

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

***June 30, 2019  
With Comparative Totals for  
June 30, 2018***

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



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

Year ended June 30, 2019  
With Comparative Totals for the Year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 23, 2019, 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 solely 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 the effectiveness of National Arbor Day Foundation d/b/a Arbor Day Foundation's 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.



Lincoln, Nebraska  
October 23, 2019

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

STATEMENT OF FINANCIAL POSITION

June 30, 2019  
With comparative totals as of June 30, 2018

ASSETS

	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (notes A and E)	\$ 2,008,809	\$ 5,481,864
Investments (notes A, B, E and N)	7,837,468	8,197,270
Accounts receivable (note A)	4,162,186	2,776,817
Grants receivable (note A)	597,771	540,356
Prepaid expense	519,109	346,766
Inventory (notes A and C)	4,129,434	2,361,497
Total current assets	19,254,777	19,704,570
<b>PROPERTY AND EQUIPMENT, net (notes A and D)</b>	28,736,696	28,790,335
<b>OTHER ASSETS</b>		
Restricted cash	1,178,106	1,732,003
Assets held for deferred compensation plan	17,159	-
Construction in progress	822,421	138,182
Contributions receivable from charitable trusts (notes E and N)	30,139	27,372
Total assets	\$ 50,039,298	\$ 50,392,462
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,930,124	\$ 1,824,084
Accrued expenses (note A)	4,726,805	4,284,649
Current maturities of long-term obligations (note G)	672,520	650,005
Deferred revenue (note A)	3,181,746	3,847,138
Total current liabilities	10,511,195	10,605,876
<b>LONG-TERM OBLIGATIONS</b>		
Deferred revenue (note A)	571,429	1,142,858
Long-term obligations, net of current maturities (note G)	20,373	691,293
Total long-term obligations	591,802	1,834,151
<b>OTHER LIABILITIES</b>		
Annuities payable (notes E and N)	732,991	763,182
Total liabilities	11,835,988	13,203,209
<b>NET ASSETS (notes A and H)</b>		
Without donor restrictions		
Undesignated	27,704,048	26,370,489
Designated	9,431,154	9,771,880
With donor restrictions	1,068,108	1,046,884
Total net assets	38,203,310	37,189,253
Total liabilities and net assets	\$ 50,039,298	\$ 50,392,462

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2019  
With comparative totals for the year ended June 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>CHANGES IN NET ASSETS</b>				
Revenue and support				
Membership dues	\$ 14,001,349	\$ -	\$ 14,001,349	\$ 12,819,666
Contributions	25,043,591	82,782	25,126,373	17,426,103
Trees for America	4,763,456	-	4,763,456	4,561,432
Program grant income (note I)	1,927,723	-	1,927,723	1,790,483
Arbor Day Farm income	9,426,800	-	9,426,800	9,758,123
Rain Forest Rescue income	3,210,969	-	3,210,969	4,994,145
Other income (note J)	1,737,815	(61,558)	1,676,257	1,651,187
	<u>60,111,703</u>	<u>21,224</u>	<u>60,132,927</u>	<u>53,001,139</u>
Total revenue and support				
Expenses				
Program services				
Tree City USA	1,159,578	-	1,159,578	1,851,901
Arbor Day/Youth Education	2,965,839	-	2,965,839	3,436,567
Rain Forest Rescue	4,789,764	-	4,789,764	6,701,044
Trees for America	22,989,138	-	22,989,138	18,202,839
Arbor Day Farm	11,825,022	-	11,825,022	13,241,085
Conference programs	632,759	-	632,759	1,138,901
Supporting activities				
General and administrative	6,367,102	-	6,367,102	1,705,603
Membership development	4,906,077	-	4,906,077	2,536,818
Fundraising	3,483,591	-	3,483,591	1,926,290
	<u>59,118,870</u>	<u>-</u>	<u>59,118,870</u>	<u>50,741,048</u>
Total expenses				
<b>INCREASE IN NET ASSETS</b>				
	992,833	21,224	1,014,057	2,260,091
Net assets, beginning of year	<u>36,142,369</u>	<u>1,046,884</u>	<u>37,189,253</u>	<u>34,929,162</u>
Net assets, end of year	<u>\$ 37,135,202</u>	<u>\$ 1,068,108</u>	<u>\$ 38,203,310</u>	<u>\$ 37,189,253</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019  
With comparative totals for the year ended June 30, 2018

