

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

***June 30, 2021
With Comparative Totals for
June 30, 2020***

***Financial Statements
and
Independent Auditor's Report***



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

Year ended June 30, 2021
With Comparative Totals for the Year ended June 30, 2020

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-24



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Arbor Day Foundation d/b/a Arbor Day Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited National Arbor Day Foundation d/b/a Arbor Day Foundation's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

HBE LLP

Lincoln, Nebraska
October 25, 2021



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

STATEMENT OF FINANCIAL POSITION

June 30, 2021
With comparative totals as of June 30, 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents (notes A and E)	\$ 18,737,605	\$ 11,624,967
Certificates of deposit	8,244,538	11,114,973
Investments (notes A, B, E and M)	10,143,995	7,839,276
Accounts receivable, net of allowance of \$582,862 (2021) and \$350,000 (2020) (note A)	4,745,112	4,515,365
Unconditional promises to give (note A)	403,774	302,332
Grants receivable (note A)	356,230	436,813
Prepaid expense	955,719	1,315,715
Inventory (notes A and C)	11,768,197	5,274,737
Total current assets	55,355,170	42,424,178
PROPERTY AND EQUIPMENT, net (notes A and D)	29,130,985	29,088,873
OTHER ASSETS		
Restricted cash	602,056	1,187,832
Investments held for deferred compensation plan (notes B and M)	120,950	34,098
Intangible asset	25,067	31,467
Construction in progress	466,854	21,581
Contributions receivable from charitable trusts (notes E and M)	35,165	29,916
Total assets	\$ 85,736,247	\$ 72,817,945
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,941,666	\$ 2,180,946
Accrued expenses (note A)	5,232,286	11,525,486
Current maturities of long-term obligations (note G)	2,664,300	1,021,135
Conditional contributions (note A)	3,977,506	3,470,311
Deferred revenue (note A)	3,265,953	1,222,043
Total current liabilities	18,081,711	19,419,921
LONG-TERM OBLIGATIONS		
Long-term obligations, net of current maturities (note G)	-	1,643,165
OTHER LIABILITIES		
Annuities payable (notes E and M)	870,132	895,500
Total liabilities	18,951,843	21,958,586
NET ASSETS (notes A and H)		
Without donor restrictions		
Undesignated	54,332,884	40,579,722
Designated	11,304,197	9,410,362
With donor restrictions	1,147,323	869,275
Total net assets	66,784,404	50,859,359
Total liabilities and net assets	\$ 85,736,247	\$ 72,817,945

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2021
With comparative totals for the year ended June 30, 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
CHANGES IN NET ASSETS				
Revenue and support				
Membership dues	\$ 17,350,606	\$ -	\$ 17,350,606	\$ 13,713,943
Contributions	39,402,320	73,283	39,475,603	46,029,942
Trees for America	20,612,528	-	20,612,528	11,368,979
Program grant income	2,040,500	-	2,040,500	2,581,167
Arbor Day Farm income	7,186,807	-	7,186,807	7,327,700
Rain Forest Rescue income	1,010,184	-	1,010,184	1,976,806
Other income (note I)	4,062,460	313,765	4,376,225	1,679,677
Net assets released from restrictions (note A)	109,000	(109,000)	-	-
Total revenue and support	<u>91,774,405</u>	<u>278,048</u>	<u>92,052,453</u>	<u>84,678,214</u>
Expenses				
Program services				
Tree City USA	1,246,837	-	1,246,837	1,357,791
Arbor Day/Youth Education	1,479,645	-	1,479,645	1,484,684
Rain Forest Rescue	3,104,750	-	3,104,750	3,847,044
Trees for America	39,837,349	-	39,837,349	37,882,482
Arbor Day Farm	11,166,773	-	11,166,773	11,161,641
Conference programs	133,317	-	133,317	820,720
Supporting activities				
General and administrative	8,123,136	-	8,123,136	6,478,094
Membership development	6,314,172	-	6,314,172	5,374,721
Fundraising	4,721,429	-	4,721,429	3,560,540
Total expenses	<u>76,127,408</u>	<u>-</u>	<u>76,127,408</u>	<u>71,967,717</u>
INCREASE IN NET ASSETS	15,646,997	278,048	15,925,045	12,710,497
Net assets, beginning of year	49,990,084	869,275	50,859,359	38,203,310
Cumulative effect of adoption of ASC 606	-	-	-	(54,448)
Net assets, beginning of year as restated	<u>49,990,084</u>	<u>869,275</u>	<u>50,859,359</u>	<u>38,148,862</u>
Net assets, end of year	<u>\$ 65,637,081</u>	<u>\$ 1,147,323</u>	<u>\$ 66,784,404</u>	<u>\$ 50,859,359</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021
With comparative totals for the year ended June 30, 2020

