



2017
Annual
REPORT

 **Arbor Day Foundation®**

*We inspire people to
plant, nurture, and celebrate trees.*

All the wild world is beautiful.

– John Muir

 **Arbor Day Foundation**[®]
arborday.org

100 Arbor Avenue • Nebraska City, Nebraska 68410 • 888-448-7337



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Dear Members and Friends,

Planting trees is core to the Arbor Day Foundation mission. It's what we've always done. Because trees help to improve people's lives. In fact, they provide the necessities of life itself: clean air, healthy water, a tolerable climate, people's health and wellness.

We're facing challenging global issues — air pollution, climate change, deforestation, and the lack of access to clean water, to name a few. This compels us to respond at an unprecedented scale. Planting trees can help directly address all of these challenges. The old adage is that the best time to plant a tree was 20 years ago, the second best time is now. If ever there was a time for trees, now is that time.

The results of the past year offer encouraging signs of how

we are rising to this challenge. Our work has expanded to 27 countries around the world, where we are replanting forests, engaging tree planters, preserving rain forests, and supporting farmers who grow their coffee in harmony with the natural landscape. This positive impact has been possible thanks to great partnerships...government, public, private, corporate, professional, and nonprofit partnerships spanning the globe.

We are inspired by the work we have accomplished together

with our members and partners. The trees we plant today in communities and forests will grow and benefit people around the world for generations to come.

Thank you for being part of the solution.

With deepest gratitude,

A handwritten signature in black ink that reads "Matt Harris". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Matt Harris
Chief Executive



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Dear Members and Friends,

As I look back on this past year, I am struck by the energy and power generated by the concern for trees. Our members, corporate partners, and planting partners are joining together with the Arbor Day Foundation every day and making great positive changes through our stewardship programs. Our vision of being a worldwide leader in the recognition and use of trees as a solution to global issues is being realized through these united efforts.

That energy is also fueling passion and alignment throughout the organization, spurring growth and innovation. It resulted in a year of high impact. A record 3,492 communities received Tree City USA designation, providing healthy tree canopies for more than 143 million residents. More than 800,000 trees were distributed to homeowners rebuilding after natural disasters — a beacon of hope amid difficult times. Replanting efforts in rain forests not only revitalized entire ecosystems but

also brought forestry training and jobs to impoverished countries. And more than 4 million membership trees were distributed to dedicated Arbor Day Foundation members to plant in their yards across the country.

As we look to the future, we are committed to continue to focus this unifying energy and build on its momentum with our organization, our loyal members, and our supporters sharing in our important work. Energy like this, and the efforts that it

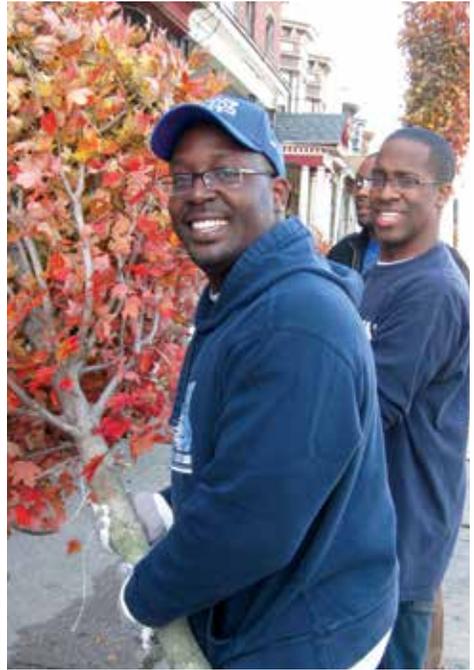
enables, is what makes a real difference in our world.

Thank you for your continued support in helping the Arbor Day Foundation grow and achieve our mission to inspire people to plant, nurture, and celebrate trees and broaden our impact as stewards of the Earth.

Sincerely,

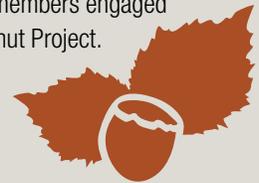
A handwritten signature in black ink that reads "Ray Empson". The signature is fluid and cursive.

Ray Empson, Chair
Board of Trustees



72,102

Foundation members engaged
in The Hazelnut Project.



Active members in
all 50 states and 6
additional countries.

4,243,117

membership trees
distributed this year.





Trees for America

Members and partners plant millions of trees to enrich America's communities and countryside.



TREES ARE BEING PLANTED IN NEIGHBORHOODS ACROSS THE COUNTRY through the Trees for America program — resulting in clean air and water, better stormwater management, beauty and serenity, and energy-saving shade for homes and businesses. Trees are also being planted on farms and ranches, protecting soil and water resources as well as creating new habitat for wildlife.

Every year the Foundation's members — and potential new members — are invited to receive 10 free trees through this program. More than 4 million trees were delivered to those doing their part to

improve the environment and the communities where they live.

Each of these trees is directly fulfilling our mission. Because we are an organization of hundreds of thousands of members, we work collectively to plant millions of trees on private property — in the yards of members across the country.

Our members also play an important role in The Hazelnut Project. This project is spearheaded by the Hybrid Hazelnut Consortium, a research group consisting of the Foundation, Rutgers University, Oregon State University, and

the University of Nebraska–Lincoln. The consortium is dedicated to developing blight-resistant hybrid hazelnut plants that will survive in a variety of soils and climates, and member participants across the country grow select hazelnut cultivars and report on their results.

The Arbor Day Foundation is proud to be the largest nonprofit membership organization dedicated to planting trees. And we are humbled that more than 1 million members, donors, and partners share in this commitment.



Replanting Our Forests

REPLANTING OUR

NATION'S FORESTS

Thanks to generations past, our forests are our heritage. The conservation of these forests will be our legacy for the future.



OUR FORESTS ARE A TREASURED LEGACY threatened by insects, disease, and devastating wildfires. But Foundation members, corporate sponsors, and partners continue to respond to the need for replanting.

This year, the Foundation planted 3.6 million trees in forests through partnerships with the U.S. Forest Service, the National Association of State Foresters, and international partners. And the impact is far-reaching.

Many of our replanting projects focus on the restoration of National Forests — our greatest national treasures. This year, one of those projects was the Daniel Boone National Forest restoration in Kentucky. The

forest encompasses some of the most rugged terrain west of the Appalachian Mountains, and visitors enjoy plenty of recreation and adventure amid the more than 700,000 acres of outdoor splendor. One area has a long history of coal mining, and the land was heavily compacted, preventing natural regeneration. The Arbor Day Foundation supported tree planting efforts to return these reclaimed mine lands to thriving forest stands.

Our reforestation work this year also included the Mississippi River Valley. This bottomland hardwood ecosystem is one of the most important critical wetland resources in North America, serving as vital habitat for migratory birds. Originally the



THIS YEAR'S **STRATEGIC FOCUS:**

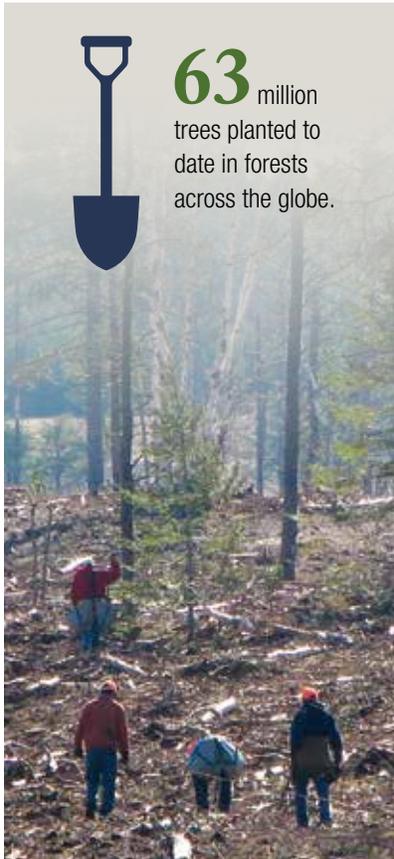
Clean water, clean air, carbon sequestration, wildlife habitat, wildfire restoration, species diversity, natural disaster restoration, reclaimed mine land restoration.

area was covered with 25 million acres of forestland, but currently fewer than 5 million acres remain forested, dramatically affecting the ecosystem. The loss of this precious resource has resulted in a decline of the wildlife as well as water quality, which has led to an increasing dead zone in the Gulf of Mexico. We continue to support the replanting movement happening here and to verify carbon credits for caring organizations looking to operate more sustainably.

