

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

*June 30, 2025
With Comparative Totals for
June 30, 2024*

*Consolidated Financial Statements
and
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

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

Year ended June 30, 2025
With Comparative Totals for the Year ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of National Arbor Day Foundation d/b/a Arbor Day Foundation and its subsidiaries as of June 30, 2025, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of National Arbor Day Foundation d/b/a Arbor Day Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Arbor Day Foundation d/b/a Arbor Day Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited National Arbor Day Foundation d/b/a Arbor Day Foundation's June 30, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, net assets, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025 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.

ABE LLP

Lincoln, Nebraska
December 3, 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2025
With comparative totals as of June 30, 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents (notes A and E)	\$ 46,422,956	\$ 30,270,917
Certificates of deposit (notes A and P)	5,130,643	-
Investments (notes A, B, E and L)	12,745,311	10,540,054
Accounts receivable, net of allowance of \$92,177 (2025) and \$37,156 (2024) (note A)	6,526,832	5,768,125
Unconditional promises to give (note A)	1,025,393	552,834
Grants receivable (note A)	1,297,527	850,986
Prepaid expense	8,623,178	10,665,236
Refundable income taxes (notes A and M)	24	856,179
Inventory (notes A and C)	5,142,242	15,001,366
Total current assets	86,914,106	74,505,697
PROPERTY AND EQUIPMENT, net (notes A and D)	34,796,341	31,009,184
OTHER ASSETS		
Investments held for deferred compensation plan (notes B and L)	353,152	307,821
Program-related debt investments (notes A and N)	500,000	-
Program-related equity investments (note A)	900,000	-
Intangible asset	-	5,867
Operating lease right-of-use assets (notes A and I)	1,720,799	1,887,674
Construction in progress	202,638	2,651,310
Contributions receivable from charitable trusts (notes E and L)	34,190	32,396
Total other assets	3,710,779	4,885,068
Total assets	<u>\$ 125,421,226</u>	<u>\$ 110,399,949</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 3,285,359	\$ 2,341,514
Accrued expenses (notes A and S)	11,698,218	7,967,414
Operating lease obligations, current portion (notes A and I)	165,778	168,843
Conditional contributions (note A)	7,100,842	5,659,365
Deferred revenue (notes A and R)	2,400,214	1,342,793
Total current liabilities	24,650,411	17,479,929
LONG-TERM OBLIGATIONS		
Operating lease obligations, net of current portion (notes A and I)	1,567,970	1,733,748
Deferred revenue, net of current portion (notes A and R)	655,500	750,000
Total long-term liabilities	2,223,470	2,483,748
OTHER LIABILITIES		
Annuities payable (notes E and L)	1,071,629	529,870
Total liabilities	27,945,510	20,493,547
NET ASSETS (notes A and G)		
Without donor restrictions		
Undesignated	80,858,911	75,004,708
Designated	13,443,354	12,214,221
With donor restrictions	3,173,451	2,687,473
Total net assets	97,475,716	89,906,402
Total liabilities and net assets	<u>\$ 125,421,226</u>	<u>\$ 110,399,949</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2025
With comparative totals for the year ended June 30, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
CHANGES IN NET ASSETS				
Revenue and support				
Membership dues	\$ 14,977,580	\$ -	\$ 14,977,580	\$ 12,533,868
Contributions	57,440,661	1,451,062	58,891,723	54,780,455
Forestry carbon sales	12,993,841	-	12,993,841	14,648,867
Nursery sales	4,445,652	-	4,445,652	5,087,350
Program grant income	11,768,821	-	11,768,821	3,021,298
Arbor Day Farm income	12,863,718	-	12,863,718	12,469,343
Rain Forest Rescue income	269,718	-	269,718	278,646
Other income (note H)	6,089,873	180,020	6,269,893	6,745,811
Net assets released from restrictions (note A)	1,145,104	(1,145,104)	-	-
Total revenue and support	<u>121,994,968</u>	<u>485,978</u>	<u>122,480,946</u>	<u>109,565,638</u>
Expenses				
Program services				
Tree City USA	1,900,010	-	1,900,010	1,785,303
Arbor Day/Youth Education	1,767,938	-	1,767,938	1,996,846
Rain Forest Rescue	226,260	-	226,260	644,715
Trees for America	60,001,176	-	60,001,176	62,719,915
Arbor Day Farm	16,455,290	-	16,455,290	14,968,083
Conference programs	1,564,557	-	1,564,557	1,439,958
Supporting activities				
General and administrative	12,150,711	-	12,150,711	14,139,267
Membership development	11,373,766	-	11,373,766	9,826,120
Fundraising	9,466,979	-	9,466,979	7,761,639
Total expenses	<u>114,906,687</u>	<u>-</u>	<u>114,906,687</u>	<u>115,281,846</u>
Increase (decrease) in net assets before income taxes	7,088,281	485,978	7,574,259	(5,716,208)
Income tax expense (notes A and M) Current	<u>4,945</u>	<u>-</u>	<u>4,945</u>	<u>38,317</u>
INCREASE (DECREASE) IN NET ASSETS	7,083,336	485,978	7,569,314	(5,754,525)
Net assets, beginning of year	<u>87,218,929</u>	<u>2,687,473</u>	<u>89,906,402</u>	<u>95,660,927</u>
Net assets, end of year	<u>\$ 94,302,265</u>	<u>\$ 3,173,451</u>	<u>\$ 97,475,716</u>	<u>\$ 89,906,402</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2025
With comparative totals for the year ended June 30, 2024

