

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

***June 30, 2022  
With Comparative Totals for  
June 30, 2021***

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



CPAs & Consultants | Wealth Management

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

Year ended June 30, 2022  
With Comparative Totals for the Year ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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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, 2022, 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, 2022, 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 T to the financial statements, in 2022, the entity adopted new accounting guidance ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. 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.

## **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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Lincoln, Nebraska  
November 14, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022  
With comparative totals as of June 30, 2021

ASSETS

	2022	2021
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (notes A, E and P)	\$ 31,302,097	\$ 18,737,605
Certificates of deposit (note P)	-	8,244,538
Investments (notes A, B, E and P)	8,704,162	10,143,995
Accounts receivable, net of allowance of \$582,862 (2022 and 2021) (note A and P)	7,313,836	4,745,112
Unconditional promises to give (note A and P)	550,800	403,774
Grants receivable (note A and P)	396,361	356,230
Prepaid expense	3,419,082	955,719
Inventory (notes A, C and P)	14,571,347	11,768,197
Total current assets	66,257,685	55,355,170
PROPERTY AND EQUIPMENT, net (notes A and D)	31,761,227	29,130,985
<b>OTHER ASSETS</b>		
Restricted cash	-	602,056
Investments held for deferred compensation plan (notes B and L)	204,147	120,950
Intangible asset	18,667	25,067
Construction in progress	639,653	466,854
Contributions receivable from charitable trusts (notes E and L)	30,343	35,165
Total assets	\$ 98,911,722	\$ 85,736,247
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,769,316	\$ 2,941,666
Accrued expenses (note A)	4,249,706	5,232,286
Income tax payable (notes A and M)	891,043	-
Current maturities of long-term obligations	-	2,664,300
Conditional contributions (note A)	5,394,351	3,977,506
Deferred revenue (note A)	406,011	3,265,953
Total current liabilities	14,710,427	18,081,711
<b>OTHER LIABILITIES</b>		
Annuities payable (notes E and L)	710,229	870,132
Total liabilities	15,420,656	18,951,843
<b>NET ASSETS (notes A and G)</b>		
Without donor restrictions		
Undesignated	72,197,978	54,332,884
Designated	10,308,446	11,304,197
With donor restrictions (note P)	984,642	1,147,323
Total net assets	83,491,066	66,784,404
Total liabilities and net assets	\$ 98,911,722	\$ 85,736,247

See accompanying notes to financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022  
With comparative totals for the year ended June 30, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>CHANGES IN NET ASSETS</b>				
Revenue and support				
Membership dues	\$ 16,844,190	\$ -	\$16,844,190	\$17,350,606
Contributions	52,556,194	20,475	52,576,669	39,475,603
Trees for America	34,124,345	-	34,124,345	20,612,528
Program grant income	894,538	-	894,538	2,040,500
Arbor Day Farm income	11,018,322	-	11,018,322	7,186,807
Rain Forest Rescue income	560,311	-	560,311	1,010,184
Other income (note H)	3,515,697	(183,156)	3,332,541	4,376,225
	<u>119,513,597</u>	<u>(162,681)</u>	<u>119,350,916</u>	<u>92,052,453</u>
Expenses				
Program services				
Tree City USA	1,352,007	-	1,352,007	1,246,837
Arbor Day/Youth Education	1,587,244	-	1,587,244	1,479,645
Rain Forest Rescue	2,493,728	-	2,493,728	3,104,750
Trees for America	58,474,542	-	58,474,542	39,837,349
Arbor Day Farm	14,325,889	-	14,325,889	11,166,773
Conference programs	674,280	-	674,280	133,317
Supporting activities				
General and administrative	9,590,382	-	9,590,382	8,123,136
Membership development	6,960,324	-	6,960,324	6,314,172
Fundraising	6,294,815	-	6,294,815	4,721,429
	<u>101,753,211</u>	<u>-</u>	<u>101,753,211</u>	<u>76,127,408</u>
Increase in net assets before income taxes	17,760,386	(162,681)	17,597,705	15,925,045
Income taxes (notes A and M)				
Current tax expense	891,043	-	891,043	-
	<u>16,869,343</u>	<u>(162,681)</u>	<u>16,706,662</u>	<u>15,925,045</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>16,869,343</u>	<u>(162,681)</u>	<u>16,706,662</u>	<u>15,925,045</u>
Net assets, beginning of year	<u>65,637,081</u>	<u>1,147,323</u>	<u>66,784,404</u>	<u>50,859,359</u>
Net assets, end of year	<u>\$ 82,506,424</u>	<u>\$ 984,642</u>	<u>\$83,491,066</u>	<u>\$66,784,404</u>