The generosity of supporters and on-the-ground-partners has made it possible for our replanting efforts to continue year after year.



63 million trees planted to date in forests across the globe.



INTERNATIONAL REACH

Through the past few years, we have intentionally grown our global impact. In the past year, the work of the Arbor Day Foundation expanded to 27 countries around the world:

- United States
- Australia
- Belgium
- Brazil
- Canada
- China
- Colombia
- Democratic Republic of Congo
- Ethiopia
- France
- Germany
- Guatemala
- Haiti
- India
- Indonesia
- Ireland
- Madagascar
- Mexico
- Netherlands
- Nicaragua
- Papua New Guinea
- Peru
- Philippines
- Poland
- Spain
- Tanzania
- United Kingdom



THE ARBOR DAY FOUNDATION RECOGNIZES nearly 150 utility companies through the Tree Line USA program in honor of their commitment to proper tree pruning, planting, and care in their respective service areas. Tree Line USA, a partnership between the Foundation and the National Association of State Foresters, recognizes public and private utilities for pursuing practices that protect and enhance America's community and urban forests — and helping customers plant the right trees in the right places to save energy.



1976 Tree City USA launched through a partnership with the U.S. Forest Service and the National Association of State Foresters.



73 of this year's Tree City USA communities are new to the program.



3,492

communities (home to more than 143 million people) received Tree City USA designation this year.



Communities reap the benefits of strong and sustainable urban forestry programs.

WITH THE SUPPORT OF OUR MEMBERS AND PARTNERS, the Tree City USA program has strengthened and sustained urban forests across the country. From the Gulf of Alaska to the Gulf Coast, more than 143 million Americans are living in Tree City USA towns and cities that pay particular attention to tree planting, management, and care.

As a result, these communities enjoy profound environmental and community benefits, including lower energy bills, cleaner air and water, increased property values, neighborhood beauty, and civic pride. The program has become a foundation for city forestry management, and its impact is deep and far-reaching.

In its 41st year, the Tree City USA program is still going strong ... helping communities strive for healthy tree canopies. As a sign of the programs' vitality, 73 communities in 22 different states applied for and received Tree City USA recognition for the very first time this year. This continuous growth has resulted in two record numbers this year: the most first-year Tree City USA cities and the most overall recognized communities.

And this recognition is a meaningful milestone for communities. "Becoming a Tree City USA will greatly increase community involvement and awareness regarding tree diversity, tree health, and community beautification," said Mark



TREE CITY USA®

Cinnamon of Shabbona, Illinois. "It also opens up avenues for citizens to become involved in many other village projects attached to village beautification and develops community pride."

Tree City USA is the framework for sustained urban forests across the country. Thanks to our members and partners, the program's 41-year impact is broad and enduring. Within the support of this framework, additional city foresters and arborists are hired, city budgets include worthwhile investments in trees, and millions of Americans are taking pride in community improvement.



Community Tree Recovery



In the wake of natural disasters, new trees bring communities hope and healing.



TREES PLAY A VITAL ROLE IN OUR COMMUNITIES. So when natural disasters strike, the loss of trees is much more than meets the eye. The Community Tree Recovery program was created out of the great need for trees in the wake of natural disasters. Through this program, residents who lost trees in major disasters caused by wildfires, floods, hurricanes, tornadoes, and insects can receive free trees to plant in their yards. This work is critical for re-establishing neighborhood trees...as well as a sense of community.

The Arbor Day Foundation works with local partners on the ground to help organize events and to make sure we're delivering the trees at a time when the community is ready to replant.

More than 4.5 million trees have been distributed through the

program since 2005. This year, there were 13 active Community Tree Recovery campaigns. One of the distribution events was held in Detroit to help the community rebuild its tree canopy after being ravaged by emerald ash borers. The Michigan Department of Natural Resources estimated that millions of ash trees have been wiped out since EAB was introduced to the local ecosystem in 2002, and the need for trees throughout Detroit was great.

John Emerson, one of the tree recipients, spoke of the impact this program had. "When I pulled in and saw these trees, I couldn't believe it. And it just gave me a sense of hope again that we could get our neighborhood looking just as awesome as it did before."

In Haiti, following the devastation of Hurricane



150

distribution and planting events held for this year's campaigns.



807,984

trees distributed to community members at those events.



13 active community tree recovery campaigns this year.

Matthew, the trees distributed through Community Tree Recovery meant even more. People there rely on trees for survival. They are a source of food, protection, and income. And after the Category 4 hurricane made landfall in October of 2016, many of them were gone. The need to replant was immediate, and because of the generous support of our members and partners, the Arbor Day Foundation was able to answer the call for trees.

The beauty of this program is that, time and time again, we bear witness to the power of trees. They are a sign of life and a vibrant step toward recovery for entire communities.





385



active certified classrooms have been recognized to date for meeting or exceeding research-based principles for creating an effective outdoor learning space.



62

outdoor classroom design consultations were completed in 2017.

142

workshops were held to inspire thousands of educators to help children make deeper connections with the natural world.





Nature Explore

Thanks to this program, children make deep connections with the natural world as an integral part of learning and living.



A Collaborative Program of
Arbor Day Foundation and
Dimensions Educational Research Foundation

CHILDREN TODAY ARE MORE LIKELY TO BE DISCONNECTED FROM NATURE THAN EVER, spending time indoors rather than playing outdoors. If current trends continue, the next generation may face greater health challenges and a diminished conservation ethic.

The Nature Explore program, a collaboration of the Arbor Day Foundation and Dimensions Educational Research Foundation, is addressing this challenge by taking nature to children. Nature Explore Classroom sites include elementary schools, child care centers, domestic violence shelters, wildlife refuge visitor centers, and other public places.

Nature Explore provides educators, school administrators, landscape architects, and families with research-based outdoor learning opportunities for

children. Children in Nature Explore Classrooms learn and play amid the wonders of nature.

This year, the network of Certified Nature Explore Classrooms has continued to grow. One of the newly certified Nature Explore Classrooms is located at Reedley Community College's Child Development Center. It was spearheaded by Generation Green founder Jim Oftedal, a self-described product of the juvenile justice system. Jim was forever changed by nature during his first real job — among trees of the Sierra National Forest. Now he's committed to providing that experience for others.

Generation Green is a statewide Forest Service program designed to mentor minority children through contact with nature. As part of this program serving youth through 12th grade, the Nature Explore Classroom starts them off

on the right foot, giving preschool children the benefit of daily interaction with the natural world.

Nature Explore provides comprehensive, field-tested resources to help educators, administrators, and businesses move to nature-rich learning and discovery environments. The program includes Outdoor Classroom Design Consultations, workshops for educators and designers, a sourcebook of field-tested classroom components, and Nature Explore Families Club.

As the network of Nature Explore Classrooms expands, the impact on children continues to grow. As children develop meaningful connections with nature, they have a far greater opportunity to become the next generation of tree planters and environmental stewards.



Rain Forest Rescue



The Foundation is working with communities and families to preserve the rain forest and build better lives for the people living there.