	Program Services						Supporting Activities					
	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	Fund Raising	2025 Totals	2024 Totals
Salaries, payroll taxes and employee benefits	\$ 1,208,212	\$ 465,529	\$ 1	\$ 6,488,705	\$ 7,769,685	\$ 198,488	\$ 16,130,620	\$ 6,261,373	\$ 1,891,762	\$ 5,125,130	\$ 29,408,885	\$ 27,116,569
Contract labor	30	19,883	-	46,185	110,982	-	177,080	23,659	93	123	200,955	214,316
Advertising and promotion (note A)	20,469	42,525	12,263	909,461	335,844	351	1,320,913	196,531	355,054	284,950	2,157,448	1,984,754
Printing, publications, mailing, and photography	80,778	383,889	1,390	1,873,423	55,003	10,330	2,404,813	334,944	4,634,096	1,566,060	8,939,913	10,156,734
Travel and mileage	75,491	47,517	-	232,868	85,333	23,557	464,766	366,230	9,479	433,423	1,273,898	1,382,996
Professional services	66,534	151,057	525	6,428,486	343,443	63,230	7,053,275	1,822,477	72,413	274,524	9,222,689	6,207,392
Recognition material	2,157	330	-	2,229	4,867	-	9,583	142,408	779	2,555	155,325	82,563
Professional development	4,027	1,107	-	10,324	13,068	-	28,526	26,272	4,847	13,427	73,072	61,451
Taxes	(29)	586	481	16,546	135,394	-	152,978	33,625	(88)	1,813	188,328	270,494
Repairs and maintenance	10,564	22,104	2,800	113,866	470,148	-	619,482	263,976	207,716	43,029	1,134,203	975,317
Tree purchases and shipping expenses	-	1,093	-	9,644,177	-	-	9,645,270	5,436	133,286	-	9,783,992	8,439,349
Reforestation expenses	-	-	-	10,154,809	-	-	10,154,809	-	-	-	10,154,809	10,996,306
Rain forest preservation	-	-	758	-	-	-	758	-	-	-	758	7,651
Inventory costs	309,107	70,521	184,072	-	1,936,396	-	2,500,096	44,458	-	502,225	3,046,779	2,887,425
Computer services	42,723	210	-	693,196	265,634	25,656	1,027,419	854,609	4,193	197,534	2,083,755	2,062,103
Bank charges	58	-	-	589,587	300,769	65,629	956,043	14,949	-	772	971,764	893,839
Insurance	2,283	-	17,787	87,722	656,622	-	764,414	354,758	7,020	9,303	1,135,495	608,982
Telephone and utilities	3,798	809	-	60,951	682,963	189	748,710	114,348	11,498	19,795	894,351	856,645
Postage and shipping	27,894	526,765	2,584	1,011,335	4,284	2,006	1,574,868	94,375	3,959,207	816,045	6,444,495	6,188,778
Office supplies	519	-	-	5,440	12,600	4	18,563	9,519	508	1,746	30,336	81,576
Operating supplies	2,756	1,476	56	95,517	618,056	683,658	1,401,519	79,848	3,771	58,624	1,543,762	1,465,123
Dues and subscriptions	2,676	217	-	96,511	59,268	-	158,672	73,718	3,892	15,876	252,158	218,704
Bad debts	-	19	3,022	9,571	56,884	-	69,496	193,258	18	7	262,779	122,126
Rental expense (note I)	13	1,791	-	24,804	96,328	186,381	309,317	131,787	3,436	7,773	452,313	539,505
Depreciation (note D)	17,571	-	-	221,452	2,333,092	-	2,572,115	601,160	54,039	75,367	3,302,681	3,211,055
Subsidies for community tree planting initiatives	-	29,606	-	10,978,053	-	-	11,007,659	-	-	-	11,007,659	6,531,061
Forestry carbon credits (note A)	-	-	-	10,168,171	-	-	10,168,171	-	-	-	10,168,171	21,212,035
Research and development	-	-	90	426	181	-	697	2,107	-	1	2,805	34,986
Miscellaneous	22,379	904	431	37,361	108,446	305,078	474,599	104,886	16,747	16,877	613,109	472,011
TOTAL EXPENSES	\$ 1,900,010	\$ 1,767,938	\$ 226,260	\$ 60,001,176	\$ 16,455,290	\$ 1,564,557	\$ 81,915,231	\$ 12,150,711	\$ 11,373,766	\$ 9,466,979	\$ 114,906,687	
TOTAL EXPENSES June 30, 2024	\$ 1,785,303	\$ 1,996,846	\$ 644,715	\$ 62,719,915	\$ 14,968,083	\$ 1,439,958	\$ 83,554,820	\$ 14,139,267	\$ 9,826,120	\$ 7,761,639		\$ 115,281,846

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2025
With comparative totals for the year ended June 30, 2024