	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 K)	\$ 615,857	\$ 234,433	\$ 365,155	\$ 3,460,470	\$ 4,897,309
Contract labor	-	35,441	-	87,352	228,055
Advertising and promotion (note A)	20,592	16,068	20,603	240,662	180,384
Printing, publications, mailing, and photography	158,406	556,197	1,423,177	3,162,253	182,223
Travel and mileage	4,731	4,011	3,831	58,491	80,908
Professional services	54,486	181,033	4,368	1,574,435	248,999
Recognition material	4,127	115	240	7,981	13,622
Professional development	1,285	1,945	140	7,105	10,419
Taxes	1,137	1,498	855	14,617	297,990
Repairs and maintenance	4,310	7,091	2,202	7,880	379,178
Tree purchases and shipping expenses	48,056	39,848	174,588	7,485,240	23,312
Reforestation expenses	-	-	-	7,247,240	58
Rain forest preservation	-	-	16,241	78	-
Inventory costs	187,622	81,744	577,004	-	1,026,480
Computer services	33,983	3,355	22	278,887	97,646
Bank charges	29	20	-	458,589	169,445
Insurance	1,405	1,405	6,640	2,029	212,055
Telephone and utilities	6,719	4,689	4,000	41,193	659,706
Postage	69,263	270,397	250,554	1,068,147	84,360
Office supplies	499	328	227	5,245	8,447
Operating supplies	1,387	6,306	-	2,104	509,919
Dues and subscriptions	1,887	-	5,074	131,456	13,794
Interest expense	-	-	-	26,596	47
Bad debts	-	-	235,452	848	876
Rental expense (note J)	-	-	-	960	44,842
Depreciation (note D)	18,097	18,097	9,191	46,212	1,636,199
Subsidies for community tree planting initiatives	-	10,942	-	3,013,783	-
Reforestation carbon credits	-	-	-	11,330,292	-
Research and development	-	-	-	57,871	-
Miscellaneous	12,959	4,682	5,186	19,333	160,500
TOTAL EXPENSES	\$ 1,246,837	\$ 1,479,645	\$ 3,104,750	\$ 39,837,349	\$ 11,166,773
TOTAL EXPENSES June 30, 2020	\$ 1,357,791	\$ 1,484,684	\$ 3,847,044	\$ 37,882,482	\$ 11,161,641

See accompanying notes to financial statements.

Supporting Activities						
Conference Programs	Total Program Services	General and Administrative	Membership Development	Fund Raising	2021 Totals	2020 Totals
\$ 102,133	\$ 9,675,357	\$ 4,498,633	\$ 1,452,192	\$ 1,259,703	\$ 16,885,885	\$ 15,632,806
-	350,848	7,162	-	-	358,010	407,895
-	478,309	393,066	456	2,098	873,929	743,028
74	5,482,330	27,539	1,933,039	1,402,181	8,845,089	8,444,017
2,317	154,289	95,682	1,360	36,077	287,408	580,718
1,951	2,065,272	1,200,130	75,633	298,885	3,639,920	2,059,749
7	26,092	24,740	-	2,395	53,227	23,164
-	20,894	13,201	-	4,385	38,480	50,748
-	316,097	39,729	6,828	9,409	372,063	340,932
-	400,661	192,989	143,274	26,339	763,263	684,997
-	7,771,044	-	-	261,400	8,032,444	6,115,489
-	7,247,298	-	-	-	7,247,298	14,247,100
-	16,319	-	-	-	16,319	18,934
-	1,872,850	32,735	-	16,704	1,922,289	2,907,474
3,070	416,963	665,217	9	18,936	1,101,125	995,742
-	628,083	23,583	-	-	651,666	1,029,459
426	223,960	81,111	8,730	8,585	322,386	306,536
252	716,559	19,893	26,963	35,464	798,879	772,710
32	1,742,753	6,122	2,384,059	1,119,435	5,252,369	4,875,594
521	15,267	14,302	3,851	9,912	43,332	62,997
12,216	531,932	69,421	2,321	3,596	607,270	956,848
-	152,211	32,855	2,578	36,695	224,339	131,603
-	26,643	-	-	-	26,643	16,455
3,437	240,613	3,206	-	-	243,819	361,285
-	45,802	44,923	-	-	90,725	163,707
-	1,727,796	540,272	112,458	110,590	2,491,116	2,485,429
-	3,024,725	-	-	-	3,024,725	1,253,692
-	11,330,292	-	-	-	11,330,292	5,878,083
-	57,871	1,524	-	57,871	117,266	-
6,881	209,541	95,101	160,421	769	465,832	420,526
<u>\$ 133,317</u>	<u>\$ 56,968,671</u>	<u>\$ 8,123,136</u>	<u>\$ 6,314,172</u>	<u>\$ 4,721,429</u>	<u>\$ 76,127,408</u>	
<u>\$ 820,720</u>	<u>\$ 56,554,362</u>	<u>\$ 6,478,094</u>	<u>\$ 5,374,721</u>	<u>\$ 3,560,540</u>		<u>\$ 71,967,717</u>