SAVING THE EARTH'S RAIN FORESTS is a core conservation challenge. The Arbor Day Foundation's Rain Forest Rescue program is working with on-location partners on large-scale tree planting, preservation, and recovery.

Tropical rain forests have been called "the lungs of the world." They also provide the last remnants of habitat for some of our rarest animals, as well as thousands of plants yielding medicines and cures, with many more yet to be discovered.

Rain forests are also home to millions of people. Rain Forest Rescue helps these people live in harmony with the land by providing education and economic incentives for farming families to preserve and restore rain forests

through sustainable agroforestry, including coffee bean production.

The Project 2050 program has become the latest addition to our work with coffee farmers. It is estimated that by the year 2050, half the land currently available for coffee may no longer be suitable for production. As global temperatures rise, coffee will seek cooler climates at higher elevations, likely increasing the rate of deforestation. Our pursuit with Project 2050 is to support farm communities making strides toward sustainable agroforestry practices to decrease their impact on the environment.

We are also integrating a carbon-negative aspect to the program, allowing coffee roasters,



Coffee is sourced from Colombia, Ethiopia, Guatemala, Indonesia, Mexico, Nicaragua, Papua New Guinea, and Peru.



66 Rain Forest Rescue projects have engaged the Foundation and our partners in 15 countries since the program began.



importers, and cafés to offset twice the amount of carbon that is produced during the growing, harvesting, roasting, and brewing of the coffee they serve. By making coffee carbon-negative, we can make tangible strides to slow climate change and build a more resilient coffee marketplace.

In Madagascar, Rain Forest Rescue supports a unique program initiated by Dr. Edward E. Louis Jr. of Omaha's Henry Doorly Zoo and Aquarium. The Madagascar Biodiversity Project (MBP) is focused on reversing the destruction of forest habitat that is home to critically endangered lemurs and other wildlife species found nowhere else on Earth.

Because of the success of Dr. Louis' work, 10 new tree nurseries have been established there. These nurseries not only create more year-round jobs for area residents but also ensure that the trees planted through MBP have a healthy start and can thrive once planted on mountainsides because of the early care they received.

The trees — and those who care for them — have thrived thanks to the generous support of Arbor Day Foundation members and partners.

378,797

trees were planted in Madagascar this year.





Homeowners save as much as

20-50%

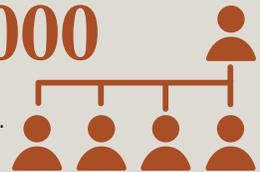
in energy used for heating and 30% in air conditioning needs when trees are properly placed around households.



58 Energy-Saving Trees partners worked with us to distribute nearly

46,000

trees to homeowners.



FREE ACCESS to an online guide. Homeowners can map their properties and calculate energy savings by selecting and positioning the right trees in their yards.



Homeowners are strategically planting trees in partnership with local utility providers, public agencies, and other organizations.



THE ARBOR DAY FOUNDATION'S ENERGY-SAVING TREES PROGRAM was launched five years ago to help conserve energy, reduce peak demand, and lower utility bills through strategic tree planting.

Central to the program is an interactive online tool that was created through a Foundation partnership by The Davey Institute, a division of The Davey Tree Expert Co., and uses peer-reviewed scientific research from the U.S. Forest Service's i-Tree software to calculate estimated energy savings over time. People use the online tool to personally plot their yard as seen from satellite imagery to select the right tree — provided by their utility provider, municipality, or

other organization — and the right place for planting that will yield the greatest energy and cost savings.

Once reserved, these trees are either delivered to homes or available for pickup at events organized by the Energy-Saving Trees partner.

Last year, working with 58 partners across the country, nearly 46,000 trees were distributed through the Energy-Saving Trees program. One of those partners was Duke Energy, which teamed up with the Florida Forest Service to offer 1,200 trees to its customers. Area homeowners quickly headed to the interactive online tool to reserve their trees.

In fact, all 1,200 trees were reserved in less than 24 hours. Duke Energy was so pleased with the amount of customer engagement that another 1,000 trees were added to its program.

Because of the popularity of this program, other organizations and municipalities are showing interest in hosting similar events. This year, the Foundation launched the Community Canopy program to fulfill this need. Utility partners continue to offer trees for energy savings to their homeowners through Energy-Saving Trees, while Community Canopy reaches a broader group of partners focused on other benefits of trees.



Alliance for Community Trees



Local nonprofit tree planting organizations across the country join together for learning and idea sharing.



LOCAL IMPACT HAPPENS when community-based tree planting organizations create projects that involve citizens, schools, churches, and government. This is the work of the 125 members of the Alliance for Community Trees program. Founded in 1993 and merged with the Arbor Day Foundation in 2015, the Alliance for Community Trees is an integral part of improving communities and towns across the country with trees.

October is NeighborWoods® Month — a busy time for Alliance for Community Trees members. This annual campaign to plant and care for community trees inspires tens of thousands of volunteers to take action to make their communities greener and healthier — keeping their neighborhoods vibrant.

To support the tree planting projects organized by Alliance for Community Trees members during this monthlong celebration,



1,104



articles were run in October, telling the NeighborWoods Month story.

more than \$1.5 million in funding was allocated to the member groups.

With more than 90 percent of Americans living and working in towns and metropolitan areas, the need for informed action on a local level is greater than ever. The Alliance for Community Trees is an integral part of making that happen. The network helps deliver our shared mission at a local community level.



6 NeighborWoods Month program sponsors helped to build awareness and increase impact.



79% of Americans feel trees define their neighborhood's character — inspiration for this network to keep up the good work.





344

colleges and universities are now recognized as Tree Campus USAs.

More than **57,000** students were engaged in service-learning projects related to Tree Campus USA.



5 CORE STANDARDS

are required for sustainable campus forestry and Tree Campus USA recognition:

-  A tree advisory committee
-  A campus tree care plan
-  Dedicated annual expenditures to the campus tree program
-  An Arbor Day observance
-  Student service-learning projects





Tree Campus USA

More than 300 colleges and universities engage their students and neighbors to establish and maintain healthy community forests.



COLLEGE CAMPUSES ARE AN IDEAL HOME FOR COMMUNITY FORESTS. As students feed their intellect, prepare for careers, and broaden their social networks, connecting with nature through tree planting has the potential to lay the foundation for a lifetime of environmental stewardship.

Building on the success of the Tree City USA program, the Arbor Day Foundation also recognizes campuses that practice sound tree management and care. The Foundation launched Tree Campus USA in 2008. This year, 344 colleges and universities with a combined enrollment of nearly 4 million students received Tree Campus USA recognition.

As the program has thrived, it has been inspiring to see growing diversity amid the participating schools. They are diverse in their classification — everything from universities to community colleges to technical schools. They are diverse in their size, with the largest Tree Campus USA (Ohio State University) serving 98,000 students and the smallest (Nebraska College of Technical Agriculture) serving 300 students. And they are diverse in geography. Tree Campus USA schools span 46 states plus the District of Columbia and Puerto Rico.

The diversity is also clear within the student populations. The young adults getting involved in tree

planting and care come from a wide range of cultural, social, and economic backgrounds. Multiple HBCUs (historically black colleges and universities) earn Tree Campus USA recognition year after year. Blackfeet Community College and United Tribes Technical College are among the first few tribal schools to have earned recognition in recent years. This program is living proof of the unifying power of trees.

To recognize all of these schools and serve all these students is inspiring. We are watching young adults learn and grow, helping to foster in them a love for conservation. Preparing them for a tomorrow that must include more trees.

Celebrate Arbor Day



After more than a century, this national holiday continues to embody the tree planting vision of J. Sterling Morton.



IN 1872, NEBRASKAN J. STERLING MORTON proposed the nation's first tree planting holiday. A century later, the Arbor Day Foundation was launched, in large part, to bring the spirit of stewardship to the forefront throughout the year.