	2025	2024
Cash flows from operating activities		
Cash received from revenue and support	\$ 119,572,863	\$ 106,547,205
Cash paid to employees and suppliers	(94,135,955)	(110,185,921)
Interest received	1,888,084	1,849,595
Net cash provided (used) by operating activities	<u>27,324,992</u>	<u>(1,789,121)</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(5,000,000)	-
Purchase of investments	(1,786,422)	(1,097,306)
Proceeds from the sale of investments	1,564,635	1,256,912
Purchase of property and equipment	(5,250,920)	(3,284,715)
Proceeds from disposal of assets	795,575	2,159,531
Purchase of program-related debt investments	(500,000)	-
Purchase of program-related equity investments	(900,000)	-
Net cash used by investing activities	<u>(11,077,132)</u>	<u>(965,578)</u>
Cash flows from financing activities		
Payments on annuities	(95,821)	(94,019)
Net increase (decrease) in cash and cash equivalents	16,152,039	(2,848,718)
Cash and cash equivalents, beginning of year	30,270,917	33,119,635
Cash and cash equivalents, end of year	<u>\$ 46,422,956</u>	<u>\$ 30,270,917</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ 7,569,314	\$ (5,754,525)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	3,302,681	3,211,055
Reduction in the carrying amount of right-of-use assets	166,875	213,962
Reinvested interest and dividends	(448,482)	(213,885)
Gain on disposal of assets	(795,575)	(1,575,360)
Bad debt expense	262,779	122,126
Investment gain	(1,035,329)	(1,010,083)
Actuarial loss on annuities	2,613	33,571
Retired annuity liabilities	2,871	15,708
(Increase) decrease in assets		
Accounts receivable	(1,021,486)	816,689
Unconditional promises to give	(472,559)	108,174
Grants receivable	(446,541)	(553,552)
Prepaid expense	2,042,058	3,765,527
Refundable income taxes	856,155	(5,114)
Inventory	9,859,124	1,008,543
Assets held for deferred compensation plan	(45,331)	(79,553)
Increase (decrease) in liabilities		
Accounts payable	1,559,466	(566,836)
Accrued expenses	3,730,804	(837,446)
Operating lease obligations	(168,843)	(171,941)
Conditional contributions	1,441,477	(763,732)
Deferred revenue	962,921	447,551
Total adjustments to reconcile increase (decrease) in net assets	<u>19,755,678</u>	<u>3,965,404</u>
Net cash provided (used) by operating activities	<u>\$ 27,324,992</u>	<u>\$ (1,789,121)</u>
Supplemental disclosure of noncash information:		
Noncash investing activities		
Accounts payable assumed for property and equipment purchases	<u>\$ 161,993</u>	<u>\$ 777,614</u>

See accompanying notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Arbor Day Impact Fund (the Fund) was formed on January 1, 2025 as a Nebraska non-profit corporation and has applied for its 501(c)(3) status. It is a wholly owned subsidiary of ADF. The purpose of the Fund is to further ADF's mission by investing in mission-aligned projects that address environmental challenges, promote sustainable practices, foster innovation in tree conservation and environmental stewardship, mitigate climate change, and enhance reforestation efforts..

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Comparative Financial Information. The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Cash and Cash Equivalents. For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data in addition to current conditions and forecasts, the Foundation has not recognized an expected credit loss.

Certificates of Deposit. Certificates of deposit have original maturities greater than three months but less than one year. The certificates of deposit bear interest at rates ranging from 4.15% to 4.25%, with maturity dates in November 2025. Certificates of deposit are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data in addition to current conditions and forecasts, the Foundation has not recognized an expected credit loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments. Investments in marketable securities, including equity and debt securities, with readily determinable fair values are reported at their fair values in the consolidated statement of financial position. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments. Unrealized gains and losses are included in the consolidated statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

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 framework 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: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. | |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Accounts Receivable. Receivables represent the Foundation's present right to consideration that is unconditional. Trade accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Accounts receivable were \$6,526,832, \$5,768,125, and \$6,706,940 as of June 30, 2025, 2024, and 2023, respectively.

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

Allowance for credit losses is based on management's review of historical losses based on aging receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The Foundation believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Foundation's customers have remained consistent. Based on management's review, the Foundation has recorded a provision for expected credit loss of \$92,177 as of June 30, 2025, and \$37,156 as of June 30, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Unconditional 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. Management provides for probable uncollectible unconditional promises receivable through a charge to net assets and a credit to a valuation allowance based on prior years' experience and management's analysis of specific promises made. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

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 net realizable value determined by the first-in, first-out method. During the year ended June 30, 2024, an impairment charge of \$9,471,172 was recorded due to a decline in the estimated selling price of certain carbon credits. This loss was recognized in the consolidated statement of functional expenses as forestry carbon credits expense.

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

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

Program-Related Debt Investments. Program-related debt investments are distinguished from other investments in that their primary objective is to accomplish programmatic goals rather than to generate investment return. Program-related debt investments are reported at the amount management expects to collect on balances outstanding at year-end.

Allowance for credit losses is based on management's review of historical losses. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. In the Foundation's initial year of providing program-related debt investments, management believes its assessment of current conditions and reasonable and supportable forecasts regarding future events is a reasonable starting point in which to calculate the expected allowance for credit losses. Based on management's review, the Foundation has not recognized an expected credit loss.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Program-Related Equity Investments. Program-related equity investments are distinguished from other investments in that their primary objective is to accomplish programmatic goals rather than to generate investment return. The investments are recorded at cost, minus impairment, if any.

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

As lessee

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

Operating Leases

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

As lessor

Operating Leases

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

Accrued Vacation. The Foundation's vacation pay policy allows full-time employees 80 hours of vacation time for the first year of full-time employment, increasing each year of employment up to a maximum of 160 hours per year after 10 years of employment. Vacation time is also available on a pro-rata basis for regular part-time employees. Up to 160 hours of accrued vacation time may be carried into a new calendar year but no more than 160 hours may be accumulated and unused at any time. All accumulated vacation time is paid out upon termination. Accrued vacation for the years ended June 30, 2025 and 2024 was \$1,048,468 and \$956,275, respectively.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Government and Other Grants.

The Foundation is the recipient of federal, state, and local grants to fund its primary programs. Grants consist primarily of conditional grants, that is, those with a measurable performance or other barrier, and a right of return. Grants are not recognized until the conditions on which they depend have been substantially met. The federal, state, and local grants are conditioned upon the incurrence of allowable qualifying expenses. Grants are recorded as revenue when the related approved expenditures are made. At June 30, 2025 and 2024, conditional grants of \$2,681,829 and \$57,339,214, respectively, were awarded to the Foundation, for which the Foundation has not yet incurred related expenditures.

Contributions.