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2021
With comparative totals for the year ended June 30, 2020

	2021	2020
Cash flows from operating activities		
Cash received from revenue and support	\$ 91,586,286	\$ 84,651,895
Cash paid to employees and suppliers	(86,236,541)	(63,801,268)
Interest received	53,703	211,736
Interest paid	(26,643)	(16,455)
Net cash provided by operating activities	5,376,805	21,045,908
Cash flows from investing activities		
Purchase of certificates of deposit	-	(11,096,841)
Purchase of investments	(1,198,262)	(193,180)
Proceeds from disposal of assets	735,560	-
Proceeds from the sale of investments	1,290,962	155,662
Proceeds from sale of certificates of deposit	3,033,685	-
Purchase of property and equipment	(2,516,969)	(2,136,687)
Net cash provided (used) by investing activities	1,344,976	(13,271,046)
Cash flows from financing activities		
Proceeds from long-term obligations	-	2,664,300
Principal payments on long-term obligations	-	(692,893)
Payments on annuities	(194,919)	(120,385)
Net cash provided (used) by financing activities	(194,919)	1,851,022
Net increase in cash, cash equivalents, and restricted cash	6,526,862	9,625,884
Cash, cash equivalents, and restricted cash, beginning of year	12,812,799	3,186,915
Cash, cash equivalents, and restricted cash, end of year	\$ 19,339,661	\$ 12,812,799
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 15,925,045	\$ 12,710,497
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,491,116	2,485,429
Reinvested interest	(163,250)	(18,132)
Gain on disposal of assets	(595,230)	-
Bad debt write off	243,819	361,285
Investment (gain) loss	(2,305,894)	191,595
Actuarial loss on annuities	53,104	72,689
Decrease in contributions for annuity liabilities	19,673	54,543
(Increase) decrease in assets		
Accounts receivable	(473,566)	(3,429,538)
Unconditional promises to give	(101,442)	2,412,742
Grants receivable	80,583	160,958
Prepaid expense	359,996	(796,606)
Inventory	(6,493,460)	(1,145,303)
Assets held for deferred compensation plan	(86,852)	(16,939)
Increase (decrease) in liabilities		
Accounts payable	165,258	319,276
Accrued expenses	(6,293,200)	6,798,681
Conditional contributions	507,195	(282,864)
Deferred revenue	2,043,910	1,167,595
Total adjustments to increase in net assets	(10,548,240)	8,335,411
Net cash provided by operating activities	\$ 5,376,805	\$ 21,045,908
Supplemental disclosure of noncash information:		
Noncash investing activities		
Accounts payable assumed for property and equipment purchases	\$ 757,306	\$ 161,844
Cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown above include:		
Cash and cash equivalents	\$ 18,737,605	\$ 11,624,967
Restricted cash	602,056	1,187,832
Cash, cash equivalents, and restricted cash	\$ 19,339,661	\$ 12,812,799

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

The National Arbor Day Foundation d/b/a Arbor Day Foundation (the Foundation) was incorporated under the Nebraska Nonprofit Corporation Act on September 3, 1971. The purpose of the Foundation 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 was formed on June 30, 2021 as a LLC taxed as a C-Corporation and is a wholly owned subsidiary of the Foundation. All future carbon related activity will be managed and recorded within Arbor Day Carbon, LLC. No financial transactions occurred prior to year-end.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 revenue when 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 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 statement of financial position. Unrealized gains and losses are included in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

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 financial statements.