The Foundation has grown and evolved in the past 45 years, but the mission remains the same: We inspire people to plant, nurture, and celebrate trees.

J. Sterling Morton wished for each generation to do its part as trustees of the Earth. Policies and practices to protect our air, water, and natural resources are successes to celebrate and build upon, and the Foundation has done its part as a trustee through its many conservation, forestry, and citizen engagement programs.

This past Arbor Day, the Foundation took advantage of a unique opportunity to provide

educators with access to unique, live educational content in the form of a virtual field trip. Aired on April 27, the Foundation's live video segment provided children K-6 across the country with an overview of the holiday and its history. We were also able to provide a virtual tour of J. Sterling Morton's home.

Promotion around the holiday as a whole was also a focus this year. The newly developed CelebrateArborDay.com, a Facebook Live tour, and thousands of published articles led to 1.3 billion traditional and social media impressions in April 2017 — twice that of April 2016.

And it wouldn't be Arbor Day if we didn't get out and celebrate trees. Foundation representatives were busy throughout the month attending celebrations and tree plantings throughout the U.S.



STATE ARBOR DAYS

Alabama Last full week in February

Alaska Third Monday in May

Arizona Last Friday in April

Arkansas Third Monday in March

California March 7-14

Colorado Third Friday in April

Connecticut Last Friday in April

Delaware Last Friday in April

District of Columbia Last Friday in April

Florida Third Friday in January

Georgia Third Friday in February

Hawaii First Friday in November

Idaho Last Friday in April

Illinois Last Friday in April

Indiana Last Friday in April

Iowa Last Friday in April

Kansas Last Friday in April

Kentucky First Friday in April

Louisiana Third Friday in January

Maine Third full week in May

Maryland First Wednesday in April

Massachusetts Last Friday in April

Michigan Last Friday in April

Minnesota Last Friday in April

Mississippi Second Friday in February

Missouri First Friday in April

Montana Last Friday in April

Nebraska Last Friday in April

Nevada Last Friday in April

New Hampshire Last Friday in April

New Jersey Last Friday in April

New Mexico Second Friday in March

New York Last Friday in April

North Carolina First Friday following March 15

North Dakota First Friday in May

Ohio Last Friday in April

Oklahoma Last full week in March

Oregon First full week in April

Pennsylvania Last Friday in April

Rhode Island Last Friday in April

South Carolina First Friday in December

South Dakota Last Friday in April

Tennessee First Friday in March

Texas First Friday in November

Utah Last Friday in April

Vermont First Friday in May

Virginia Last Friday in April

Washington Second Wednesday in April

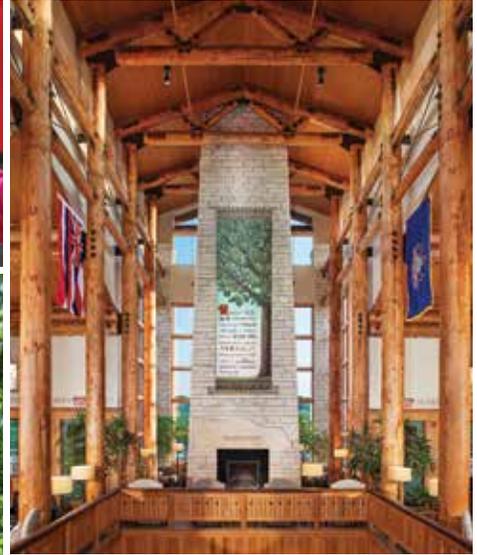
West Virginia Second Friday in April

Wisconsin Last Friday in April

Wyoming Last Monday in April



NATIONAL ARBOR DAY
Last Friday
in April



48,069 

visitors to the Arbor Day Farm Tree Adventure and Arbor Lodge State Historical Park this year.

24th ANNIVERSARY
of Lied Lodge &
Conference Center.






Arbor Day Farm

These sprawling 260 acres of J. Sterling Morton's original estate are where the Foundation's mission comes to life.



BUILDING PROGRAMS THAT ARE HIGH-IMPACT — life-changing, large-scale, partner-engaging, and sustainable — begins at Arbor Day Farm. The 260-acre National Historic Landmark, part of the original estate of Arbor Day Founder J. Sterling Morton in Nebraska City, Nebraska, is where the Arbor Day Foundation's mission truly comes to life.

At Arbor Day Farm's Tree Adventure attraction, visitors experience orchards, vineyards, conservation demonstrations, and hands-on activities through their own exploration and by guided tours. In the spring and fall, visitors can watch team members ship many of the 6 million tree seedlings that are delivered to Foundation members across America.

One important summer program at the Tree Adventure happens each year courtesy of the Peter

Kiewit Foundation, as they arrange to bring children who have never been out of the city environment and never experienced nature. They are given the opportunity to learn about the intricate and beautiful web of life at Arbor Day Farm — how each plant and animal interacts with and relies on others for survival. More than 3,500 youth and adults have explored the trails since 2011 thanks to this summer program. And the impact is nothing short of amazing. The Peter Kiewit Foundation helps us share our love of nature, provide the children with knowledge for their futures, and leave them with lasting impressions.

As part of Arbor Day Farm, Lied Lodge & Conference Center serves as a destination for like minds from across the country and around the globe to gather and discuss forestry, conservation, education, and environmental

stewardship. Amid that, you will also find family reunions, business conferences, weddings, and vacations. It is a truly one-of-a-kind destination that fills an important niche in the Foundation's dedication to trees.

To round out the experience of Arbor Day Farm visitors, the Foundation continues to operate Arbor Lodge State Historical Park. This partnership with the Nebraska Department of Game and Parks ensures that the history of the founder of Arbor Day is respectfully preserved and shared with the world.

We are grateful for the support of our members and partners in helping position Arbor Day Farm and Lied Lodge & Conference Center to fulfill our mission of inspiring people to plant, nurture, and celebrate trees.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

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

Report on the Financial Statements

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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative*

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017, on our consideration of National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over financial reporting and compliance.

HBE Becker Meyer Love LLP
Lincoln, Nebraska
October 24, 2017

STATEMENT OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents (notes A and E)	\$ 1,511,983	\$ 4,142,376
Investments (notes A, B, E, and N)	6,574,079	1,488,345
Accounts receivable (note A)	2,199,149	1,567,097
Grants receivable (note A)	535,372	880,435
Prepaid expense	351,644	290,301
Inventory (notes A and C)	2,340,292	1,513,140
Land held for sale	-	750,000
Total current assets	13,512,519	10,631,694
PROPERTY AND EQUIPMENT, net (notes A and D)	29,663,933	28,445,935
OTHER ASSETS		
Restricted cash	2,007,181	2,001,981
Construction in progress	86,057	16,161
Contributions receivable from charitable trusts (notes E and N)	28,962	27,099
Total assets	\$ 45,298,652	\$ 41,122,870
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,203,567	\$ 1,245,012
Accrued expenses (note A)	3,424,279	3,353,718
Current maturities of long-term obligations (note G)	637,638	668,254
Current maturities of obligations under capital lease (notes A and O)	39,695	60,327
Deferred revenue (note A)	1,269,019	353,000
Total current liabilities	6,574,198	5,680,311
LONG-TERM OBLIGATIONS		
Deferred revenue (note A)	1,714,286	2,000,000
Long-term obligations, net of current maturities (note G)	1,339,897	1,977,865
Obligations under capital lease, net of current maturities (notes A and O)	-	37,204
Total long-term obligations	3,054,183	4,015,069
OTHER LIABILITIES		
Annuities payable (notes E and N)	741,109	823,816
Total liabilities	10,369,490	10,519,196
NET ASSETS (notes A and H)		
Unrestricted		
Undesignated	24,425,617	25,099,673
Designated	9,445,078	4,700,819
Temporarily restricted	1,018,024	762,739
Permanently restricted	40,443	40,443
Total net assets	34,929,162	30,603,674
Total liabilities and net assets	\$ 45,298,652	\$ 41,122,870