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, 2022  
With comparative totals for the year ended June 30, 2021

	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)	\$ 685,060	\$ 205,869	\$ 100,861	\$ 5,177,230	\$ 6,394,018
Contract labor	10,000	44,677	-	204,201	426,114
Advertising and promotion (note A)	15,518	30,355	15,719	710,080	210,142
Printing, publications, mailing, and photography	143,032	565,322	1,389,267	3,912,169	218,706
Travel and mileage	35,273	30,124	1,811	261,402	154,935
Professional services	48,466	120,044	4,668	1,727,132	363,043
Recognition material	1,373	125	20	8,531	10,216
Professional development	1,617	13	409	17,114	10,368
Taxes	1,075	1,247	914	14,879	279,446
Repairs and maintenance	7,058	21,554	3,638	66,228	429,911
Tree purchases and shipping expenses	37,758	33,958	100,246	7,506,237	55,243
Reforestation expenses	-	-	-	11,250,769	5,348
Rain forest preservation	-	-	12,120	-	-
Inventory costs	203,678	160,531	457,228	-	1,676,124
Computer services	24,032	5,519	555	357,588	56,886
Bank charges	-	21	-	491,236	234,956
Insurance	1,451	1,451	6,857	7,404	215,960
Telephone and utilities	7,196	5,952	2,915	74,994	797,930
Postage	99,096	292,570	376,453	1,336,830	121,525
Office supplies	2,865	1,843	82	33,408	17,671
Operating supplies	2,024	1,981	965	171,282	527,612
Dues and subscriptions	2,148	1,779	250	209,866	50,907
Interest expense	-	-	-	-	-
Bad debts	-	236	4,361	3,511	-
Rental expense (note I)	-	-	-	8,238	96,802
Depreciation (note D)	21,018	21,018	10,676	94,287	1,901,522
Subsidies for community tree planting initiatives	-	26,288	-	4,161,852	-
Reforestation carbon credits	-	-	-	20,489,184	-
Research and development	-	-	-	165,085	38
Miscellaneous	2,269	14,767	3,713	13,805	70,466
<b>TOTAL EXPENSES</b>	<b>\$ 1,352,007</b>	<b>\$ 1,587,244</b>	<b>\$ 2,493,728</b>	<b>\$ 58,474,542</b>	<b>\$ 14,325,889</b>
<b>TOTAL EXPENSES</b> June 30, 2021	<b>\$ 1,246,837</b>	<b>\$ 1,479,645</b>	<b>\$ 3,104,750</b>	<b>\$ 39,837,349</b>	<b>\$ 11,166,773</b>

See accompanying notes to financial statements.

