6% (2022) as provided in Internal Revenue Service (IRS) guidelines, and the estimate remaining life of the donor as provided in actuarial tables.

Annuities payable: Valued using the estimated present value of the annuity obligation. The Foundation has elected the fair value option for measuring annuity obligations. The discount rate of 8.25% (2023) and 4.75% (2022) used in calculating the annuity obligation is the prime rate and the actuarial assumptions used in calculating the annuity obligation are those provided in actuarial tables. Both the discount rate and the actuarial assumptions are updated each period the obligations are valued.

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

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022.

NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds				
Large cap	$ 564,740	$ 564,740	$ -	$ -
Mid cap	77,873	77,873	-	-
Small cap	131,563	131,563	-	-
International	2,933,780	2,933,780	-	-
High yield bond	31,452	31,452	-	-
Intermediate-term bond	188,736	188,736	-	-
Short-term bond	3,822,869	3,822,869	-	-
World bond	253,496	253,496	-	-
Inflation-protected bond	61,743	61,743	-	-
Exchange traded funds				
Large blend	1,380,496	1,380,496	-	-
Foreign large blend	16,972	16,972	-	-
Investments held for deferred comp plan:				
Mutual funds				
Large cap	20,532	20,532	-	-
Mid cap	14,775	14,775	-	-
Small cap	5,651	5,651	-	-
International	7,635	7,635	-	-
Intermediate-term bond	8,383	8,383	-	-
Short-term bond	1,474	1,474	-	-
Target date funds	169,818	169,818	-	-
	$ 9,691,988	$ 9,691,988	$ -	$ -
Contributions receivable from charitable trusts	$ 30,020	$ -	$ -	$ 30,020
Annuities payable	$ 560,262	$ -	$ -	$ 560,262

NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds				
Large cap	$ 2,337,990	$ 2,337,990	$ -	$ -
Mid cap	74,893	74,893	-	-
Small cap	986,325	986,325	-	-
International	1,881,494	1,881,494	-	-
High yield bond	30,725	30,725	-	-
Intermediate-term bond	645,048	645,048	-	-
Short-term bond	1,923,582	1,923,582	-	-
World bond	202,975	202,975	-	-
Inflation-protected bond	285,396	285,396	-	-
Commodities	227,211	227,211	-	-
Agency bonds				
AA+/Aaa	10,007	-	10,007	-
Exchange traded funds				
Domestic equity	83,022	83,022	-	-
Global equity	15,497	15,497	-	-
Investments held for deferred comp plan:				
Mutual funds				
Large cap	17,019	17,019	-	-
Mid cap	13,227	13,227	-	-
Small cap	4,970	4,970	-	-
International	6,779	6,779	-	-
Intermediate-term bond	8,459	8,459	-	-
Short-term bond	1,413	1,413	-	-
Target date funds	152,277	152,277	-	-
	$ 8,908,309	$ 8,898,302	$ 10,007	$ -
Contributions receivable from charitable trusts	$ 30,343	$ -	$ -	$ 30,343
Annuities payable	$ 710,229	$ -	$ -	$ 710,229

NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets and liabilities for the years ended June 30, 2023 and 2022.

	Contributions Receivable from Charitable Trusts	Annuities Payable
Balance at June 30, 2021	$ 35,165	$ 870,132
Annuity liabilities added	-	19,604
Annuity liabilities released	-	(182,392)
Actuarial change in split-interest agreements	(4,822)	2,885
Balance at June 30, 2022	30,343	710,229
Annuity liabilities added	-	6,030
Annuity liabilities released	-	(140,614)
Actuarial change in split-interest agreements	(323)	(15,383)
Balance at June 30, 2023	$ 30,020	$ 560,262