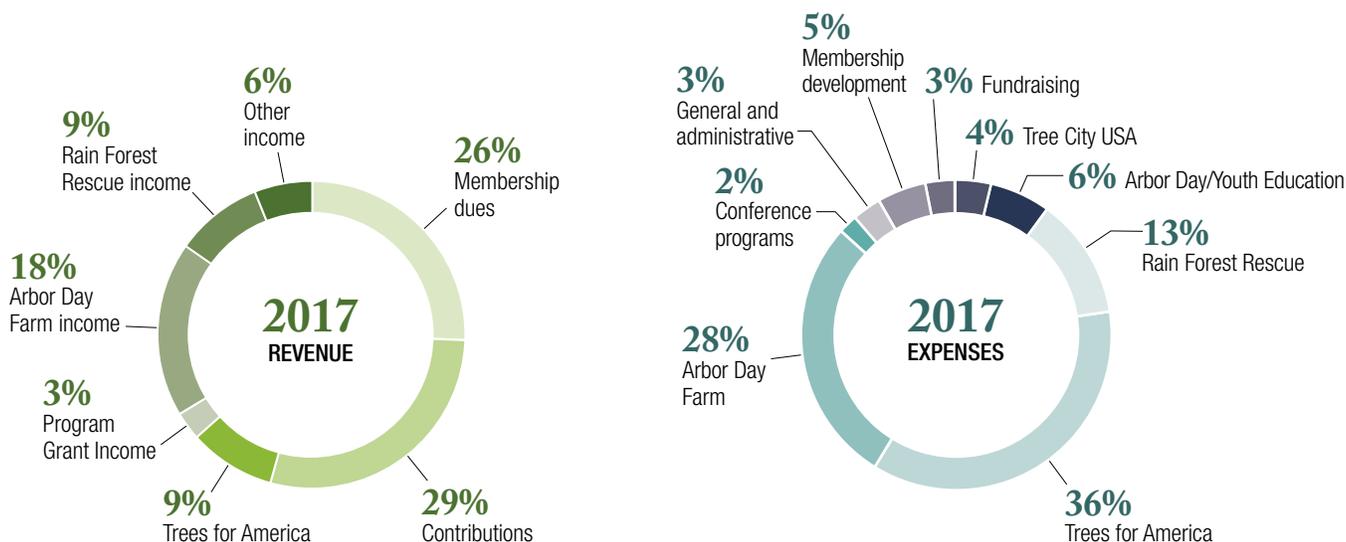
See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

CHANGES IN NET ASSETS	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Membership dues	\$ 12,923,100	\$ -	\$ -	\$ 12,923,100	\$ 12,319,827
Contributions	14,482,529	84,094	-	14,566,623	11,029,798
Trees for America	4,566,142	-	-	4,566,142	4,601,368
Program grant income (note I)	1,483,824	-	-	1,483,824	2,880,752
Arbor Day Farm income	9,268,716	-	-	9,268,716	8,884,812
Rain Forest Rescue income	4,637,736	-	-	4,637,736	4,155,351
Other income (note J)	3,068,557	171,191	-	3,239,748	989,401
Total revenue and support	50,430,604	255,285	-	50,685,889	44,861,309
EXPENSES					
<i>Program services</i>					
Tree City USA	1,721,021	-	-	1,721,021	1,798,005
Arbor Day/Youth Education	2,921,157	-	-	2,921,157	3,203,645
Rain Forest Rescue	5,868,467	-	-	5,868,467	5,589,482
Trees for America	16,702,371	-	-	16,702,371	15,063,561
Arbor Day Farm	13,004,276	-	-	13,004,276	12,898,111
Conference programs	879,446	-	-	879,446	739,764
<i>Supporting activities</i>					
General and administrative	1,428,581	-	-	1,428,581	1,205,672
Membership development	2,385,348	-	-	2,385,348	2,428,061
Fundraising	1,449,734	-	-	1,449,734	1,224,282
Total expenses	46,360,401	-	-	46,360,401	44,150,583
INCREASE IN NET ASSETS	4,070,203	255,285	-	4,325,488	710,726
Net assets, beginning of year	29,800,492	762,739	40,443	30,603,674	29,892,948
Net assets, end of year	\$ 33,870,695	\$ 1,018,024	\$ 40,443	\$ 34,929,162	\$ 30,603,674

See accompanying notes to financial statements.



STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES						SUPPORT ACTIVITIES			2017 Totals	2016 Totals	
	Tree City USA	Arbor Day/ Youth Education	Rain Forest Rescue	Trees for America	Arbor Day Farm	Conference Programs	Total Program Services	General and Administrative	Membership Development			Fundraising
Salaries, payroll taxes and employee benefits (note L)	\$ 917,594	\$ 630,803	\$ 750,629	\$ 2,709,347	\$ 6,285,736	\$ 425,792	\$ 11,719,901	\$ 786,996	\$ 394,282	\$ 1,062,111	\$ 13,963,290	\$ 13,548,852
Contract labor	-	1,800	-	60,226	80,387	-	142,413	-	-	6	142,419	151,732
Advertising and promotion (note A)	805	10,352	16,657	450,551	270,218	679	749,262	151,663	8,727	2,146	911,798	727,402
Printing, publications, mailing and photography	167,615	590,536	1,153,513	2,682,553	305,972	46,119	4,946,308	97,185	1,241,836	101,666	6,386,995	5,564,315
Travel and mileage	25,074	41,606	76,040	83,877	105,804	34,460	366,861	30,429	1,602	49,908	448,800	506,495
Professional services	103,987	882,241	63,053	714,971	174,401	42,822	1,981,475	62,161	42,646	58,013	2,144,295	2,518,282
Recognition material	120	3,000	-	337	10,447	-	13,904	9,340	-	170	23,414	20,609
Professional development	5,478	3,594	6,711	13,203	19,358	1,576	49,920	3,070	1,791	8,008	62,789	63,244
Taxes	40	6	414	972	294,812	-	296,244	60,774	-	3,722	360,740	311,891
Repairs and maintenance	26,995	26,995	7,713	258,644	299,257	3,856	593,460	19,282	19,282	19,282	651,306	414,574
Tree purchases and shipping expenses	16,824	19,396	6,379	7,457,025	54,328	-	7,553,952	-	219,212	22,880	7,796,044	5,377,115
Rain forest preservation	-	-	26,298	-	-	-	26,298	-	-	-	26,298	59,249
Inventory purchases	251,120	227,114	3,312,482	-	1,482,914	-	5,273,630	-	-	8,777	5,282,407	4,841,212
Computer services	10,400	37,281	25,475	350,285	50,311	10,911	484,663	10,911	7,274	5,744	508,592	576,765
Bank charges	-	242	322	266,738	188,117	161	455,580	322	-	-	455,902	420,101
Insurance	6,955	7,058	1,987	66,565	208,633	994	292,192	4,968	10,228	4,968	312,356	286,263
Telephone and utilities	11,118	8,946	4,664	90,027	643,949	1,719	760,423	5,175	5,175	9,698	780,471	737,643
Postage	90,042	191,808	307,502	973,621	98,045	16,519	1,677,537	31,719	374,886	40,639	2,124,781	4,070,685
Office supplies	491	338	382	1,560	13,238	254	16,263	507	296	290	17,356	18,421
Operating supplies	1,621	16,009	4,116	13,692	526,935	195,981	758,354	35,546	9	2,477	796,386	758,568
Dues and subscriptions	318	1,152	724	192	16,906	163	19,145	18,143	-	1,072	38,670	33,365
Interest expense	-	-	-	9,812	89,788	-	99,600	516	-	-	100,116	121,257
Bad debts	6	6	1,814	102	8	6	1,942	4	4	2	1,952	2,569
Rental expense (note K)	828	2,843	1,578	33,590	49,339	34,160	122,338	1,242	614	414	124,608	157,664
Depreciation (note D)	65,440	58,169	65,440	289,101	1,695,551	43,627	2,217,328	87,254	50,898	43,627	2,399,107	2,337,478
Deliverly expense	29	-	-	-	-	-	29	-	-	-	29	-
Miscellaneous	18,121	159,862	34,574	175,380	69,822	19,647	477,406	11,374	6,586	4,114	499,480	524,832
TOTAL EXPENSES	\$ 1,721,021	\$ 2,921,157	\$ 5,868,467	\$ 16,702,371	\$ 13,004,276	\$ 879,446	\$ 41,096,738	\$ 1,428,581	\$ 2,385,348	\$ 1,449,734	\$ 46,360,401	
TOTAL EXPENSES June 30, 2016	\$ 1,798,005	\$ 3,203,645	\$ 5,589,482	\$ 15,063,561	\$ 12,898,111	\$ 739,764	\$ 39,292,568	\$ 1,205,672	\$ 2,428,061	\$ 1,224,282		\$ 44,150,583