	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 L)	\$ 495,700	\$ 576,685	\$ 362,352	\$ 2,519,681	\$ 5,602,785
Contract labor	-	34,085	-	52,058	114,709
Advertising and promotion (note A)	13,566	5,884	20,990	791,422	259,722
Printing, publications, mailing, and photography	133,906	517,535	1,368,208	3,153,876	152,695
Travel and mileage	28,497	148,745	40,586	130,284	53,908
Professional services	72,239	205,751	8,928	911,651	162,260
Recognition material	1,541	1,665	140	758	8,787
Professional development	1,487	-	-	2,617	9,647
Taxes	1,001	1,111	508	2,411	277,974
Repairs and maintenance	5,214	17,391	11,115	7,613	343,595
Tree purchases and shipping expenses	17,645	26,141	103,426	9,765,954	13,596
Rain forest preservation	-	-	17,756	-	-
Inventory purchases	210,497	51,956	2,169,703	-	1,425,447
Computer services	25,115	3,525	2,555	131,380	92,562
Bank charges	246	378	1,407	283,642	185,852
Insurance	1,255	1,255	5,917	1,813	196,077
Telephone and utilities	6,967	6,303	4,887	33,603	629,616
Postage	92,191	258,748	632,741	1,553,465	125,603
Office supplies	5,611	2,941	926	6,421	12,555
Operating supplies	2,368	3,921	1,541	4,012	517,092
Dues and subscriptions	2,410	2,886	4,515	55,660	11,796
Interest expense	30	-	-	54	39,358
Bad debts	15	-	1,178	-	14,996
Rental expense (note K)	-	24,907	5,110	3,575	46,449
Depreciation (note D)	36,522	36,522	18,551	67,349	1,496,601
Subsidies for community tree planting initiatives	-	1,026,484	-	1,308,993	-
Reforestation carbon credits	-	-	-	2,193,576	-
Miscellaneous	5,555	11,020	6,724	7,270	31,340
<b>TOTAL EXPENSES</b>	<b>\$ 1,159,578</b>	<b>\$ 2,965,839</b>	<b>\$ 4,789,764</b>	<b>\$ 22,989,138</b>	<b>\$ 11,825,022</b>
<b>TOTAL EXPENSES June 30, 2018</b>	<b>\$ 1,851,901</b>	<b>\$ 3,436,567</b>	<b>\$ 6,701,044</b>	<b>\$ 18,202,839</b>	<b>\$ 13,241,085</b>

See accompanying notes to financial statements.

Supporting Activities

Conference Programs	Total Program Services	General and Administrative	Membership Development	Fund Raising	2019 Totals	2018 Totals
\$ 123,867	\$ 9,681,070	\$ 4,533,694	\$ 706,751	\$ 965,351	\$ 15,886,866	\$ 14,788,298
-	200,852	-	-	-	200,852	178,138
25	1,091,609	248,480	-	85,282	1,425,371	523,393
6,289	5,332,509	6,923	2,160,154	1,025,968	8,525,554	7,204,752
22,925	424,945	174,865	12,992	177,153	789,955	616,987
33,340	1,394,169	179,020	64,534	51,941	1,689,664	1,747,046
53	12,944	7,872	-	689	21,505	30,487
-	13,751	37,868	-	2,775	54,394	62,473
50	283,055	56,477	6,221	10,715	356,468	343,134
-	384,928	40,003	158,929	31,863	615,723	417,594
-	9,926,762	-	20,507	7,877	9,955,146	8,362,111
-	17,756	-	-	-	17,756	19,514
-	3,857,603	33,367	-	245,648	4,136,618	4,683,031
-	255,137	488,497	1,327	17,781	762,742	688,787
515	472,040	35,313	680	8	508,041	499,025
361	206,678	81,047	7,798	7,668	303,191	312,776
617	681,993	18,928	29,855	36,560	767,336	754,480
827	2,663,575	11,297	1,484,701	540,586	4,700,159	3,991,298
601	29,055	16,194	14,090	10,263	69,602	29,605
309,420	838,354	41,548	5,651	7,118	892,671	786,430
-	77,267	8,527	-	12,580	98,374	36,220
-	39,442	-	-	-	39,442	65,399
-	16,189	576	-	-	16,765	44,079
26,403	106,444	43,969	-	-	150,413	180,027
-	1,655,545	221,168	226,959	223,190	2,326,862	2,309,351
-	2,335,477	-	-	20,915	2,356,392	975,985
-	2,193,576	-	-	-	2,193,576	691,199
107,466	169,375	81,469	4,928	1,660	257,432	399,429
<u>\$ 632,759</u>	<u>\$ 44,362,100</u>	<u>\$ 6,367,102</u>	<u>\$ 4,906,077</u>	<u>\$ 3,483,591</u>	<u>\$ 59,118,870</u>	
<u>\$ 1,138,901</u>	<u>\$ 44,572,337</u>	<u>\$ 1,705,603</u>	<u>\$ 2,536,818</u>	<u>\$ 1,926,290</u>		<u>\$ 50,741,048</u>