Supporting Activities						
Conference Programs	Total Program Services	General and Administrative	Membership Development	Fund Raising	2022 Totals	2021 Totals
\$ 112,547	\$ 12,675,585	\$ 4,971,198	\$ 1,479,497	\$ 2,387,951	\$ 21,514,231	\$ 16,885,885
3,750	688,742	92,496	-	-	781,238	358,010
-	981,814	676,742	408	477	1,659,441	873,929
184	6,228,680	108,269	2,597,205	1,827,008	10,761,162	8,845,089
25,862	509,407	296,141	17,444	160,855	983,847	287,408
12,353	2,275,706	1,265,959	95,325	56,871	3,693,861	3,639,920
105	20,370	41,936	-	3,363	65,669	53,227
1	29,522	30,451	-	6,406	66,379	38,480
152	297,713	52,339	6,051	8,630	364,733	372,063
42	528,431	214,958	120,312	42,876	906,577	763,263
-	7,733,442	-	1,811	263,083	7,998,336	8,032,444
-	11,256,117	-	-	-	11,256,117	7,247,298
-	12,120	-	-	-	12,120	16,319
-	2,497,561	33,775	-	17,441	2,548,777	1,922,289
3,068	447,648	982,330	5,161	26,063	1,461,202	1,101,125
-	726,213	22,386	-	-	748,599	651,666
209	233,332	84,698	9,016	8,866	335,912	322,386
8,011	896,998	46,004	32,319	39,355	1,014,676	798,879
2,933	2,229,407	27,016	2,447,459	1,114,625	5,818,507	5,252,369
302	56,171	47,175	8,453	4,904	116,703	43,332
241,411	945,275	33,278	5,645	12,859	997,057	607,270
1,129	266,079	52,999	2,465	15,486	337,029	224,339
-	-	579	-	-	579	26,643
-	8,108	45,410	-	-	53,518	243,819
90,854	195,894	51,216	-	1,672	248,782	90,725
-	2,048,521	249,093	130,616	128,447	2,556,677	2,491,116
-	4,188,140	-	-	-	4,188,140	3,024,725
-	20,489,184	-	-	-	20,489,184	11,330,292
-	165,123	16,920	-	167,575	349,618	117,266
171,367	276,387	147,014	1,137	2	424,540	465,832
<u>\$ 674,280</u>	<u>\$ 78,907,690</u>	<u>\$ 9,590,382</u>	<u>\$ 6,960,324</u>	<u>\$ 6,294,815</u>	<u>\$ 101,753,211</u>	
<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>

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, 2022

With comparative totals for the year ended June 30, 2021

	2022	2021
Cash flows from operating activities		
Cash received from revenue and support	\$ 113,554,024	\$ 91,586,286
Cash paid to employees and suppliers	(104,189,830)	(86,236,541)
Interest received	50,345	53,703
Interest paid	(579)	(26,643)
Net cash provided by operating activities	9,413,960	5,376,805
Cash flows from investing activities		
Purchase of investments	(2,480,137)	(1,198,262)
Proceeds from the sale of investments	2,693,118	1,290,962
Proceeds from sale of certificates of deposit	8,325,567	3,033,685
Purchase of property and equipment	(5,915,651)	(2,516,969)
Proceeds from disposal of assets	32,172	735,560
Net cash provided by investing activities	2,655,069	1,344,976
Cash flows from financing activities		
Payments on annuities	(106,593)	(194,919)
Net cash used by financing activities	(106,593)	(194,919)
Net increase in cash, cash equivalents, and restricted cash	11,962,436	6,526,862
Cash, cash equivalents, and restricted cash, beginning of year	19,339,661	12,812,799
Cash, cash equivalents, and restricted cash, end of year	\$ 31,302,097	\$ 19,339,661
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 16,706,662	\$ 15,925,045
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	2,556,677	2,491,116
Reinvested interest and dividends	(312,820)	(328,872)
Gain on disposal of assets	(17,509)	(595,230)
Bad debt write off	53,518	243,819
Investment (gain) loss	1,483,069	(2,140,272)
Actuarial (gain) loss on annuities	(148,712)	53,104
Retired annuity liabilities	75,798	19,673
Gain on extinguished debt	(2,664,300)	-
(Increase) decrease in assets		
Accounts receivable	(2,622,242)	(473,566)
Unconditional promises to give	(147,026)	(101,442)
Grants receivable	(40,131)	80,583
Prepaid expense	(2,463,363)	359,996
Inventory	(2,803,150)	(6,493,460)
Assets held for deferred compensation plan	(83,197)	(86,852)
Increase (decrease) in liabilities		
Accounts payable	1,375,320	165,258
Accrued expenses	(982,580)	(6,293,200)
Income tax payable	891,043	-
Conditional contributions	1,416,845	507,195
Deferred revenue	(2,859,942)	2,043,910
Total adjustments to increase in net assets	(7,292,702)	(10,548,240)
Net cash provided by operating activities	\$ 9,413,960	\$ 5,376,805
Supplemental disclosure of noncash information:		
Noncash investing activities		
Accounts payable assumed for property and equipment purchases	\$ 209,636	\$ 757,306
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	\$ 31,302,097	\$ 18,737,605
Restricted cash	-	602,056
Cash, cash equivalents, and restricted cash	\$ 31,302,097	\$ 19,339,661