NOTE M - INCOME TAXES

The National Arbor Day Foundation d/b/a Arbor Day Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The National Arbor Day Foundation d/b/a Arbor Day Foundation has hotel and conference center income, which is subject to tax on unrelated business income. For the years ended June 30, 2023 and 2022, the Foundation had no tax liability on unrelated business activity. The Foundation has Federal and Nebraska net operating loss carryforwards that may be offset against future taxable income. If not used, the Federal and State carryforwards will expire between now and June 30, 2043. The loss carryforwards at June 30, 2023 total $16,049,898 (Federal) and $6,856,810 (Nebraska). No net operating loss is anticipated to be used prior to expiration; therefore, no deferred tax asset has been established. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

The National Arbor Day Foundation d/b/a Arbor Day Foundation's federal Returns of Foundation Exempt from Income Tax (Form 990) and Exempt Foundation Business Income Tax Returns (Form 990T) for June 30, 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

The National Arbor Day Foundation d/b/a Arbor Day Foundation is a not-for-profit organization that is exempt from income taxes under the Internal Revenue Service Code. As such, the income tax items shown on the consolidated financial statements relate only to the Foundation's taxable subsidiary.

The Subsidiary believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Subsidiary files income tax returns in the U.S. federal jurisdiction and several state jurisdictions. The Subsidiary's income tax returns are subject to examination by the IRS, generally for three years after they were filed. There were no deferred taxes for June 30, 2023 or 2022.

NOTE N - COMMITMENTS

The Foundation had open commitments to purchase reforestation carbon credits in the amount of $17,325,000 and to purchase trees in the amount of $7,270,367 as of June 30, 2023. All are expected to be paid during the year ending June 30, 2024.

NOTE O - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of checking accounts, money market accounts, and Short-Term Federal Investment Trust (STFIT) accounts at financial institutions. Checking and money market accounts at each institution are insured by the FDIC up to $250,000. At June 30, 2023 and 2022, the bank accounts exceeded federal insured limits by $1,495,223 and $28,929, respectively. Additionally, a STFIT account at a financial institution is not FDIC-insured. At June 30, 2023 and 2022, the STFIT account balance totaled $12,070,787 and $11,665,105 respectively. The Foundation has mitigated this risk by collateralizing this balance with federal agency bonds.

NOTE P - LIQUIDITY AND AVAILABILITY

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

	2023	2022
Cash and cash equivalents	$ 33,119,635	$ 31,302,097
Investments	9,463,720	8,704,162
Accounts receivable	6,706,940	7,313,836
Unconditional promises to give	661,008	550,800
Grants receivable	297,434	396,361
Refundable income taxes	851,065	-
Inventory	16,009,909	14,571,347
Total financial assets	67,109,711	62,838,603
Donor imposed restrictions:		
Subject to expenditure for specified purpose or time	(895,974)	(984,642)
Net financial assets after donor-imposed restrictions	66,213,737	61,853,961
Less:		
Board-designated cash and investment funds	(8,055,146)	(7,233,189)
Financial assets available to meet cash needs for general expenditures within one year	$ 58,158,591	$ 54,620,772

As part of the liquidity management plan, cash in excess of daily requirements is invested in short-term investments, mutual funds, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $8,055,146 as of year-end date.

NOTE P - LIQUIDITY AND AVAILABILITY – CONTINUED

The operating reserve is a board-designated fund with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated short-term liquidity need, the Foundation also could draw upon a $3,000,000 available line of credit.

As of June 30, 2023, $19.3 million of the financial assets available to meet cash needs for general expenditures within one year will be used to satisfy current liabilities, which in large part are made up of obligations to plant trees.

NOTE Q - DISAGGREGATION OF REVENUE

The following table shows the Foundation's revenues from contracts with customers disaggregated according to the timing of transfer of control of goods or services:

	2023	2022
Revenue recognized at a point in time		
Program fees		
Membership dues	$ 4,028,236	$ 2,339,002
Trees for America	30,915,517	34,124,345
Arbor Day Farm income	12,483,686	11,018,322
Rain Forest Rescue income	395,209	560,311
Other income	2,040,812	1,613,743
Total revenue recognized at a point in time	$ 49,863,460	$ 49,655,723

NOTE R – CONTRACT BALANCES

The following table provides information about the changes in the contract liabilities for the years ended June 30, 2023 and 2022.