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016		2017	2016
Cash flows from operating activities			Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Cash received from revenue and support	\$ 46,163,522	\$ 44,320,078	Increase in net assets	\$ 4,325,488	\$ 710,726
Cash paid to employees and suppliers	(44,673,321)	(42,606,114)	Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Interest received	13,454	7,401	Depreciation	2,399,107	2,337,478
Interest paid	(102,308)	(123,340)	Investment gain	(294,763)	75,620
Net cash provided by operating activities	1,401,347	1,598,025	Actuarial loss on annuities	(14,614)	68,970
Cash flows from investing activities			(Increase) decrease in contributions for annuity liabilities	54,013	13,916
Purchase of investments	(4,893,433)	(30,000)	Loss on disposal of property and equipment	(1,491,689)	-
Proceeds from the sale of investments	100,597	118,856	Donated property and equipment	(3,099,976)	(13,463)
Proceeds from sale of property and equipment	2,324,769	-	(Increase) decrease in assets		
Purchase of property and equipment	(715,147)	(1,444,350)	Accounts receivable	(632,052)	68,943
Net cash used by investing activities	(3,183,214)	(1,355,494)	Grants receivable	345,063	(125,035)
Cash flows from financing activities			Prepaid expense	(61,343)	33,615
Proceeds from long-term obligations	-	125,000	Inventory	(827,152)	(269,772)
Principal payments on long-term obligations	(668,584)	(810,317)	Restricted cash	(5,200)	(2,001,981)
Principal payments on capital lease	(57,836)	(55,849)	Increase (decrease) in liabilities		
Payments on annuities	(122,106)	(118,856)	Accounts payable	3,599	(292,928)
Net cash provided (used) by financing activities	(848,526)	(860,022)	Accrued expenses	70,561	(387,264)
Net increase (decrease) in cash	(2,630,393)	(617,491)	Deferred revenue	630,305	1,379,200
Cash and cash equivalents, beginning of year	4,142,376	4,759,867	Total adjustments to increase in net assets	(2,924,141)	887,299
Cash and cash equivalents, end of year	\$ 1,511,983	\$ 4,142,376	Net cash provided by operating activities	\$ 1,401,347	\$ 1,598,025
			Supplemental disclosure of noncash information:		
			Noncash investing activities		
			Accounts payable assumed for property and equipment purchases	\$ 97,923	\$ 142,967
			In-kind donations of property and equipment	\$ 3,099,976	\$ 13,463

See accompanying notes to financial statements.

NOTES TO 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. 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 Arbor Day's founder J. Sterling Morton.

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. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets. Net assets that are not subject to outside restrictions.

Temporarily restricted net assets. Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Permanently restricted net assets. Net assets whose funds must be held indefinitely.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with a 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 reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

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 Company 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.

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

Promises to Give. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 \$1,000 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 & Conference Center equipment and improvements	3-30 years
Furniture and equipment	5-30 years
Computer software	5-10 years
Traveling exhibit	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 11 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 anytime. All accumulated vacation time is paid out upon termination. Accrued vacation for the years ended June 30, 2017 and 2016 was \$475,179 and \$432,227, respectively.

Deferred Revenue. The Foundation records program support in the period in which the costs of providing the corresponding program services are incurred. Deferred revenue consists of unearned program support for future costs of providing specific program services.

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 when paid.

Advertising. The Foundation expenses advertising as incurred. Advertising expense for the years ended June 30, 2017 and 2016 was \$911,798 and \$727,402, respectively.

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

Sales Tax. 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.

Functional Allocation of 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.

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 priority level of any input that is significant to the fair value measurement. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. 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.

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE B — INVESTMENTS

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	\$6,258,350	\$6,360,347	\$1,039,969	\$1,379,446
Agency bonds	120,283	119,936	40,330	55,572
Exchange traded funds	83,825	93,796	53,029	53,327
	\$6,462,458	\$6,574,079	\$1,133,328	\$1,488,345

Unrealized gains **\$ 111,621** **\$ 355,017**

NOTE C — INVENTORY

	2017	2016
Inventory consists of:		
Food and beverage inventory	\$ 266,180	\$ 300,658
Merchandise inventory	106,760	93,710
Coffee inventory	1,577,329	752,084
Catalog inventory	212,907	197,138
Other print inventory	74,393	72,860
Greenhouse inventory	77,554	90,607
Miscellaneous inventory	25,169	6,083
	\$ 2,340,292	\$ 1,513,140

NOTE D — PROPERTY AND EQUIPMENT

	2017	2016
Property and equipment consists of:		
Land	\$ 4,495,174	\$ 1,419,917
Buildings	34,722,767	34,523,905
Leasehold improvements	125,082	125,082
Farm improvements	1,556,562	1,546,800
Orchards	74,244	65,956
Computer hardware	2,415,638	2,236,907
Lied Lodge & Conference Center equipment and improvements	4,504,563	4,504,563
Furniture and equipment	3,873,070	3,743,539
Computer software	3,674,123	3,648,944
Traveling exhibit	-	844,724
	\$ 55,441,223	\$ 52,660,337
Less accumulated depreciation	(25,777,290)	(24,214,402)
	\$ 29,663,933	\$ 28,445,935

Depreciation expense for the years ended June 30, 2017 and 2016 was \$2,399,107 and \$2,337,478, 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, 2017 and 2016, contributions include gift annuity contracts valued at \$60,826 and \$13,646, 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.

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

	2017	2016
Cash and cash equivalents	\$ 52,166	\$ 59,599
Investments	1,419,586	1,278,269
	\$ 1,471,752	\$ 1,337,868

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 revolving credit note is supported by an agreement which provides for certain restrictive covenants which includes limitations on disposal of certain property and assets. 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, 2017 and 2016. The revolving credit note expires January 31, 2018.

In addition, the Foundation has established an irrevocable letter of credit of \$447,743 and \$892,051 as of June 30, 2017 and 2016, respectively, for securing payment drawn in favor of a USDA Forest Service agreement. The letter of credit automatically renews annually on December 31. The fee for the letter of credit is waived. There was no outstanding balance under the letter of credit as of June 30, 2017 and 2016.