See accompanying notes to financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The National Arbor Day Foundation d/b/a Arbor Day Foundation 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 (a Subsidiary) 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.

**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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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, 2022 and 2021, conditional grants of \$330,610 and \$533,705, 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.

The Foundation has been notified that it will receive a bequest during the year ending June 30, 2023, but the amount is not reasonably determinable.

**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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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 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.

**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, 2022 and 2021 was \$687,214 and \$704,978, 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.

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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.** 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, 2022 and 2021 was \$1,659,441 and \$873,929, 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.

**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. |
|---------|---|

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fair Value Measurements. – Continued.**

- 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.

**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, 2021, from which the summarized information was derived.

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE B - INVESTMENTS**

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	\$ 8,413,236	\$ 8,799,783	\$ 8,064,928	\$ 10,144,378
Agency bonds	10,006	10,007	30,859	31,621
Exchange traded funds	92,715	98,519	50,394	88,946
	<u>\$ 8,515,957</u>	<u>\$ 8,908,309</u>	<u>\$ 8,146,181</u>	<u>\$ 10,264,945</u>
Unrealized gains		<u>\$ 392,352</u>		<u>\$ 2,118,764</u>

Other income - investment income (loss) consists of:

	2022	2021
Interest and dividend income	\$ 231,791	\$ 165,622
Realized gains	158,818	117,715
Unrealized gain (losses)	(1,601,660)	2,056,917
Investment management fees	(40,227)	(34,360)
	<u>\$ (1,251,278)</u>	<u>\$ 2,305,894</u>

**NOTE C - INVENTORY**

Inventory consists of:

Food and beverage inventory	\$ 190,271	\$ 183,144
Merchandise inventory	94,132	56,726
Coffee inventory	103,981	154,351
Catalog inventory	629,869	438,997
Other print inventory	23,382	26,017
Greenhouse inventory	33,684	74,715
Carbon inventory	13,422,540	10,821,468
Miscellaneous inventory	73,488	12,779
	<u>\$ 14,571,347</u>	<u>\$ 11,768,197</u>

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	2022	2021
Land	\$ 4,575,162	\$ 4,496,809
Buildings	42,975,430	39,341,656
Leasehold improvements	125,082	125,082
Farm improvements	2,864,732	2,864,732
Orchards	76,356	76,356
Computer hardware	2,899,967	2,869,100
Lied Lodge and Conference Center equipment and improvements	6,561,944	5,334,352
Furniture and equipment	5,114,078	4,906,065
Computer software	4,355,019	4,355,019
	69,547,770	64,369,171
Less accumulated depreciation	(37,786,543)	(35,238,186)
	\$ 31,761,227	\$ 29,130,985

Depreciation expense for the years ended June 30, 2022 and 2021 was \$2,556,677 and \$2,491,116, 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, 2022 and 2021, contributions include gift annuity contracts valued at \$25,502 and \$74,896, 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  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE E - SPLIT-INTEREST AGREEMENTS - CONTINUED**

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

	2022	2021
Cash and cash equivalents	\$ 26,971	\$ 60,748
Contributions receivable from charitable trusts	30,343	35,165
Investments	1,406,934	1,852,866
	\$ 1,464,248	\$ 1,948,779

**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, 2022 and 2021. The revolving credit note expires January 31, 2024.