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

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Unearned grant revenue represents advances of grant funds received prior to the incurrence of related costs by the Foundation.

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 statement of financial position.

Sales of Goods or Services.

Fees charged to program users are recognized at a point in time as 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.

The Foundation records the freight billed to customers as sales revenue and the related freight costs as cost of goods sold.

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 are charged to members based on the length of time an individual has been a member and the length of the memberships. 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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	20 years
Farm improvements	5-32 years
Orchards	5-20 years
Computer hardware	5-10 years
Lied Lodge and Conference Center 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, 2021 and 2020 was \$704,978 and \$590,457, 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 assets and contract liabilities as accounts receivable and deferred revenue on the statement of financial position.

Leases. Assets which are acquired by lease-purchase agreements and meet the criteria of a capital lease are recorded as assets and obligations at the lesser of the following:

- (1) An amount equal to the present value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.
- (2) Fair value of the leased property at the inception of the lease.

Rental payments under agreements which meet the criteria of an operating lease are expensed ratably over the lease term.

Advertising. The Foundation expenses advertising as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was \$873,929 and \$743,028, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functionalized Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the 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.

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 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates. The preparation of 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.

Comparative Financial Information. The 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, 2020, from which the summarized information was derived.

NOTE B - INVESTMENTS

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	\$ 8,064,928	\$ 10,144,378	\$ 7,059,185	\$ 7,717,133
Agency bonds	30,859	31,621	75,480	77,527
Exchange traded funds	50,394	88,946	61,379	78,714
	\$ 8,146,181	\$ 10,264,945	\$ 7,196,044	\$ 7,873,374
Unrealized gains		\$ 2,118,764		\$ 677,330
Other income - investment income (loss) consists of:			2021	2020
Interest and dividend income			\$ 165,622	\$ 150,575
Realized gains			117,715	50,004
Unrealized gain (losses)			2,056,917	(362,088)
Investment management fees			(34,360)	(30,086)
			\$ 2,305,894	\$ (191,595)

NOTE C - INVENTORY

Inventory consists of:

Food and beverage inventory	\$ 183,144	\$ 219,348
Merchandise inventory	56,726	81,375
Coffee inventory	154,351	339,153
Catalog inventory	438,997	251,166
Other print inventory	26,017	23,344
Greenhouse inventory	74,715	110,586
Carbon inventory	10,821,468	4,230,829
Miscellaneous inventory	12,779	18,936
	\$ 11,768,197	\$ 5,274,737

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

NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2021	2020
Land	\$ 4,496,809	\$ 4,496,809
Buildings	39,341,656	38,313,390
Leasehold improvements	125,082	125,082
Farm improvements	2,864,732	2,776,092
Orchards	76,356	78,210
Computer hardware	2,869,100	2,757,390
Lied Lodge and Conference Center equipment and improvements	5,334,352	4,504,573
Furniture and equipment	4,906,065	4,586,659
Computer software	4,355,019	4,349,068
	64,369,171	61,987,273
Less accumulated depreciation	(35,238,186)	(32,898,400)
	\$ 29,130,985	\$ 29,088,873

Depreciation expense for the years ended June 30, 2021 and 2020 was \$2,491,116 and \$2,485,429, 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, 2021 and 2020, contributions include gift annuity contracts valued at \$74,896 and \$150,271, 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE E - SPLIT-INTEREST AGREEMENTS – CONTINUED

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

	2021	2020
Cash and cash equivalents	\$ 60,748	\$ 18,223
Contributions receivable from charitable trusts	35,165	29,916
Investments	1,852,866	1,458,733
	\$ 1,948,779	\$ 1,506,872

NOTE F - REVOLVING CREDIT NOTE PAYABLE AND LETTER OF CREDIT

The Foundation 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 Foundation. No amounts had been borrowed on the revolving credit note as of June 30, 2021 and 2020. The revolving credit note expires January 31, 2022.