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. At June 30, 2025 and 2024, the Foundation had \$23,988,913 and \$12,513,289 of conditional contributions in which the barriers for recognition had not been met, respectively. Conditional contributions received prior to the satisfaction of significant conditions are recognized as liabilities on the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition – Continued.

Sales of Goods or Services.

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

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

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

Membership Dues.

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

Contributed Nonfinancial Assets. Contributed nonfinancial assets are recorded as contributions at their estimated fair values at the date of donation. Donated services, if any, are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Foundation.

For the years ended June 30, 2025 and 2024, the Foundation's contributed nonfinancial assets were entirely composed of flight credits amounting to \$150,000 each year. Flight credits are valued at the airline's list price for the applicable flights.

Advertising. The Foundation expenses advertising as incurred. Advertising expense for the years ended June 30, 2025 and 2024 was \$2,157,448 and \$1,984,754, respectively.

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 on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and insurance, which are allocated based on number of employees, as well as salaries and wages, benefits, payroll taxes, professional services, advertising and promotion, information technology, and other, which are allocated on the basis of estimates of time and effort.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes. ADF 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.

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

The Fund has applied to the Internal Revenue Service for 501(c)(3) status. While awaiting a determination from the Internal Revenue Service, the Fund will report as an exempt entity. 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. For the year ended June 30, 2025, the Fund had no tax liability on unrelated business activity. The Fund 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.

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

NOTE B - INVESTMENTS

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Mutual funds	\$ 8,180,728	\$ 10,838,379	\$ 7,839,102	\$ 9,561,648
Exchange traded funds	<u>2,187,276</u>	<u>2,260,084</u>	<u>1,267,803</u>	<u>1,286,227</u>
	<u>\$ 10,368,004</u>	<u>\$ 13,098,463</u>	<u>\$ 9,106,905</u>	<u>\$ 10,847,875</u>
Unrealized gains		<u>\$ 2,730,459</u>		<u>\$ 1,740,970</u>
Other income - investment income consists of:				
		2025		2024
Interest and dividend income	\$	317,839	\$	213,885
Realized gains		111,376		111,428
Unrealized gain		989,489		957,662
Investment management fees		<u>(65,536)</u>		<u>(59,007)</u>
		<u>\$ 1,353,168</u>		<u>\$ 1,223,968</u>

National Arbor Day Foundation
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – INVENTORY

Inventory consists of:

	2025	2024
Food and beverage inventory	\$ 286,533	\$ 218,092
Merchandise inventory	96,341	91,350
Coffee inventory	63,507	19,736
Catalog inventory	376,979	425,215
Other print inventory	12,634	16,829
Greenhouse inventory	83,441	75,786
Carbon inventory	4,185,575	14,090,525
Miscellaneous inventory	37,232	63,833
	<u>\$ 5,142,242</u>	<u>\$ 15,001,366</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of:

Land	\$ 4,725,162	\$ 4,725,162
Buildings	50,086,743	46,128,457
Leasehold improvements	149,557	149,557
Farm improvements	3,149,168	2,991,724
Orchards	76,356	76,356
Computer hardware	3,427,591	3,242,060
Lied Lodge equipment and improvements	8,339,755	7,043,132
Furniture and equipment	6,089,413	5,745,918
Computer software	5,809,674	4,667,081
	<u>81,853,419</u>	<u>74,769,447</u>
Less accumulated depreciation	<u>(47,057,078)</u>	<u>(43,760,263)</u>
	<u>\$ 34,796,341</u>	<u>\$ 31,009,184</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$3,302,681 and \$3,211,055, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - SPLIT-INTEREST AGREEMENTS – CONTINUED

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, 2025 and 2024, contributions include gift annuity contracts valued at \$360,968 and \$10,652, 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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 57,200	\$ 66,689
Contributions receivable from charitable trusts	34,190	32,396
Investments	<u>2,397,117</u>	<u>1,341,373</u>
	<u>\$ 2,488,507</u>	<u>\$ 1,440,458</u>

NOTE F - REVOLVING CREDIT NOTES PAYABLE

ADF 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 ADF. No amounts had been borrowed on the revolving credit note as of June 30, 2025 and 2024. The revolving credit note expires January 31, 2026.

Arbor Day Carbon, LLC has secured a revolving credit note agreement with a financial institution, which provides it may borrow up to \$4,000,000 at the bank's variable interest rate. The note is secured by substantially all of the assets of Arbor Day Carbon, LLC. No amounts had been borrowed on the revolving credit note as of June 30, 2025 and 2024. The revolving credit note expires January 31, 2026.

NOTE G - NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Board designated:		
Board designated reserve fund (cash and investments)	\$ 10,022,156	\$ 8,849,188
Board designated reserve fund (property)	3,075,257	3,075,257
Quasi-endowment fund	<u>345,941</u>	<u>289,776</u>
	<u>\$ 13,443,354</u>	<u>\$ 12,214,221</u>

National Arbor Day Foundation
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - NET ASSETS – CONTINUED

Net assets with donor restrictions comprise the following:

	<u>2025</u>	<u>2024</u>
Subject to purpose restrictions:		
Capital improvements	\$ 1,609,160	\$ 1,650,000
Earnings on permanently restricted endowment funds	57,578	40,048
Other	12,943	10,945
Subject to time restrictions:		
Split-interest agreements	1,416,878	910,588
Subject to perpetual restrictions:		
Permanent endowments	<u>76,892</u>	<u>75,892</u>
	<u><u>\$ 3,173,451</u></u>	<u><u>\$ 2,687,473</u></u>

NOTE H - OTHER INCOME

Other income consists of:

List rental income	\$ 433,182	\$ 546,179
Education material sales	161,095	131,958
Tree City USA material sales	57,794	41,907
Conference and training	1,538,995	1,298,185
Rental income	42,000	42,000
Investment income	1,353,168	1,223,968
Interest income	1,888,084	1,849,595
Gain on disposal of property and equipment	795,575	1,575,360
Other income	<u>-</u>	<u>36,659</u>
	<u><u>\$ 6,269,893</u></u>	<u><u>\$ 6,745,811</u></u>

NOTE I - LEASES

As Lessee

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – LEASES – CONTINUED

Operating lease right-of-use assets and lease obligations as of June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Right-of-use assets	\$ 1,720,799	\$ 1,887,674
Lease obligations		
Current	\$ 165,778	\$ 168,843
Noncurrent	<u>1,567,970</u>	<u>1,733,748</u>
	<u>\$ 1,733,748</u>	<u>\$ 1,902,591</u>

Lease expenses for the year ended June 30, 2025 and 2024 are as follows:

Operating lease expense	\$ 178,645	\$ 192,404
Short-term lease expense	<u>273,668</u>	<u>347,101</u>
	<u>\$ 452,313</u>	<u>\$ 539,505</u>

Average operating lease terms and discount rate at June 30, 2025 and 2024 were as follows:

Weighted average remaining lease term (years):	50.09	48.56
Weighted average discount rate:	3.32%	3.30%

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2025, and a reconciliation to operating lease obligations reported on the consolidated statement of financial position:

<u>Year ending June 30,</u>	
2026	\$ 182,808
2027	185,046
2028	109,204
2029	70,908
2030	70,908
Thereafter	<u>3,418,334</u>
Total minimum lease payments	4,037,208
Less: present value discount	<u>(2,303,460)</u>
Operating lease obligations	<u>\$ 1,733,748</u>

National Arbor Day Foundation
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – LEASES – CONTINUED

As Lessor

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

The consolidated financial statements include rent income of \$42,000 for each of the years ended June 30, 2025 and 2024.

Future minimum lease revenues for the years following June 30, 2025 are:

<u>Year ending June 30,</u>	
2026	\$ 42,000
2027	42,000
2028	42,000
2029	42,000
2030	42,000
Thereafter	<u>2,898,000</u>
	<u>\$ 3,108,000</u>

NOTE J - RETIREMENT PLAN

The Foundation has established a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. Employees may, upon hire, make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employee contributions are matched dollar for dollar up to 3% and then are matched 50 cents on the dollar up to 4%. Matching contributions were \$896,645 and \$849,444 for the years ended June 30, 2025 and 2024, respectively. Employees become vested in the matching contributions over a five year period, 20% each year.

The Foundation also established salary deferral plans for eligible employees under IRC Section 457(b) and 457(f). Executive team members and vice presidents, as designated by the Foundation, are eligible to participate in the plan. As of June 30, 2025 and 2024, \$560,695 and \$430,341 has been deferred on behalf of the participants, respectively.

NOTE K - ALLOCATION OF JOINT COSTS

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

	<u>2025</u>	<u>2024</u>
Total joint costs allocated to program services	\$ 4,788,668	\$ 4,459,724
Total joint costs allocated to fundraising	<u>3,690,831</u>	<u>3,595,993</u>
	<u>\$ 8,479,499</u>	<u>\$ 8,055,717</u>

National Arbor Day Foundation
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended June 30, 2025 and 2024.

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

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 5.0% (2025) and 5.6% (2024) as provided in Internal Revenue Service (IRS) guidelines, and the estimated 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 7.50% (2025) and 8.50% (2024) used in calculating the annuity obligation is the prime rate and the actuarial assumptions used in calculating the annuity obligation are those provided in actuarial tables. Both the discount rate and the actuarial assumptions are updated each period the obligations are valued.

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

National Arbor Day Foundation
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - FAIR VALUE MEASUREMENTS – CONTINUED

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and 2024.

		2025		
		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	\$ 606,642	\$ 606,642	\$ -	\$ -
Mid cap	128,984	128,984	-	-
Small cap	109,640	109,640	-	-
International	3,728,973	3,728,973	-	-
High yield bond	36,864	36,864	-	-
Intermediate-term bond	301,519	301,519	-	-
Intermediate government bond	73,427	73,427	-	-
Short-term bond	5,145,026	5,145,026	-	-
World bond	316,894	316,894	-	-
Inflation-protected bond	37,258	37,258	-	-
Exchange traded funds				
Large blend	2,167,152	2,167,152	-	-
Foreign large blend	92,932	92,932	-	-
Investments held for deferred comp plan:				
Mutual funds				
Large cap	28,015	28,015	-	-
Mid cap	11,249	11,249	-	-
Small cap	13,508	13,508	-	-
International	20,142	20,142	-	-
Short-term bond	3,179	3,179	-	-
Target date funds	277,059	277,059	-	-
	<u>\$ 13,098,463</u>	<u>\$ 13,098,463</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable from charitable trusts				
	<u>\$ 34,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,190</u>
Annuities payable				
	<u>\$ 1,071,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,071,629</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED

	2024			
	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	\$ 567,130	\$ 567,130	\$ -	\$ -
Mid cap	111,579	111,579	-	-
Small cap	104,271	104,271	-	-
International	3,403,198	3,403,198	-	-
High yield bond	30,379	30,379	-	-
Intermediate-term bond	226,535	226,535	-	-
Short-term bond	4,443,979	4,443,979	-	-
World bond	305,708	305,708	-	-
Inflation-protected bond	61,048	61,048	-	-
Exchange traded funds				
Large blend	1,274,716	1,274,716	-	-
Foreign large blend	11,511	11,511	-	-
Investments held for deferred comp plan:				
Mutual funds				
Large cap	23,848	23,848	-	-
Mid cap	9,876	9,876	-	-
Small cap	12,684	12,684	-	-
International	17,315	17,315	-	-
Short-term bond	3,018	3,018	-	-
Target date funds	241,080	241,080	-	-
	<u>\$ 10,847,875</u>	<u>\$ 10,847,875</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions receivable from charitable trusts	<u>\$ 32,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,396</u>
Annuities payable	<u>\$ 529,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,870</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets and liabilities for the years ended June 30, 2025 and 2024.