**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)	\$ 6,976,767	\$ 7,945,152
Board designated reserve fund (property)	3,075,257	3,075,257
Quasi-endowment fund	256,422	283,788
	\$ 10,308,446	\$ 11,304,197

Net assets with donor restrictions comprise the following:

Subject to purpose restrictions:		
Earnings on permanently restricted endowment funds	\$ 28,908	\$ 36,771
Subject to time restrictions:		
Split-interest agreements	910,842	1,070,109
Subject to perpetual restrictions:		
Permanent endowments	44,892	40,443
	\$ 984,642	\$ 1,147,323

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE H - OTHER INCOME**

Other income consists of:

	2022	2021
List rental income	\$ 832,451	\$ 533,189
Education material sales	301,496	257,313
Tree City USA material sales	41,577	36,364
Conference and training	432,528	297,250
Rental income	124,337	119,448
Investment income (loss)	(1,251,278)	2,305,894
Interest income	131,374	216,953
Gain on disposal of property and equipment	17,509	595,230
Gain on extinguishment of debt	2,696,856	-
Other income	5,691	14,584
	\$ 3,332,541	\$ 4,376,225

**NOTE I - 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 leased building space under an operating lease agreement. The term of the lease was from January 1, 2019 through December 31, 2021 at an annual rate of \$25,396. This lease is now month-to-month.

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, 2022 and 2021 was \$248,782 and \$90,725, respectively.

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE I – LEASES - CONTINUED**

Future minimum lease payments for the years following June 30, 2022 are as follows:

<u>Year ending June 30,</u>	
2023	\$ 35,566
2024	35,566
2025	35,566
2026	26,400
2027	26,400
2028 and thereafter	<u>514,800</u>
	<u>\$ 674,298</u>

As Lessor

The Foundation leased building space to a bakery-café restaurant under an operating lease agreement. The tenant was also responsible for its proportionate share of common area maintenance charges. Lease payments were \$97,156 annually until May 31, 2022.

Rent income for the years ended June 30, 2022 and 2021 was \$124,337 and \$119,448, respectively.

**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 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 \$571,692 and \$505,864 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, \$312,440 and \$303,694 has been deferred on behalf of the participants, respectively.

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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:

	<u>2022</u>	<u>2021</u>
Total joint costs allocated to program services	\$ 3,888,140	\$ 3,081,379
Total joint costs allocated to fundraising	<u>2,107,256</u>	<u>1,526,902</u>
	<u>\$ 5,995,396</u>	<u>\$ 4,608,281</u>

**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, 2022 and 2021.

*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 3.6% (2022) and 1.2% (2021) 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 4.75% (2022) and 3.25% (2021) 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  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE L - 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, 2022 and 2021.

	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				
Large blend	83,022	83,022	-	-
Foreign large blend	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	-	-
	<u>\$ 8,908,309</u>	<u>\$ 8,898,302</u>	<u>\$ 10,007</u>	<u>\$ -</u>
Contributions receivable from charitable trusts	<u>\$ 30,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,343</u>
Annuities payable	<u>\$ 710,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,229</u>

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED**

	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				
Domestic equity	69,226	69,226	-	-
Global equity	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  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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, 2022 and 2021.

	Contributions Receivable from Charitable Trusts	Annuities Payable
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	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

**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, 2022 and 2021, 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, 2042. The loss carryforwards at June 30, 2022 total \$17,728,069 (Federal) and \$6,561,346 (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 Organization Exempt from Income Tax (Form 990) and Exempt Organization Business Income Tax Returns (Form 990T) for June 30, 2022, 2021, and 2020 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, 2022.

National Arbor Day Foundation  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE N - COMMITMENTS**

The Foundation had open commitments to purchase reforestation carbon credits in the amount of \$19,412,250 and to purchase trees in the amount of \$3,742,245 as of June 30, 2022. All are expected to be paid during the year ending June 30, 2023.