In addition, the Foundation has established an irrevocable letter of credit of \$1,027,788 for both years ended June 30, 2021 and 2020, for securing payment drawn in favor of a USDA Forest Service agreement. The letter of credit matures on January 31, 2022 and may be renewed at that time. The fee for the letter of credit is waived. There was no outstanding balance under the letter of credit as of June 30, 2021 and 2020.

NOTE G - LONG-TERM OBLIGATIONS

Long-term obligations consist of:

Note payable to Union Bank & Trust Co., Lincoln, Nebraska, dated April 10, 2020 was granted to the Foundation pursuant to the Paycheck Protection Program (the "PPP"). The note matures on April 10, 2022 and bears an interest rate of 1% per annum, payable in monthly installments of \$149,966 commencing on November 10, 2020. The note may be eligible for partial or complete forgiveness when used on qualifying expenses. In July, Union Bank & Trust Co. notified the Foundation of an extended deferral of payments to 10-months after the end of the Foundation's forgiveness covered period if a loan forgiveness application is not submitted. The Foundation now has until July 24, 2021 to submit for forgiveness or begin repayments. The Foundation intends to apply for forgiveness. Maturities are outlined based on the original note because a revised payment schedule with the lender will not be established until it is necessary.

	\$ 2,664,300	\$ 2,664,300
Less current maturities	(2,664,300)	(1,021,135)
	\$ -	\$ 1,643,165

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

NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

Aggregate annual maturities of long-term obligations for the year following June 30, 2021, are as follows:

<u>Year ending June 30,</u>	
2022	<u>\$ 2,664,300</u>

NOTE H - NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Board designated:		
Board designated reserve fund (cash and investments)	\$ 7,945,152	\$ 6,105,746
Board designated reserve fund (property)	3,075,257	3,075,257
Quasi-endowment fund	<u>283,788</u>	<u>229,359</u>
	<u>\$ 11,304,197</u>	<u>\$ 9,410,362</u>
Net assets with donor restrictions comprise the following:		
Subject to purpose restrictions:		
Exhibition center	\$ -	\$ 109,000
Earnings on permanently restricted endowment funds	36,771	24,053
Subject to time restrictions:		
Split-interest agreements	1,070,109	695,779
Subject to perpetual restrictions:		
Permanent endowments	<u>40,443</u>	<u>40,443</u>
	<u>\$ 1,147,323</u>	<u>\$ 869,275</u>

NOTE I - OTHER INCOME

Other income consists of:

	<u>2021</u>	<u>2020</u>
List rental income	\$ 533,189	\$ 489,965
Education material sales	257,313	212,367
Tree City USA material sales	36,364	36,167
Conference and training	297,250	762,152
Rental income	119,448	102,049
Royalty income	-	35,000
Investment income (loss)	2,305,894	(191,595)
Interest income	216,953	229,868
Gain on disposal of property and equipment	595,230	-
Other income	<u>14,584</u>	<u>3,704</u>
	<u>\$ 4,376,225</u>	<u>\$ 1,679,677</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE J - LEASES

As Lessee

The Foundation has an agreement to lease Steinhart Lodge from the City of Nebraska City for a term of 99 years commencing June 1, 1985 for the sum of \$1. The Foundation has the option to extend the agreement for an additional term of 99 years for the total sum of \$1. Since the lease term extends beyond the economic life of the asset, the Steinhart Lodge lease was initially shown as a capital addition at a value of \$297,750. Steinhart Lodge is part of Arbor Day Farm.

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. The Foundation subleased the first operating lease to another party under the same terms as the Foundation's. Under the second agreement, lease payments are \$26,400 annually through December 31, 2046.

The Foundation leases building space under an operating lease agreement. The term of the lease is from August 1, 2009 through December 31, 2018. Under the agreement, lease payments were \$23,140 annually through December 31, 2013 and \$25,396 annually from January 1, 2014 through December 31, 2018. On January 1, 2019 the lease was renewed through December 31, 2021 at the same annual rate.

The Foundation leases office equipment under an operating lease agreement. The term of the lease is from June 9, 2020 through June 8, 2025. Under the agreement, lease payments are \$764 per month.