	Contributions Receivable from Charitable Trusts	Annuities Payable
Balance at June 30, 2023	\$ 30,020	\$ 560,262
Annuity liabilities added	-	14,348
Annuity liabilities released	-	(109,727)
Actuarial change in split-interest agreements	2,376	64,987
Balance at June 30, 2024	32,396	529,870
Annuity liabilities added	-	632,096
Annuity liabilities released	-	(98,691)
Actuarial change in split-interest agreements	1,794	8,354
Balance at June 30, 2025	<u>\$ 34,190</u>	<u>\$ 1,071,629</u>

NOTE M - INCOME TAXES

ADF 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. ADF has hotel and conference center income, which is subject to tax on unrelated business income. For the years ended June 30, 2025 and 2024, ADF had no tax liability on unrelated business activity. ADF has Federal and Nebraska net operating loss carryforwards that may be offset against future taxable income. If not used, the Federal carryforwards totaling \$9,765,701 expire between now and June 30, 2038 for net operating losses arising before fiscal year 2019. Net operating losses totaling \$6,474,555 arising after fiscal year 2019, do not expire. State carryforwards totaling \$9,084,018 will expire between June 30, 2035 and June 30, 2045. No net operating loss is anticipated to be used prior to expiration; therefore, no deferred tax asset has been established. ADF believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

ADF's federal Returns of Foundation Exempt from Income Tax (Form 990) and Exempt Foundation Business Income Tax Returns (Form 990T) for June 30, 2025, 2024, and 2023 are subject to examination by the IRS, generally for three years after they were filed.

ADC, LLC has Federal and state net operating loss carryforwards that may be offset against future taxable income. The Federal carryforwards are indefinite while the state carryforwards expire based on each state's regulations. The loss carryforwards at June 30, 2025 total \$16,205,188 (Federal) and \$14,637,922 (various states). No net operating loss is anticipated to be used; therefore, no deferred tax asset has been established. ADC, LLC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. ADC, LLC files income tax returns in the U.S. federal jurisdiction and several state jurisdictions. ADC, LLC's income tax returns are subject to examination by the IRS, generally for three years after they were filed.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N – COMMITMENTS AND CONTINGENCIES

The Foundation had open commitments to purchase trees in the amount of \$3,865,189 as of June 30, 2025. All are expected to be paid during the year ending June 30, 2026.

The Foundation provided a program-related debt investment to an entity in which it owns a minority interest. The loan has a limit of \$800,000 of which \$500,000 was placed in escrow as of June 30, 2025. The loan is secured by all the assets of the borrower and bears an interest rate of 7.5%. Quarterly interest only payments will be made through June 2030. Beginning on July 1, 2030, interest and principal payments will begin, with the final payment due April 1, 2033.

NOTE O - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of checking accounts, money market accounts, and Short-Term Federal Investment Trust (STFIT) accounts at financial institutions. Checking and money market accounts at each institution are insured by the FDIC up to \$250,000. At June 30, 2025 and 2024, the bank accounts exceeded federal insured limits by \$0 and \$251,658, respectively. Additionally, a STFIT account at a financial institution is not FDIC-insured. At June 30, 2025 and 2024, the STFIT account balance totaled \$26,029,496 and \$7,225,506 respectively. The STFIT account is collateralized by federal agency bonds.

NOTE P - LIQUIDITY AND AVAILABILITY

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

	2025	2024
Cash and cash equivalents	\$ 46,422,956	\$ 30,270,917
Certificates of deposit	5,130,643	-
Investments	12,745,311	10,540,054
Accounts receivable	6,526,832	5,768,125
Unconditional promises to give	1,025,393	552,834
Grants receivable	1,297,527	850,986
Refundable income taxes	24	856,179
	<u>73,148,686</u>	<u>48,839,095</u>
Total financial assets		
Donor imposed restrictions:		
Perpetual in nature	(76,892)	(75,892)
Subject to expenditure for specified purpose or time	<u>(3,096,559)</u>	<u>(2,611,581)</u>
Net financial assets after donor-imposed restrictions	69,975,235	46,151,622
Less:		
Board-designated cash and investment funds	<u>(10,368,097)</u>	<u>(9,138,964)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,607,138</u>	<u>\$ 37,012,658</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE P - LIQUIDITY AND AVAILABILITY – CONTINUED

As part of the liquidity management plan, cash in excess of daily requirements is invested in short-term investments, mutual funds, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$10,368,097 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 Foundation also could draw upon the \$7,000,000 available on its revolving credit notes payable. See Note F.

As of June 30, 2025, \$24,650,411 of the financial assets available to meet cash needs for general expenditures within one year will be used to satisfy current liabilities, which in large part are made up of obligations to plant trees.

NOTE Q - DISAGGREGATION OF REVENUE

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

	<u>2025</u>	<u>2024</u>
Revenue recognized at a point in time		
Membership dues	\$ 5,029,498	\$ 5,736,659
Forestry carbon sales	12,993,841	14,648,867
Nursery sales	4,445,652	5,087,350
Arbor Day Farm income	12,863,718	12,469,343
Rain Forest Rescue income	269,718	278,646
Other income	<u>2,191,066</u>	<u>2,054,888</u>
Total revenue recognized at a point in time	<u>\$ 37,793,493</u>	<u>\$ 40,275,753</u>

NOTE R – CONTRACT BALANCES

The following table provides information about the changes in the contract liabilities for the years ended June 30, 2025 and 2024.