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2019  
With comparative totals for the year ended June 30, 2018

	2019	2018
Cash flows from operating activities		
Cash received from revenue and support	\$57,685,838	\$54,098,905
Cash paid to employees and suppliers	(58,314,864)	(46,861,216)
Interest received	153,068	47,366
Interest paid	(40,635)	(66,889)
Net cash provided (used) by operating activities	(516,593)	7,218,166
Cash flows from investing activities		
Purchase of investments	(105,811)	(1,345,212)
Proceeds from the sale of investments	137,113	141,828
Purchase of property and equipment	(2,756,954)	(1,501,512)
Net cash used by investing activities	(2,725,652)	(2,704,896)
Cash flows from financing activities		
Principal payments on long-term obligations	(647,594)	(637,044)
Principal payments on capital lease	-	(39,695)
Payments on annuities	(137,113)	(141,828)
Net cash used by financing activities	(784,707)	(818,567)
Net increase in cash, cash equivalents, and restricted cash	(4,026,952)	3,694,703
Cash, cash equivalents, and restricted cash, beginning of year	7,213,867	3,519,164
Cash, cash equivalents, and restricted cash, end of year	\$ 3,186,915	\$ 7,213,867
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Increase in net assets	\$ 1,014,057	\$ 2,260,091
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	2,326,862	2,309,351
Investment (gain) loss	324,922	(417,407)
Actuarial loss on annuities	83,033	120,388
Decrease in contributions for annuity liabilities	23,889	43,513
Loss on disposal of property and equipment	-	216
Donated property and equipment	(29,101)	(25,617)
(Increase) decrease in assets		
Accounts receivable	(1,385,369)	(577,668)
Grants receivable	(57,415)	(4,984)
Prepaid expense	(172,343)	4,878
Inventory	(1,767,937)	(21,205)
Assets held for deferred compensation plan	(17,159)	-
Increase (decrease) in liabilities		
Accounts payable	(65,367)	659,549
Accrued expenses	442,156	860,370
Deferred revenue	(1,236,821)	2,006,691
Total adjustments to increase in net assets	(1,530,650)	4,958,075
Net cash provided (used) by operating activities	\$ (516,593)	\$ 7,218,166
Supplemental disclosure of noncash information:		
Noncash investing activities		
Accounts payable assumed for property and equipment purchases	\$ 230,298	\$ 58,891
In-kind donations of property and equipment	\$ 29,101	\$ 25,617
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	\$ 2,008,809	\$ 5,481,864
Restricted cash	1,178,106	1,732,003
Cash, cash equivalents, and restricted cash	\$ 3,186,915	\$ 7,213,867

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

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

**New Accounting Pronouncement.** On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

**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 \$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

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

NOTES TO FINANCIAL STATEMENTS

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

**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 anytime. All accumulated vacation time is paid out upon termination. Accrued vacation for the years ended June 30, 2019 and 2018 was \$512,610 and \$491,120, 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, 2019 and 2018 was \$1,425,371 and \$523,393, 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.

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

**Fair Value Measurements.** The Financial Accounting Standards Board has issued guidance defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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

NOTES TO FINANCIAL STATEMENTS

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

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, 2018, from which the summarized information was derived.