Contract liabilities, beginning of year	$ 406,011	$ 3,265,953
Recognition of revenue included in beginning balance	(406,011)	(3,265,953)
Collection of customer prepayments	1,645,242	406,011
Contract liabilities, end of year	$ 1,645,242	$ 406,011

NOTE S – NEW ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 affects any entity that enters into a lease and is intended to increase the transparency and comparability of financial statements among organizations. ASU 2016-02 requires, among other changes, a lessee to recognize on its statement of financial position a lease asset and a lease liability for those leases previously classified as operating leases. The lease asset represents the right to use the underlying asset for the lease term and the lease liability represents the discounted value of the required lease payments to the lessor. ASU 2016-02 also requires entities to disclose key information about leasing arrangements.

NOTE S – NEW ACCOUNTING STANDARD – CONTINUED

The Foundation adopted the standard, effective for the year ended June 30, 2023, using a modified retrospective approach with the effective date option, which allows the Foundation to apply the standard at the effective date, July 1, 2022, and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Under this approach, the reporting for comparative periods presented in the consolidated financial statements will continue to be in accordance with legacy GAAP.

The new standard provides a number of optional practical expedients in transition. On adoption, the Foundation elected the package of practical expedients permitted under the transition guidance, which allowed the Foundation to carry forward historical lease classifications for existing leases on the adoption date, and allowed the Foundation not to assess whether an existing contract contains a lease or initial direct costs. In addition, the Foundation also elected not to apply the lease recognition requirements to its short-term leases, that is, leases with a term of 12 months or less, as allowed under the standard. The Foundation did not elect the hindsight practical expedient to determine the lease term for existing leases.

The adoption of this standard resulted in recognition of lease assets in the amount of $1,704,294 and lease liabilities in the amount of $1,704,294 on the statement of financial position. The adoption of the standard did not result in a cumulative effect adjustment to the opening balance of equity in the period of adoption based on the initial recognition of the Foundation's active leases at the effective date. The Foundation's accounting policies in note A have been updated to reflect the impact of the standard. Additionally, see note I for further disclosure of the Foundation's leasing arrangements.

NOTE T - RECLASSIFICATIONS

Certain amounts in the year ended June 30, 2022 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2022 increase in net assets.

NOTE U - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the consolidated financial statements were available to be issued.

On September 14, 2023, the U.S. Department of Agriculture awarded the Foundation $50,000,000 under the Urban and Community Forestry Grant Program.

See Note F for extension of the Arbor Day Carbon, LLC line of credit.

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SUPPLEMENTAL INFORMATION

National Arbor Day Foundation
d/b/a Arbor Day Foundation

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

	2023			
	ADF	ADC, LLC	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 32,047,995	$ 1,071,640	$ -	$ 33,119,635
Investments	9,463,720	-	-	9,463,720
Accounts receivable	6,678,410	28,530	-	6,706,940
Unconditional promises to give	661,008	-	-	661,008
Grants receivable	297,434	-	-	297,434
Note receivable from ADC, LLC	17,627,228	-	(17,627,228)	-
Prepaid expense	10,275,101	4,155,662	-	14,430,763
Refundable income taxes	-	851,065	-	851,065
Inventory	1,289,043	14,720,866	-	16,009,909
Total current assets	78,339,939	20,827,763	(17,627,228)	81,540,474
PROPERTY AND EQUIPMENT, net	33,244,942	-	-	33,244,942
OTHER ASSETS				
Investments held for deferred compensation plan	228,268	-	-	228,268
Intangible asset	12,267	-	-	12,267
Operating lease right-of-use assets	2,101,636	-	-	2,101,636
Construction in progress	282,055	-	-	282,055
Contributions receivable from charitable trusts	30,020	-	-	30,020
Total other assets	2,654,246	-	-	2,654,246
Total assets	$ 114,239,127	$ 20,827,763	$ (17,627,228)	$ 117,439,662