Contract liabilities, beginning of year	\$ 2,092,793	\$ 1,645,242
Recognition of revenue included in beginning balance	(2,074,793)	(1,627,242)
Collection of customer prepayments	<u>3,037,714</u>	<u>2,074,793</u>
Contract liabilities, end of year	<u>\$ 3,055,714</u>	<u>\$ 2,092,793</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE S – SELF-INSURANCE PLAN

The Foundation provides health insurance to its employees through a plan which is funded by both participant and employer contributions. The Foundation has pledged to make payments to the plan as needed to pay benefits and expense related to the plan. A stop loss policy limits the Foundation's payments to \$80,000 per individual and \$2,824,228 aggregate. The Foundation has accrued \$255,720 and \$250,216 as of June 30, 2025 and 2024, respectively, for estimated costs incurred under the plan, but not yet paid. This accrual is included in accrued expenses on the consolidated statement of financial position.

NOTE T - SUBSEQUENT EVENTS

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

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SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2025

	ASSETS				
	ADF	ADC, LLC	Impact Fund	Eliminations	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	\$ 46,057,800	\$ 250,184	\$ 114,972	\$ -	\$ 46,422,956
Certificates of deposit	5,130,643	-	-	-	5,130,643
Investments	12,745,311	-	-	-	12,745,311
Account receivable, net	6,526,832	-	-	-	6,526,832
Unconditional promises to give	1,025,393	-	-	-	1,025,393
Grants receivable	1,297,527	-	-	-	1,297,527
Receivables from ADC, LLC	18,293,201	-	-	(18,293,201)	-
Prepaid expense	7,202,760	1,420,418	-	-	8,623,178
Refundable income taxes	-	24	-	-	24
Inventory	956,667	4,185,575	-	-	5,142,242
Total current assets	99,236,134	5,856,201	114,972	(18,293,201)	86,914,106
PROPERTY AND EQUIPMENT, net	34,796,341	-	-	-	34,796,341
OTHER ASSETS					
Investments held for deferred compensation plan	353,152	-	-	-	353,152
Program-related debt investments	-	-	500,000	-	500,000
Program-related equity investments	-	-	900,000	-	900,000
Operating lease right-of-use assets	1,720,799	-	-	-	1,720,799
Construction in progress	202,638	-	-	-	202,638
Contributions receivable from charitable trusts	34,190	-	-	-	34,190
Total other assets	2,310,779	-	1,400,000	-	3,710,779
Total assets	\$ 136,343,254	\$ 5,856,201	\$ 1,514,972	\$ (18,293,201)	\$ 125,421,226
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 3,256,461	\$ 5,948	\$ 22,950	\$ -	\$ 3,285,359
Accrued expenses	11,599,126	56,775	42,317	-	11,698,218
Operating lease obligations, current portion	165,778	-	-	-	165,778
Payable to ADF	-	18,293,201	-	(18,293,201)	-
Conditional contributions	7,100,842	-	-	-	7,100,842
Deferred revenue	2,400,214	-	-	-	2,400,214
Total current liabilities	24,522,421	18,355,924	65,267	(18,293,201)	24,650,411
LONG-TERM OBLIGATIONS					
Operating lease obligations, net of current portion	1,567,970	-	-	-	1,567,970
Deferred revenue, net of current portion	-	655,500	-	-	655,500
Total long-term obligations	1,567,970	655,500	-	-	2,223,470
OTHER LIABILITIES					
Annuities payable	1,071,629	-	-	-	1,071,629
Total liabilities	27,162,020	19,011,424	65,267	(18,293,201)	27,945,510
NET ASSETS					
Without donor restrictions					
Undesignated	92,564,429	(13,155,223)	1,449,705	-	80,858,911
Designated	13,443,354	-	-	-	13,443,354
With donor restrictions	3,173,451	-	-	-	3,173,451
Total net assets	109,181,234	(13,155,223)	1,449,705	-	97,475,716
Total liabilities and net assets	\$ 136,343,254	\$ 5,856,201	\$ 1,514,972	\$ (18,293,201)	\$ 125,421,226

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2025

	ADF Without Donor Restrictions	ADC, LLC	Impact Fund	Eliminations	Total Without Donor Restrictions	ADF With Donor Restrictions	Total
CHANGES IN NET ASSETS							
Revenue and support							
Membership dues	\$ 14,977,580	\$ -	\$ -	\$ -	\$ 14,977,580	\$ -	\$ 14,977,580
Contributions	57,440,661	-	1,709,668	(1,709,668)	57,440,661	1,451,062	58,891,723
Forestry carbon sales	-	13,300,686	-	(306,845)	12,993,841	-	12,993,841
Nursery sales	4,445,652	-	-	-	4,445,652	-	4,445,652
Program grant income	11,768,821	-	-	-	11,768,821	-	11,768,821
Arbor Day Farm income	12,908,276	-	-	(44,558)	12,863,718	-	12,863,718
Rain Forest Rescue income	269,718	-	-	-	269,718	-	269,718
Other income	10,182,117	-	-	(4,092,244)	6,089,873	180,020	6,269,893
Net assets released from restrictions	1,145,104	-	-	-	1,145,104	(1,145,104)	-
Total revenue and support	113,137,929	13,300,686	1,709,668	(6,153,315)	121,994,968	485,978	122,480,946
Expenses							
Program services							
Tree City USA	1,900,010	-	-	-	1,900,010	-	1,900,010
Arbor Day Youth Education	1,767,938	-	-	-	1,767,938	-	1,767,938
Rain Forest Rescue	226,260	-	-	-	226,260	-	226,260
Trees for America	50,388,974	15,460,996	259,963	(6,108,757)	60,001,176	-	60,001,176
Arbor Day Farm	16,499,848	-	-	(44,558)	16,455,290	-	16,455,290
Conference programs	1,564,557	-	-	-	1,564,557	-	1,564,557
Supporting activities							
General and administrative	12,150,711	-	-	-	12,150,711	-	12,150,711
Membership development	11,373,766	-	-	-	11,373,766	-	11,373,766
Fundraising	9,466,979	-	-	-	9,466,979	-	9,466,979
Total expenses	105,339,043	15,460,996	259,963	(6,153,315)	114,906,687	-	114,906,687
Increase in net assets before income taxes	7,798,886	(2,160,310)	1,449,705	-	7,088,281	485,978	7,574,259
Income tax expense							
Current	-	4,945	-	-	4,945	-	4,945
INCREASE (DECREASE) IN NET ASSETS	7,798,886	(2,165,255)	1,449,705	-	7,083,336	485,978	7,569,314
Net assets, beginning of year	98,208,897	(10,989,968)	-	-	87,218,929	2,687,473	89,906,402
Net assets, end of year	\$ 106,007,783	\$ (13,155,223)	\$ 1,449,705	\$ -	\$ 94,302,265	\$ 3,173,451	\$ 97,475,716