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

NOTES TO FINANCIAL STATEMENTS

**NOTE B - INVESTMENTS**

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	\$ 7,357,956	\$ 7,682,317	\$ 7,724,520	\$ 7,988,094
Agency bonds	75,722	76,587	115,991	114,740
Exchange traded funds	62,099	78,564	76,653	94,436
	<u>\$ 7,495,777</u>	<u>\$ 7,837,468</u>	<u>\$ 7,917,164</u>	<u>\$ 8,197,270</u>
Unrealized gains		<u>\$ 341,691</u>		<u>\$ 280,106</u>

Other income - investment income consists of:

	2019	2018
Interest and dividend income	\$ 213,451	\$ 190,666
Realized gains	66,577	20,710
Unrealized gains (losses)	(84,246)	224,130
Investment management fees	(31,613)	(33,687)
	<u>\$ 164,169</u>	<u>\$ 401,819</u>

**NOTE C - INVENTORY**

Inventory consists of:

	2019	2018
Food and beverage inventory	\$ 260,116	\$ 314,997
Merchandise inventory	121,638	100,276
Coffee inventory	298,985	1,247,833
Catalog inventory	201,154	191,433
Other print inventory	72,456	76,738
Greenhouse inventory	77,651	108,272
Carbon inventory	3,043,904	195,919
Miscellaneous inventory	53,530	126,029
	<u>\$ 4,129,434</u>	<u>\$ 2,361,497</u>

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	2019	2018
Land	\$ 4,496,807	\$ 4,496,807
Buildings	37,241,476	35,576,901
Leasehold improvements	125,082	125,082
Farm improvements	1,563,981	1,563,981
Orchards	78,210	78,210
Computer hardware	2,673,714	2,572,381
Lied Lodge and Conference Center equipment and improvements	4,504,563	4,504,563
Furniture and equipment	4,350,675	4,083,122
Computer software	4,115,692	3,875,930
	59,150,200	56,876,977
Less accumulated depreciation	(30,413,504)	(28,086,642)
	\$28,736,696	\$ 28,790,335

Depreciation expense for the years ended June 30, 2019 and 2018 was \$2,326,862 and \$2,309,351, 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, 2019 and 2018, contributions include gift annuity contracts valued at \$47,374 and \$37,655, 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 FINANCIAL STATEMENTS

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

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

	2019	2018
Cash and cash equivalents	\$ 36,687	\$ 10,739
Contributions receivable from charitable trusts	30,139	27,372
Investments	1,436,225	1,455,695
	\$ 1,503,051	\$ 1,493,806

**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, 2019 and 2018. The revolving credit note expires January 31, 2020.

In addition, the Foundation has established an irrevocable letter of credit of \$1,027,788 for both years ended June 30, 2019 and 2018, for securing payment drawn in favor of a USDA Forest Service agreement. The letter of credit matures on January 31, 2020 and may be renewed at that time. The fee for the letter of credit is waived. There was no outstanding balance under the letter of credit as of June 30, 2019 and 2018.

**NOTE G - LONG-TERM OBLIGATIONS**

Long-term obligations consist of:

Note payable to Union Bank & Trust Co., Lincoln, Nebraska, with 3.75% interest. Secured by substantially all assets of the Foundation. Payable in monthly installments of \$54,989, maturing June 17, 2020.	\$ 646,254	\$ 1,269,443
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.	46,639	71,855
Less current maturities	692,893 (672,520)	1,341,298 (650,005)
	\$ 20,373	\$ 691,293

Aggregate annual maturities of long-term obligations for the years following June 30, 2019, are as follows:

Year ending June 30,	
2020	\$ 672,520
2021	20,373
	\$ 692,893

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**NOTE H - NET ASSETS**

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

	2019	2018
Board designated:		
Board desinated reserve fund (cash and investments)	\$ 6,134,723	\$ 6,494,256
Board designated reserve fund (property)	3,075,257	3,075,257
Quasi-endowment fund	221,174	202,367
	\$ 9,431,154	\$ 9,771,880

Net assets with donor restrictions comprise the following:

Subject to purpose restrictions:		
Exhibition center	\$ 209,000	\$ 209,000
Earnings on permanently restricted endowment funds	22,737	19,532
Hazelnut project	32,751	32,751
Subject to time restrictions:		
Split-interest agreements	763,177	745,158
Subject to perpetual restrictions:		
Permanent endowments	40,443	40,443
	\$ 1,068,108	\$ 1,046,884

There were no net assets released from donor restrictions either by incurring expenses satisfying the restricted purpose or time specified by the donors for the years ended June 30, 2019 and 2018.