NOTE G — LONG-TERM OBLIGATIONS

Long-term obligations consist of:	2017	2016
Note payable to Union Bank & Trust Co., Lincoln, Nebraska, with 3.75% interest. Secured by substantially all of the assets of the Foundation. Payable in monthly installments of \$54,989, maturing June 17, 2020.	\$ 1,867,277	\$ 2,444,779
Note payable to Union Bank & Trust Co., Lincoln, Nebraska, with 3.95% interest. Secured by real estate in Lincoln, Nebraska and Otoe County, Nebraska. Payable in monthly installments of \$2,302, maturing on March 24, 2021.	96,087	119,336
Note payable to Farmers Bank, Nebraska City, Nebraska, with 7.25% interest. Secured by real estate in Nebraska City, Nebraska. Payable in monthly installments of \$2,406, maturing November 6, 2017.	11,711	36,509
Non-interest bearing note payable to the City of Lincoln, Nebraska for \$60,000 with a discounted value of \$44,000 at an imputed interest rate of 6.50%. Secured by real estate in Lincoln, Nebraska. Payable in monthly installments of \$500, maturing November 30, 2017.	2,460	8,098
Note payable to Union Bank & Trust Co., Lincoln, Nebraska, with 4.50% interest. Secured by substantially all of the assets of the Foundation. Payable in monthly installments of \$18,671, maturing August 1, 2016.	-	37,397
	\$ 1,977,535	\$ 2,646,119
Less current maturities	(637,638)	(668,254)
	\$ 1,339,897	\$ 1,977,865

Aggregate annual maturities of long-term obligations for the years following June 30, 2017, are as follows:

Year ending June 30,	
2018	637,638
2019	647,627
2020	671,971
2021	20,299
	\$ 1,977,535

NOTE H — NET ASSETS

Unrestricted, designated net assets are available for the following purposes:

	2017	2016
Board designated reserve fund (cash and investments)	\$ 6,180,180	\$ 3,769,079
Board designated reserve fund (property)	3,075,257	750,000
Quasi-endowment fund	189,641	181,740
	\$ 9,445,078	\$ 4,700,819

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Split-interest agreements	\$ 759,604	\$ 506,123
Exhibition center	209,000	209,000
Earnings on permanently restricted endowment funds	16,669	14,865
Hazelnut project	32,751	32,751
	\$ 1,018,024	\$ 762,739

Permanently restricted net assets are to be maintained in perpetuity as an endowment fund.

NOTE I — PROGRAM GRANTS

During the years ended June 30, 2017 and 2016, grant income consisted of:

Grant Source	Grant Purpose	2017	2016
<i>Government:</i>			
U.S. Dept. of Agriculture	Biomass Chiller	\$ -	\$ 351,000
	Alliance for Community Trees	-	107,759
	Tree City USA	268,459	245,541
	Public Service Ads	140,000	140,000
	Faces of Urban Forestry	-	54,444
	Energy-Saving Trees	-	135,000
	Nature Explore Classrooms	299,862	144,161
	Partners Conference	-	18,495
	Urban Community Forestry		
	Urban Network	15,589	-
Nebraska State Forest Service	NIFA Specialty Crop		
	Research Initiative	78,192	-
	Biomass Chiller	-	350,000
Government grant income		802,102	1,546,400
<i>Private:</i>			
Welson Foundation		8,000	-
Earthshare		9,599	-
Burlington Capital		25,000	-
Fogg Charitabel Trust		126,250	-
Toyota Foundation		-	763,000
PricewaterhouseCoopers		250,000	200,000
UPS Foundation		250,000	350,000
Others		12,873	21,352
Private grant income		681,722	1,334,352
Total grant income		\$ 1,483,824	\$ 2,880,752

NOTE J — OTHER INCOME

Other income consists of:

	2017	2016
List rental income	\$ 551,326	\$ 548,226
Education materials sales	85,166	75,812
Tree City USA material sales	42,699	47,972
Conference and training	247,359	202,919
Rental income	133,223	143,248
Gain (loss) on investments	285,058	(87,650)
Interest income	13,454	7,401
Gain on sale or disposal of property and equipment	1,491,689	-
Other	389,774	51,473
	\$ 3,239,748	\$ 989,401

NOTE K — 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 has been 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, 2047.

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.

The Foundation leases office equipment under operating leases which expire over varying terms. The last lease is set to expire in June 2020.

Rent expense for the years ended June 30, 2017 and 2016 was \$124,608 and \$157,664, respectively.

Future minimum lease payments for the years following June 30, 2016 are as follows:

Year ending June 30,	
2018	\$ 66,352
2019	48,779
2020	36,081
2021	26,400
2022	26,400
2023 and thereafter	673,200
	\$ 877,212

As Lessor

The Foundation leases building space to a bakery-café restaurant under an operating lease agreement. The term of the lease is from August 1, 2009 through December 31, 2018. Under the agreement, lease payments are \$97,156 annually until December 31, 2018. The tenant may extend the lease term for an additional fifteen years.

NOTE K — LEASE — CONTINUED

The tenant is also responsible for its proportionate share of common area maintenance charges.

Rent income for the years ended June 30, 2017 and 2016 was \$133,223 and \$143,248, respectively.

Future minimum lease revenue for the years following June 30, 2017 is as follows:

Year ending June 30,	
2018	97,156
2019	48,578

\$ 145,734

NOTE L — 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. Matching contributions were \$214,414 and \$157,117 for the years ended June 30, 2017 and 2016, respectively. Employees become vested in the matching contributions over a five year period, 20% each year.

NOTE M — 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:

	2017	2016
Total joint costs allocated to program services	\$ 2,245,721	\$ 2,222,530
Total joint costs allocated to fundraising	922,259	730,628
	\$ 3,167,980	\$ 2,953,158

NOTE N — 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, 2017 and 2016.

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 2.4 percent (2017) and 1.8 percent (2016) 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 4.25 percent (2017) and 3.5 percent (2016) 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.

Lied Lodge & Conference Center equipment and improvements: Valued using quoted prices for similar assets as provided by the vendors of such assets.

Donated land: Valued based on taxable assessed value adjusted for differences between taxable value and typical land values on the open market.

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

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016.

	2017			
	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	\$ 1,272,390	\$ 1,272,390	\$ -	\$ -
Mid cap	44,500	44,500	-	-
Small cap	668,779	668,779	-	-
Large growth	501,430	501,430	-	-
International	943,740	943,740	-	-
High yield bond	26,241	26,241	-	-
Intermediate-term bond	633,470	633,470	-	-
Short-term bond	1,187,899	1,187,899	-	-
World bond	26,022	26,022	-	-
Inflation-protected bond	552,302	552,302	-	-
Work REITs	150,054	150,054	-	-
Emerging market stocks	201,510	201,510	-	-
Commodities	152,010	152,010	-	-
Agency bonds				
AA+/Aaa	89,838	-	89,838	-
Taxable	30,098	-	30,098	-
Exchange traded funds				
Domestic equity	69,846	69,846	-	-
Global equity	23,950	23,950	-	-
	\$ 6,574,079	\$ 6,454,143	\$ 119,936	\$ -
CONTRIBUTIONS RECEIVABLE FROM CHARITABLE TRUSTS	\$ 28,962	-	-	\$ 28,962
ANNUITIES PAYABLE	\$ 741,109	-	-	\$ 741,109
	2016			
	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	\$ 543,650	\$ 543,650	\$ -	\$ -
Mid cap	43,444	43,444	-	-
Small cap	64,903	64,903	-	-
International	212,004	212,004	-	-
High yield bond	25,776	25,776	-	-
Intermediate-term bond	233,463	233,463	-	-
Short-term bond	178,973	178,973	-	-
World bond	25,704	25,704	-	-
Inflation-protected bond	51,529	51,529	-	-
Agency bonds				
AA+/Aaa	55,572	-	55,572	-
Exchange traded funds				
Domestic equity	40,183	40,183	-	-
Global equity	13,144	13,144	-	-
	\$ 1,488,345	\$ 1,432,773	\$ 55,572	\$ -
CONTRIBUTIONS RECEIVABLE FROM CHARITABLE TRUSTS	\$ 27,099	\$ -	\$ -	\$ 27,099
ANNUITIES PAYABLE	\$ 823,816	\$ -	\$ -	\$ 823,816

NOTE N — 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, 2017 and 2016.