National Arbor Day Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture				
Direct Programs:				
		22-DG-11132544-052		
		23-DG-11021600-020		
		23-DG-11132544-042		
Urban and Community Forestry Program	10.675	24-CA-11132544-070	\$ -	\$ 718,189
		24-CA-11132544-037		
Inflation Reduction Act Urban & Community		24-CA-11132544-015		
Forestry Program	10.727	24-CA-11132544-052	3,302,620	9,755,774
		Federal Agency Total	<u>3,302,620</u>	<u>10,473,963</u>
U.S. Department of Treasury				
Pass-Through State of Vermont				
COVID-19 Coronavirus State and Local Fiscal				
Recovery Funds	21.027	None	-	40,950
		Federal Agency Total	<u>-</u>	<u>40,950</u>
			<u>\$ 3,302,620</u>	<u>\$ 10,514,913</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 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 basic consolidated financial statements.

Subrecipients. The National Arbor Day Foundation d/b/a Arbor Day Foundation provided federal awards to subrecipients as presented in the schedule.

Indirect Costs. The National Arbor Day Foundation d/b/a Arbor Day Foundation has elected to use an indirect cost rate, as allowed in the Uniform Guidance, 2CFR 200.414. Effective October 1, 2024, the de minimis cost rate as allowed by the Uniform Guidance, increased from ten percent to fifteen percent. The National Arbor Day Foundation d/b/a Arbor Day Foundation continued using a ten percent indirect cost rate based on the date the grants were awarded.

SINGLE AUDIT SECTION



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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*

The Board of Trustees
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 consolidated financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Arbor Day Foundation d/b/a Arbor Day Foundation's consolidated 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 consolidated financial statements. 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 entity'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 entity'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
December 3, 2025



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on 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 identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal programs for the year ended June 30, 2025. National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, National Arbor Day Foundation d/b/a Arbor Day Foundation complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of National Arbor Day Foundation d/b/a Arbor Day Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to National Arbor Day Foundation d/b/a Arbor Day Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding National Arbor Day Foundation d/b/a Arbor Day Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 National Arbor Day Foundation d/b/a Arbor Day Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

ABE LLP

Lincoln, Nebraska
December 3, 2025

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2025

Summary of Auditors' Results

- a. An unmodified audit report was issued on the consolidated financial statements of National Arbor Day Foundation d/b/a Arbor Day Foundation.
- b. No deficiencies in internal control were disclosed by the audit of the consolidated financial statements.
- c. The audit did not disclose any noncompliance which would be material to the consolidated financial statements.
- d. No control deficiencies in internal control over National Arbor Day Foundation d/b/a Arbor Day Foundation's major federal award programs 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 programs.
- f. The audit disclosed no audit findings which were required to be reported relative to the major federal award programs.
- g. The program tested as a major program was U.S. Department of Agriculture – Inflation Reduction Act & Urban Community Forestry Program, Assistance Listing No. 10.727.
- 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 did not qualify as a low-risk auditee as defined by the Uniform Guidance.

Findings – Consolidated Financial Statements Audit

None for the year ended June 30, 2025.

Findings and Questioned Costs – Major Federal Awards Program Audit

None for the year ended June 30, 2025.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2025

Findings – Consolidated Financial Statements Audit

None for the year ended June 30, 2024

Findings and Questioned Costs – Major Federal Awards Program Audit

2024-001 - Noncompliance and Significant Deficiency in Internal Controls over Compliance for Reporting

Condition: In the year ended June 30, 2024, the Foundation failed to report its first-tier subawards subject to FFATA requirements by the end of the month following the month in which the obligation was made for five of the seven subawards tested. Additionally, the Foundation reported the incorrect amount of funds awarded in one of the seven subawards tested above.

Corrective Action Planned: A plan has been put in place that involves the Accounting Director monitoring the FFATA reporting activity monthly to ensure that the Foundation meets the reporting requirements of the program. Each month, the Accounting Director contacts the Grant Administrator to determine if any new first-tier subaward contracts have been signed during the last 30 days. If any contracts have been signed, the Accounting Director obtains a copy of the FFATA report that the Grant Administrator filed during the month to verify that it contains those subaward contracts and that they have been reported on a timely basis and in the correct amount. In addition, the Accounting Director compares information on the monthly FFATA reports to a master list of approved sub awardees to verify contract amounts and to ensure that all contracts are being reported.

Status: This finding has been corrected for the year ended June 30, 2025.