As discussed in Note A, the Foundation adopted ASU 2016-14 as of and for the year June 30, 2019. In accordance with the ASU, changes in net assets are as follows:

	Previously Reported	ASU 2016-14 Implementation	As Adjusted
Unrestricted net assets as of June 30, 2018	\$ 36,142,369	\$ (36,142,369)	\$ -
Temporarily restricted net assets as of June 30, 2018	1,006,441	(1,006,441)	-
Permanently restricted net assets as of June 30, 2018	40,443	(40,443)	-
Without donor restriction as of July 1, 2018	-	36,142,369	36,142,369
With donor restrictions as of July 1, 2018	-	1,046,884	1,046,884
Total net assets as of July 1, 2018	\$ 37,189,253	\$ -	\$ 37,189,253

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**NOTE I - PROGRAM GRANTS**

During the years ended June 30, 2019 and 2018, grant income consisted of:

Grant Source	Grant Purpose	2019	2018
<b>Government:</b>			
U.S. Department of Agriculture	Tree City USA	\$ 237,091	\$ 197,000
	Public Service Ads	-	140,000
	Nature Explore Classrooms	-	205,977
	Partners Conference Support	4,885	-
	Urban Community Forestry Program	386,738	193,625
	NIFA Specialty Crop Research Initiative	99,444	110,614
	Sustainable Urban Forests Coalition	168,772	88,151
	Orchard Ozone Project	43,400	-
		<u>940,330</u>	<u>935,367</u>
Nebraska Environmental Trust	Biomass Chiller	-	64,997
State of Vermont	Cooperative Forestry Assistance	<u>25,300</u>	<u>-</u>
	Government grant income	<u>965,630</u>	<u>1,000,364</u>
<b>Private:</b>			
CSX		54,000	269,500
Boise		-	30,000
TD Green Streets		250,000	210,000
Kropp/Nelson		20,000	44,000
Earthshare		3,562	9,183
Sunderland		575,000	100,000
TD Tree Days		42,000	15,250
Fogg Charitable Trust		-	100,000
Others		<u>17,531</u>	<u>12,186</u>
	Private grant income	<u>962,093</u>	<u>790,119</u>
	Total grant income	<u>\$ 1,927,723</u>	<u>\$ 1,790,483</u>

**NOTE J - OTHER INCOME**

Other income consists of:

List rental income	\$ 507,411	\$ 345,229
Education material sales	88,796	85,108
Tree City USA material sales	46,004	40,414
Conference and training	567,166	569,603
Rental income	135,268	137,363
Royalty income	14,375	9,867
Investment income	164,169	401,819
Interest income	153,068	47,366
Loss on sale or disposal of property and equipment	-	(216)
Other income	<u>-</u>	<u>14,634</u>
	<u>\$ 1,676,257</u>	<u>\$ 1,651,187</u>

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**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, 2046.

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

The Foundation leases office equipment under an operating lease which expires June 2020.

Rent expense for the years ended June 30, 2019 and 2018 was \$150,413 and \$180,027, respectively.

Future minimum lease payments for the years following June 30, 2019 are as follows:

<u>Year ending June 30,</u>	
2020	\$ 61,477
2021	51,796
2022	39,098
2023	26,400
2024	26,400
2025 and thereafter	<u>594,000</u>
	<u>\$ 799,171</u>

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, base lease payments were \$97,156 annually until December 31, 2018. The tenant is also responsible for its proportionate share of common area maintenance charges. This lease was extended three years and lease payments are \$97,156 annually until December 31, 2021. Thereafter, the lessee has two renewal options, the first for three years at \$106,608 annually and the second for five years at \$113,112.

Rent income for the years ended June 30, 2019 and 2018 was \$135,268 and \$137,363, respectively.

Future minimum lease revenue for the years following June 30, 2019 is as follows:

<u>Year ending June 30,</u>	
2020	\$ 97,156
2021	97,156
2022	<u>48,578</u>
	<u>\$ 242,890</u>

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**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 \$337,389 and \$224,537 for the years ended June 30, 2019 and 2018, respectively. Employees become vested in the matching contributions over a five year period, 20% each year.

During the year ended June 30, 2019, the Foundation created a salary deferral plan for eligible employees under IRC Section 457(b). Executive team members, as designated by the Foundation, are eligible to participate in the plan. As of June 30, 2019, \$74,153 has been deferred on behalf of the participants.