Rent expense for the years ended June 30, 2021 and 2020 was \$90,725 and \$163,707, respectively.

Future minimum lease payments for the years following June 30, 2021 are as follows:

<u>Year ending June 30,</u>	
2022	\$ 48,264
2023	35,566
2024	35,566
2025	26,400
2026	26,400
2027 and thereafter	<u>541,200</u>
	<u>\$ 713,396</u>

As Lessor

The Foundation leases building space to a bakery-café restaurant under an operating lease agreement. The tenant is also responsible for its proportionate share of common area maintenance charges. Lease payments are \$97,156 annually until December 31, 2021. Thereafter, the lessee has two renewal options, the first for three years at \$106,608 annually and the second for five years at \$113,112.

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

NOTES TO FINANCIAL STATEMENTS

NOTE J - LEASES - CONTINUED

Rent income for the years ended June 30, 2021 and 2020 was \$119,448 and \$102,049, respectively.

Future minimum lease revenue for the years following June 30, 2021 is as follows:

<u>Year ending June 30,</u>	
2022	<u>\$ 48,578</u>

NOTE K - RETIREMENT PLAN

The Foundation has established a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers employees age twenty-one and over with one year and at least 1,000 hours of service. Employees may, upon hire, make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation provides a matching contribution on the first three percent of contributions made by eligible employees up to a maximum of \$3,000 annually. On January 1, 2021 the Foundation amended its 401(k) plan to remove the maximum match amount and increase its match percentage from 3% to 4%. 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 \$505,864 and \$334,386 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, \$110,170 and \$78,364 has been deferred on behalf of the participants, respectively.

NOTE L - 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:

	<u>2021</u>	<u>2020</u>
Total joint costs allocated to program services	\$ 3,081,379	\$ 3,260,874
Total joint costs allocated to fundraising	<u>1,526,902</u>	<u>1,463,190</u>
	<u>\$ 4,608,281</u>	<u>\$ 4,724,064</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE M - 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, 2021 and 2020.

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 1.2% (2021) and 0.6% (2020) 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 3.25% (2021) and 5% (2020) 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE M - FAIR VALUE MEASUREMENTS - CONTINUED

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020.

	2021			
	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	\$ 2,949,958	\$ 2,949,958	\$ -	\$ -
Mid cap	97,959	97,959	-	-
Small cap	1,174,933	1,174,933	-	-
International	2,273,404	2,273,404	-	-
High yield bond	36,901	36,901	-	-
Intermediate-term bond	760,200	760,200	-	-
Short-term bond	1,867,409	1,867,409	-	-
World bond	289,890	289,890	-	-
Inflation-protected bond	306,626	306,626	-	-
Commodities	266,148	266,148	-	-
Agency bonds				
AA+/Aaa	31,621	-	31,621	-
Exchange traded funds				
Large blend	69,226	69,226	-	-
Foreign large blend	19,720	19,720	-	-
Investments held for deferred comp plan:				
Mutual funds				
Large cap	15,736	15,736	-	-
Mid cap	15,989	15,989	-	-
Small cap	3,280	3,280	-	-
International	3,814	3,814	-	-
Intermediate-term bond	7,053	7,053	-	-
Short-term bond	20,267	20,267	-	-
Target date funds	54,811	54,811	-	-
	<u>\$ 10,264,945</u>	<u>\$ 10,233,324</u>	<u>\$ 31,621</u>	<u>\$ -</u>
Contributions receivable from charitable trusts	<u>\$ 35,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,165</u>
Annuities payable	<u>\$ 870,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 870,132</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE M - FAIR VALUE MEASUREMENTS - CONTINUED

	2020			
	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	\$ 1,985,239	\$ 1,985,239	\$ -	\$ -
Mid cap	76,212	76,212	-	-
Small cap	839,754	839,754	-	-
International	1,536,174	1,536,174	-	-
High yield bond	31,544	31,544	-	-
Intermediate-term bond	718,624	718,624	-	-
Short-term bond	1,808,200	1,808,200	-	-
World bond	216,100	216,100	-	-
Inflation-protected bond	299,398	299,398	-	-
Commodities	171,790	171,790	-	-
Agency bonds				
AA+/Aaa	77,527	-	77,527	-
Exchange traded funds				
Domestic equity	61,070	61,070	-	-
Global equity	17,644	17,644	-	-
Investments held for deferred comp plan:				
Mutual funds				
Large cap	4,130	4,130	-	-
Mid cap	4,725	4,725	-	-
Short-term bond	20,635	20,635	-	-
Target date funds	4,608	4,608	-	-
	<u>\$ 7,873,374</u>	<u>\$ 7,795,847</u>	<u>\$ 77,527</u>	<u>\$ -</u>
Contributions receivable from charitable trusts	\$ 29,916	\$ -	\$ -	\$ 29,916
Annuities payable	\$ 895,500	\$ -	\$ -	\$ 895,500