**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, 2022 and 2021, the bank accounts exceeded federal insured limits by \$28,929 and \$73,111, respectively. Additionally, a STFIT account at a financial institution is not FDIC-insured. At June 30, 2022 and 2021, the STFIT account balance totaled \$11,665,105 and \$6,906,705 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:

	2022	2021
Cash and cash equivalents	\$ 31,302,097	\$ 18,737,605
Certificates of deposit	-	8,244,538
Investments	8,704,162	10,143,995
Accounts receivable	7,313,836	4,745,112
Unconditional promises to give	550,800	403,774
Grants receivable	396,361	356,230
Inventory	14,571,347	11,768,197
Total financial assets	62,838,603	54,399,451
Donor imposed restrictions:		
Subject to expenditure for specified purpose or time	(984,642)	(1,147,323)
Net financial assets after donor-imposed restrictions	61,853,961	53,252,128
Less:		
Board-designated cash and investment funds	(7,233,189)	(8,228,940)
Financial assets available to meet cash needs for general expenditures within one year	\$ 54,620,772	\$ 45,023,188

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 \$7,233,189 as of year-end date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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, 2022, \$14.7 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:

	<u>2022</u>	<u>2021</u>
Revenue recognized at a point in time		
Program fees		
Membership dues	\$ 2,339,002	\$ 2,449,988
Trees for America	34,124,345	20,612,528
Arbor Day Farm income	11,018,322	7,186,807
Rain Forest Rescue income	560,311	1,010,184
Other income	<u>1,613,743</u>	<u>1,138,700</u>
Total revenue recognized at a point in time	<u>\$ 49,655,723</u>	<u>\$ 32,398,207</u>

**NOTE R – CONTRACT BALANCES**

The following table provides information about the changes in the contract liabilities for the years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Contract liabilities, beginning of year	\$ 3,265,953	\$ 1,222,043
Recognition of revenue included in beginning balance	(3,265,953)	(650,614)
Collection of customer prepayments	<u>406,011</u>	<u>2,694,524</u>
Contract liabilities, end of year	<u>\$ 406,011</u>	<u>\$ 3,265,953</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE S – EXTINGUISHED DEBT**

During 2020, the Foundation obtained a loan for \$2,664,300 through the Payroll Protection Program (PPP) with the Small Business Administration (SBA), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The PPP provided loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses for qualifying businesses. The loan and accrued interest were forgivable as long as the borrower used the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained payroll levels. The Foundation received full forgiveness of the loan on August 27, 2021.

**NOTE T – NEW ACCOUNTING STANDARD**

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update clarifies the presentation and disclosure of contributed nonfinancial assets, such as land, buildings, equipment, the use of fixed assets or utilities, materials and supplies, intangible assets, certain services, and unconditional promises of those assets; however, the ASU does not change the existing recognition and measurement requirements for contributed nonfinancial assets. Contributions may be disclosed using varying terms such as gifts, donations, or gifts in-kind. The standard is required to be applied retrospectively to all periods presented and is effective for reporting periods commencing after June 15, 2021.

The Foundation adopted the standard, effective for the year ended June 30, 2022, using a retrospective application method for all periods presented. The in-kind donation policies are disclosed in Note A, and there were no nonfinancial assets for further disclosure.

**NOTE U - RECLASSIFICATIONS**

Certain amounts in the year ended June 30, 2021 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2021 increase in net assets.

**NOTE V - SUBSEQUENT EVENTS**

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

On July 6, 2022, the Foundation entered into a lease agreement for a building in Lincoln, Nebraska for an initial term of 63 months with an option to extend the lease for two renewal terms of five years each. Rent is due in monthly installments of \$4,423 for months 1-3, \$8,845 for months 4-15, \$9,022 for months 16-27, \$9,202 for months 28-39, \$9,386 for months 40-51, and \$9,574 for months 52-63 commencing on August 1, 2022.

On July 25, 2022, Arbor Day Carbon, LLC secured a revolving credit note agreement with a financial institution, for a maximum principal amount of \$4,000,000 at the bank's variable interest rate. The note expires on August 1, 2023.