LIABILITIES AND NET ASSETS

	ADF	ADC, LLC	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable	$ 2,257,709	$ 13,033	$ -	$ 2,270,742
Accrued expenses	8,676,142	128,718	-	8,804,860
Operating lease obligations, current portion	171,988	-	-	171,988
Note payable to NADF	-	17,627,228	(17,627,228)	-
Conditional contributions	6,423,097	-	-	6,423,097
Deferred revenue	1,645,242	-	-	1,645,242
Total current liabilities	19,174,178	17,768,979	(17,627,228)	19,315,929
LONG-TERM OBLIGATIONS				
Operating lease obligations, net of current portion	1,902,544	-	-	1,902,544
OTHER LIABILITIES				
Annuities payable	560,262	-	-	560,262
Total liabilities	21,636,984	17,768,979	(17,627,228)	21,778,735
NET ASSETS				
Without donor restrictions				
Undesignated	80,575,766	3,058,784	-	83,634,550
Designated	11,130,403	-	-	11,130,403
With donor restrictions	895,974	-	-	895,974
Total net assets	92,602,143	3,058,784	-	95,660,927
Total liabilities and net assets	$ 114,239,127	$ 20,827,763	$ (17,627,228)	$ 117,439,662

National Arbor Day Foundation
d/b/a Arbor Day Foundation

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	2023					
	ADF Without Donor Restrictions	ADC, LLC	Eliminations	Total W/Out Donor Restrictions	ADF With Donor Restrictions	Total
CHANGES IN NET ASSETS						
Revenue and support						
Membership dues	$ 15,707,066	$ -	$ -	$ 15,707,066	$ -	$ 15,707,066
Contributions	53,424,178	-	-	53,424,178	-	53,424,178
Trees for America	5,359,892	25,555,625	-	30,915,517	-	30,915,517
Program grant income	707,685	-	-	707,685	-	707,685
Arbor Day Farm income	12,483,686	-	-	12,483,686	-	12,483,686
Rain Forest Rescue income	395,209	-	-	395,209	-	395,209
Other income	10,507,231	-	(6,173,451)	4,333,780	(88,668)	4,245,112
Total revenue and support	98,584,947	25,555,625	(6,173,451)	117,967,121	(88,668)	117,878,453
Expenses						
Program services						
Tree City USA	1,668,324	-	-	1,668,324	-	1,668,324
Arbor Day/Youth Education	1,911,238	-	-	1,911,238	-	1,911,238
Rain Forest Rescue	2,943,369	-	-	2,943,369	-	2,943,369
Trees for America	39,008,325	24,795,033	(6,173,451)	57,629,907	-	57,629,907
Arbor Day Farm	14,671,622	-	-	14,671,622	-	14,671,622
Conference programs	1,048,753	-	-	1,048,753	-	1,048,753
Supporting activities						
General and administrative	12,909,367	-	-	12,909,367	-	12,909,367
Membership development	6,026,677	-	-	6,026,677	-	6,026,677
Fundraising	6,748,081	-	-	6,748,081	-	6,748,081
Total expenses	86,935,756	24,795,033	(6,173,451)	105,557,338	-	105,557,338
Increase (decrease) in net assets before income taxes	11,649,191	760,592	-	12,409,783	(88,668)	12,321,115
Income taxes						
Current tax expense	-	151,254	-	151,254	-	151,254
INCREASE (DECREASE) IN NET ASSETS	11,649,191	609,338	-	12,258,529	(88,668)	12,169,861
Net assets, beginning of year	80,056,978	2,449,446	-	82,506,424	984,642	83,491,066
Net assets, end of year	$ 91,706,169	$ 3,058,784	$ -	$ 94,764,953	$ 895,974	$ 95,660,927