**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:

	<u>2019</u>	<u>2018</u>
Total joint costs allocated to program services	\$ 3,460,822	\$ 2,464,142
Total joint costs allocated to fundraising	<u>1,401,578</u>	<u>1,319,417</u>
	<u>\$ 4,862,400</u>	<u>\$ 3,783,559</u>

**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, 2019 and 2018.

*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 2.8 percent (2019) and 3.4 percent (2018) as provided in Internal Revenue Service (IRS) guidelines, and the estimate remaining life of the donor as provided in actuarial tables.

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**NOTE N - FAIR VALUE MEASUREMENTS - CONTINUED**

*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 5.50 percent (2019) and 5.00 percent (2018) 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 and Conference Center equipment and improvements:* Valued using quoted prices for similar assets as provided by the vendors of such assets.

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, 2019 and 2018.

	2019			
	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	\$ 2,042,605	\$ 2,042,605	\$ -	\$ -
Mid cap	48,949	48,949	-	-
Small cap	760,561	760,561	-	-
International	1,477,731	1,477,731	-	-
High yield bond	29,320	29,320	-	-
Intermediate-term bond	735,867	735,867	-	-
Short-term bond	1,883,172	1,883,172	-	-
World bond	216,836	216,836	-	-
Inflation-protected bond	308,312	308,312	-	-
Commodities	178,964	178,964	-	-
Agency bonds				
AA+/Aaa	76,587	-	76,587	-
Exchange traded funds				
Large blend	59,597	59,597	-	-
Foreign large blend	18,967	18,967	-	-
	<u>\$ 7,837,468</u>	<u>\$ 7,760,881</u>	<u>\$ 76,587</u>	<u>\$ -</u>
Contributions receivable from charitable trusts	<u>\$ 30,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,139</u>
Annuities payable	<u>\$ 732,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732,991</u>

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

NOTES TO FINANCIAL STATEMENTS

**NOTE N - FAIR VALUE MEASUREMENTS - CONTINUED**

	2018			
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	\$ 2,155,073	\$ 2,155,073	\$ -	\$ -
Mid cap	45,595	45,595	-	-
Small cap	916,706	916,706	-	-
International	1,111,625	1,111,625	-	-
High yield bond	28,301	28,301	-	-
Intermediate-term bond	774,794	774,794	-	-
Short-term bond	1,976,381	1,976,381	-	-
World bond	466,293	466,293	-	-
Inflation-protected bond	319,657	319,657	-	-
Commodities	193,669	193,669	-	-
Agency bonds				
AA+/Aaa	85,003	-	85,003	-
Taxable	29,737	-	29,737	-
Exchange traded funds				
Domestic equity	72,201	72,201	-	-
Global equity	22,235	22,235	-	-
	\$ 8,197,270	\$ 8,082,530	\$ 114,740	\$ -
Contributions receivable from charitable trusts	\$ 27,372	\$ -	\$ -	\$ 27,372
Annuities payable	\$ 763,182	\$ -	\$ -	\$ 763,182

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, 2019 and 2018.

	Contributions Receivable from Charitable Trusts	Annuities Payable
Balance at June 30, 2017	\$ 28,962	\$ 741,109
Annuity liabilities added	-	52,345
Annuity liabilities released	-	(8,832)
Payments on annuities	-	(141,828)
Actuarial change in split-interest agreements	(1,590)	120,388
Balance at June 30, 2018	27,372	763,182
Annuity liabilities added	-	57,626
Annuity liabilities released	-	(33,737)
Payments on annuities	-	(137,113)
Actuarial change in split-interest agreements	2,767	83,033
Balance at June 30, 2019	\$ 30,139	\$ 732,991

National Arbor Day Foundation  
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NOTES TO FINANCIAL STATEMENTS

**NOTE N - FAIR VALUE MEASUREMENTS - CONTINUED**

The following table sets forth the balances of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2019 and 2018.

	2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property and equipment: Lied Lodge and Conference Center equipment and improvements	\$ 29,101	\$ 29,101	\$ -	\$ -

  

	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property and equipment: Lied Lodge and Conference Center equipment and improvements	\$ 25,617	\$ 25,617	\$ -	\$ -

**NOTE O - 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, 2019 and 2018, 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, 2039 and the Nebraska carryforward will expire between now and June 30, 2024. The loss carryforwards at June 30, 2019 total \$15,687,536 (Federal) and \$2,876,390 (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, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE P - COMMITMENTS**

The Foundation had open commitments to purchase coffee in the amount of \$310,341 and to purchase trees in the amount of \$2,880,454 as of June 30, 2019. All are expected to be paid during the year ending June 30, 2020.