	Contributions Receivable from Charitable Trusts	Annuities Payable
Balance at June 30, 2015	\$ 27,927	\$ 859,786
Annuity liabilities added	-	16,354
Annuity liabilities released	-	(2,438)
Payments on annuities	-	(118,856)
Actuarial change in split-interest agreements	(828)	68,970
Balance at June 30, 2016	\$ 27,099	\$ 823,816
Annuity liabilities added	-	76,674
Annuity liabilities released	-	(22,661)
Payments on annuities	-	(122,106)
Actuarial change in split-interest agreements	1,863	(14,614)
Balance at June 30, 2017	\$ 28,962	\$ 741,109

The following table sets forth the balances of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2017 and 2016.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017 <i>Property and equipment:</i> Lied Lodge & Conference Center equipment and improvements Donated Land	\$ 24,719	\$ 24,719	\$ -	\$ -
	3,075,257	-	-	3,075,257
	\$ 3,099,976	\$ 24,719	\$ -	\$ 3,075,257
2016 <i>Property and equipment:</i> Lied Lodge & Conference Center equipment and improvements	\$ 13,463	\$ 13,463	\$ -	\$ -

NOTE O — CAPITAL LEASE OBLIGATION

The Foundation leases equipment under a long-term capital lease. The capital lease has a three year term. Lease amortization is included in depreciation expense.

Future minimum lease payments under capitalized leases are as follows:

Year ending June 30, 2018	\$ 45,245
Total minimum lease payments	45,245
Less amounts representing interest	(5,550)
	\$ 39,695

The capital lease obligation is included in the statement of financial position as follows:

	2017	2016
Total capital lease obligation	\$ 39,695	\$ 97,531
Less current maturities of capital lease obligation	(39,695)	(60,327)
Long-term capital lease obligation	\$ -	\$ 37,204

Leased equipment is included in the statement of financial position as follows:

	2017	2016
Equipment	\$ 171,567	\$ 171,567
Less accumulated depreciation	(42,449)	(25,423)
	\$ 129,118	\$ 146,144

NOTE P — 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, 2017 and 2016, 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, 2036 and the Nebraska carryforward will expire between now and June 30, 2021. The loss carryforwards at June 30, 2017 total \$16,068,032 (Federal) and \$4,090,687 (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, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NOTE Q — COMMITMENTS

The Foundation had open commitments to purchase coffee in the amount of \$1,035,125 and to purchase trees in the amount of \$311,396 as of June 30, 2017. All are expected to be paid during the year ending June 30, 2018.

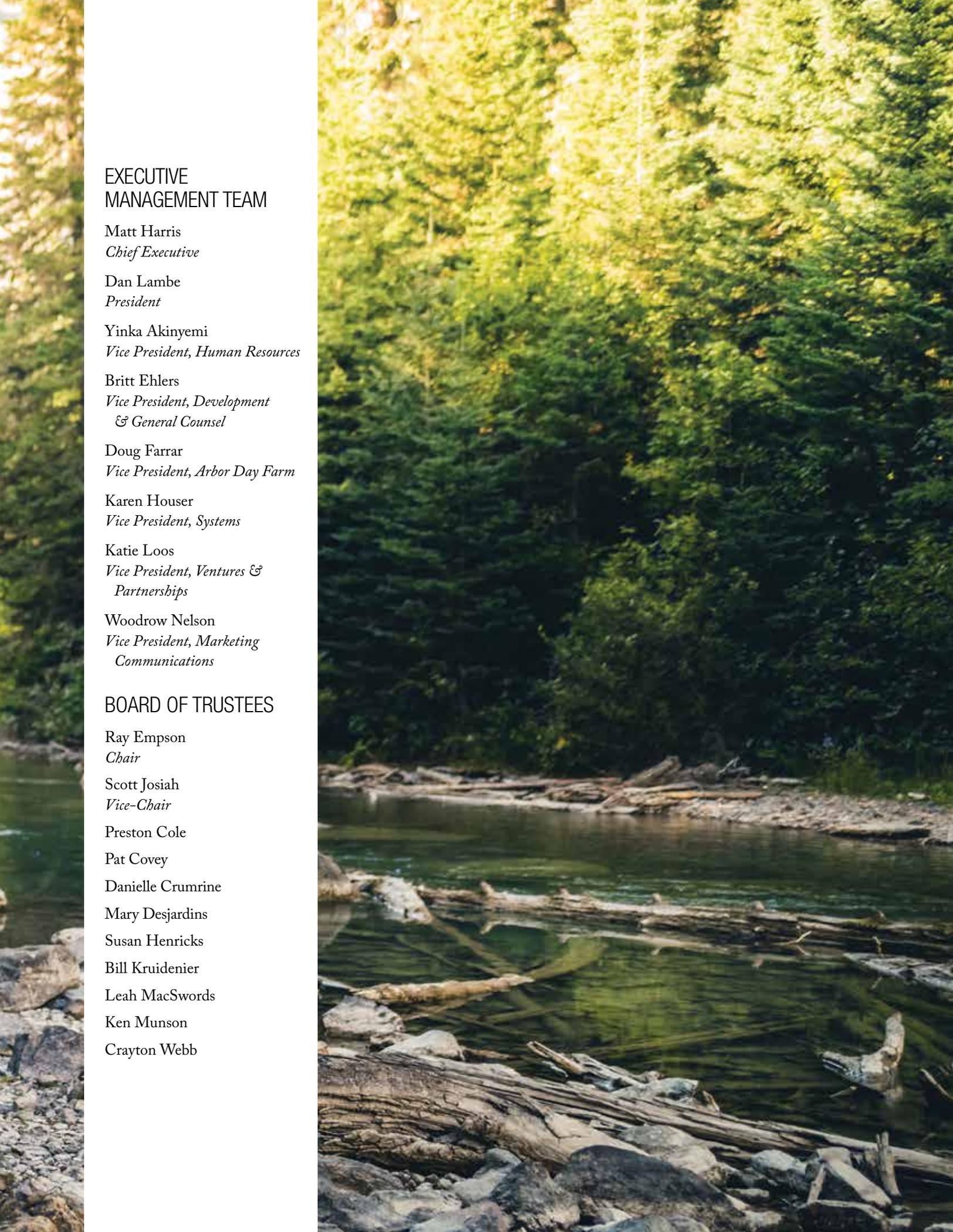
NOTE R — CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of Short Term Federal Investment Trust (STFIT) accounts at a financial institution. The STFIT accounts are not federally insured. At June 30, 2017 and 2016, the STFIT account balances totaled \$1,204,728 and \$195,040, respectively. The Foundation has mitigated this risk by collateralizing these balances with federal agency bonds.

NOTE S — SUBSEQUENT EVENTS

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





EXECUTIVE MANAGEMENT TEAM

Matt Harris
Chief Executive

Dan Lambe
President

Yinka Akinyemi
Vice President, Human Resources

Britt Ehlers
*Vice President, Development
& General Counsel*

Doug Farrar
Vice President, Arbor Day Farm

Karen Houser
Vice President, Systems

Katie Loos
*Vice President, Ventures &
Partnerships*

Woodrow Nelson
*Vice President, Marketing
Communications*

BOARD OF TRUSTEES

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Chair

Scott Josiah
Vice-Chair

Preston Cole

Pat Covey

Danielle Crumrine

Mary Desjardins

Susan Henricks

Bill Kruidenier

Leah MacSwords

Ken Munson

Crayton Webb



*The best friend of man on earth
is the tree.* – Frank Lloyd Wright