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, 2021 and 2020.

	Contributions Receivable from Charitable Trusts	Annuities Payable
Balance at June 30, 2019	\$ 30,139	\$ 732,991
Annuity liabilities added	-	155,661
Annuity liabilities released	-	(54,543)
Actuarial change in split-interest agreements	(223)	61,391
Balance at June 30, 2020	29,916	895,500
Annuity liabilities added	-	96,774
Annuity liabilities released	-	(214,592)
Actuarial change in split-interest agreements	5,249	92,450
Balance at June 30, 2021	<u>\$ 35,165</u>	<u>\$ 870,132</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE N - INCOME TAXES

The 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 Foundation has hotel and conference center income, which is subject to tax on unrelated business income. For the years ended June 30, 2021 and 2020, 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 carryforward will expire between now and June 30, 2040 and the Nebraska carryforward will expire between now and June 30, 2025. The loss carryforwards at June 30, 2021 total \$17,471,605 (Federal) and \$3,826,154 (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 financial statements.

The Foundation's federal Returns of Organization Exempt from Income Tax (Form 990) and Exempt Organization Business Income Tax Returns (Form 990T) for June 30, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

NOTE O - COMMITMENTS

The Foundation had open commitments to purchase reforestation carbon credits in the amount of \$1,866,769 and to purchase trees in the amount of \$3,397,259 as of June 30, 2021. All are expected to be paid during the year ending June 30, 2022.

NOTE P - 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, 2021 and 2020, the bank accounts exceeded federal insured limits by \$73,111 and \$0, respectively. Additionally, a STFIT account at a financial institution is not FDIC-insured. At June 30, 2021 and 2020, the STFIT account balance totaled \$6,906,705 and \$2,042,714 respectively. The Foundation has mitigated this risk by collateralizing this balance with federal agency bonds.

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

NOTES TO FINANCIAL STATEMENTS

NOTE Q - 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:

	2021	2020
Cash and cash equivalents	\$ 18,737,605	\$ 11,624,967
Certificates of deposit	8,244,538	11,114,973
Investments	10,143,995	7,839,276
Accounts receivable	4,745,112	4,515,365
Unconditional promises to give	403,774	302,332
Grants receivable	356,230	436,813
Inventory	11,768,197	5,274,737
Total financial assets	54,399,451	41,108,463
Donor imposed restrictions:		
Subject to expenditure for specified purpose or time	(1,147,323)	(869,275)
Net financial assets after donor-imposed restrictions	53,252,128	40,239,188
Less:		
Board-designated cash and investment funds	(8,228,940)	(6,335,105)
Financial assets available to meet cash needs for general expenditures within one year	\$ 45,023,188	\$ 33,904,083

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 \$8,228,940 as of year-end date. 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 organization also could draw upon a \$3,000,000 available line of credit.

As of June 30, 2021, \$18 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE R - 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:

	<u>2021</u>	<u>2020</u>
Revenue recognized at a point in time		
Program fees		
Membership dues	\$ 2,449,988	\$ 2,060,064
Trees for America	20,612,528	11,368,979
Arbor Day Farm income	7,186,807	7,327,700
Rain Forest Rescue income	1,010,184	1,976,806
Other income	<u>1,138,700</u>	<u>1,539,355</u>
Total revenue recognized at a point in time	<u>\$ 32,398,207</u>	<u>\$ 24,272,904</u>

NOTE S - RECLASSIFICATIONS

Certain amounts in the year ended June 30, 2020 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2020 increase in net assets.

NOTE T - SUBSEQUENT EVENTS

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

The Paycheck Protection Program loan in Note G was forgiven in full in September, 2021.