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

NOTES TO FINANCIAL STATEMENTS

**NOTE Q - 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, 2019 and 2018, the STFIT account balances totaled \$3,114,239 and \$5,593,391 respectively. The Foundation has mitigated this risk by collateralizing these balances with federal agency bonds.

**NOTE R - LIQUIDITY AND AVAILABILITY**

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

	2019	2018
Cash and cash equivalents	\$ 2,008,809	\$ 5,481,864
Investments	7,837,468	8,197,270
Accounts receivable	4,162,186	2,776,817
Grants receivable	597,771	540,356
Inventory	4,129,434	2,361,497
Total financial assets	18,735,668	19,357,804
Donor imposed restrictions:		
Subject to expenditure for specified purpose or time	(1,068,108)	(1,046,884)
Net financial assets after donor-imposed restrictions	17,667,560	18,310,920
Less:		
Board-designated cash and investment funds	(6,355,897)	(6,696,623)
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,311,663	\$ 11,614,297

As part of the liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$6,134,723 as of year-end date. The operating reserve is a board-designated fund with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated short-term liquidity need, the organization also could draw upon a \$3,000,000 available line of credit.

**NOTE S - SUBSEQUENT EVENTS**

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

HIBE

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# HIBE

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. Department of Agriculture, Forest Service Cooperative Forestry Assistance	10.664	14-DG-11132540-079	\$ 25,300
Urban Community Forestry Program	10.675	18-DG-11020000-037 19-DG-11020000-019 17-DG-11132544-006 17-DG-11132544-003 19-DG-11083150-001	40,091 197,000 386,738 168,772 4,885
			<u>797,486</u>
U.S. Department of Agriculture, Agricultural Marketing Service/ Nebraska Department of Agriculture Specialty Crop Block Grant Program - Farm Bill	10.170	AM170100XXXXG035	<u>43,400</u>
U.S. Department of Agriculture, National Institute of Food and Agriculture/ Oregon State University Specialty Crop Research Initiative	10.309	2016-51181-25412	<u>99,444</u>
			<u>\$ 965,630</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Basis of Presentation.** The accompanying schedule of federal awards includes the federal grant activity of National Arbor Day Foundation d/b/a Arbor Day Foundation (the Foundation) and is presented on the accrual basis of accounting. Grant awards are considered expended when the expense transactions associated with the grant occur. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the financial statements.

**Subrecipients.** The Foundation provided no federal awards to subrecipients.

**Indirect Costs.** The Foundation elected to use the ten percent de minimis indirect cost rate allowed in the Uniform Guidance, 2 CFR 200.414.

# HIBE

SINGLE AUDIT SECTION

HIBE

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INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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, we do not express an opinion on the effectiveness of the National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether National Arbor Day Foundation d/b/a Arbor Day Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink, appearing to read "HBE LLP".

Lincoln, Nebraska  
October 23, 2019



INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal program for the year ended June 30, 2019. National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance.

## Opinion on Each Major Federal Program

In our opinion, National Arbor Day Foundation d/b/a Arbor Day Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of National Arbor Day Foundation d/b/a Arbor Day Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lincoln, Nebraska  
October 23, 2019

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

**Summary of Auditor's Results**

- a. An unmodified audit report was issued on the financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation.
- b. No control deficiencies in internal control were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which would be material to the financial statements.
- d. No control deficiencies in internal control over its major federal award program were disclosed by the audit.
- e. An unmodified audit report was issued on compliance for National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal award program.
- f. The audit disclosed no findings which were required to be reported relative to the major federal award program.
- g. The program tested as a major program was the U.S. Department of Agriculture, Forest Service Urban and Community Forestry Program – CFDA No. 10.675.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. National Arbor Day Foundation d/b/a Arbor Day Foundation qualified as a low-risk auditee as defined by the Uniform Guidance.

**Findings - Financial Statements Audit**

None.

**Findings and Questioned Costs - Major Federal Awards Program Audit**

None.