

November 21, 2016

Christina Hoyt, Executive Director  
Nebraska Statewide Arboretum, Inc.  
102 Keim Hall – UNL  
PO Box 830964  
Lincoln, NE 68583-0964

Dear Christina:

Enclosed are three copies of the audit report and management letter for Nebraska Statewide Arboretum, Inc. for the years ended June 30, 2016 and 2015. We have also sent a PDF copy of the audit report to you as well.

Sincerely,

GRAFTON & ASSOCIATES, P.C.



Tom E. Grafton, C.P.A.  
President

TEG/rmp

Enclosures

NEBRASKA STATEWIDE ARBORETUM, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2016 and 2015



NEBRASKA STATEWIDE ARBORETUM, INC.

Table of Contents

June 30, 2016 and 2015

	<u>Page</u>
Independent Auditors' Report.....	3
Financial Statements:	
Statements of Financial Position .....	5
Statements of Activities.....	6
Statement of Functional Expenses - 2016.....	8
Statement of Functional Expenses - 2015.....	9
Statements of Cash Flows .....	10
Notes to Financial Statements.....	11

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Nebraska Statewide Arboretum, Inc.  
Lincoln, Nebraska

We have audited the accompanying statements of financial position of Nebraska Statewide Arboretum, Inc. as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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 Nebraska Statewide Arboretum, Inc. as of June 30, 2016 and 2015, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

 DuPont Elwood, P.C.

November 14, 2016

NEBRASKA STATEWIDE ARBORETUM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Unrestricted	\$ 55,631	\$ 68,558
Restricted cash and cash equivalents	148,629	264,781
Spendable funds of beneficial interest in funds held by third party	<u>13,644</u>	<u>18,175</u>
Total cash and cash equivalents	<u>217,904</u>	<u>351,514</u>
Accounts receivable	17,438	5,976
Grants receivable	18,546	120,240
Inventory	18,439	15,967
Prepaid expenses	<u>5,034</u>	<u>2,335</u>
Total current assets	<u>277,361</u>	<u>496,032</u>
<b>OTHER ASSETS</b>		
Beneficial interest in funds held by third party	304,065	334,603
Property and equipment, net	<u>6,522</u>	<u>8,924</u>
Total other assets	<u>310,587</u>	<u>343,527</u>
Total assets	<u>\$ 587,948</u>	<u>\$ 839,559</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Agency accounts payable	41,313	57,741
Accrued sales tax	409	214
Accrued vacation payable	24,145	19,917
Other accrued expenses	<u>395</u>	<u>3,533</u>
Total current liabilities	<u>66,262</u>	<u>81,405</u>
<b>NET ASSETS</b>		
Unrestricted	79,003	58,735
Temporarily restricted	184,357	414,856
Permanently restricted	<u>258,326</u>	<u>284,563</u>
Total net assets	<u>521,686</u>	<u>758,154</u>
Total liabilities and net assets	<u>\$ 587,948</u>	<u>\$ 839,559</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA STATEWIDE ARBORETUM, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30,

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenues and support		
Affiliate site program fees	\$ 14,885	\$ 15,730
Contributions	109,317	36,030
Grants	154,750	109,688
In-kind contributions	57,640	70,297
Plant sales	203,807	203,667
Investment income of beneficial interest in funds held by third party	5,937	4,452
Memberships	56,218	51,670
Advertising	8,584	11,090
Royalties	4,388	1,167
Special event revenue	18,516	18,431
Other income	6,472	3,807
Unrealized loss in beneficial interest in funds held by third party	<u>(4,801)</u>	<u>-</u>
Total revenue and support	<u>635,713</u>	<u>526,029</u>
Net assets released from restrictions	326,643	466,831
Expenses		
Program services		
Community Landscape	485,750	615,233
Horticulture	134,475	110,816
Other program services	199,956	140,332
Supporting activities		
Management and general	55,423	126,655
Fundraising	<u>66,484</u>	<u>9,941</u>
Total expenses	<u>942,088</u>	<u>1,002,977</u>
Increase (decrease) in unrestricted net assets	<u>20,268</u>	<u>(10,077)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenues and support		
Grants	\$ 86,600	\$ 300,000
Contributions	1,500	8,500
Investment income of beneficial interest in funds held by third party	8,044	8,039
Net assets released from restrictions	<u>(326,643)</u>	<u>(466,831)</u>
Decrease in temporarily restricted net assets	<u>(230,499)</u>	<u>(150,292)</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA STATEWIDE ARBORETUM, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30,

	<u>2016</u>	<u>2015</u>
PERMANENTLY RESTRICTED NET ASSETS		
Revenues		
Contributions to beneficial interest in funds held by third party	\$ 1,050	\$ 1,625
Unrealized loss of beneficial interest in funds held by third party	<u>(27,287)</u>	<u>(16,690)</u>
Decrease in permanently restricted net assets	<u>(26,237)</u>	<u>(15,065)</u>
Total decrease in net assets	(236,468)	(175,434)
Net assets at beginning of year	<u>758,154</u>	<u>933,588</u>
Net assets at end of year	<u>\$ 521,686</u>	<u>\$ 758,154</u>

The accompanying notes are an integral part of these financial statements.



NEBRASKA STATEWIDE ARBORETUM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2016

	Program Services			Supporting Activities			
	Community Landscape	Horticulture	Other Program Service	Total Program Services	Management & General	Fundraising	Total
Advertising	\$ 1,570	\$ -	\$ 5,510	\$ 7,080	\$ 402	\$ -	\$ 7,482
Bank charges	-	-	2,840	2,840	2,602	93	5,535
Depreciation	-	-	-	-	2,402	-	2,402
Grants and stipends	283,123	-	-	283,123	-	-	283,123
Food	821	168	9,753	10,742	483	20	11,245
Insurance	-	-	-	-	4,710	-	4,710
Information technology	120	-	220	340	1,291	1,166	2,797
In-kind rent and utilities	12,784	30,388	7,812	50,984	1,429	5,227	57,640
Miscellaneous	310	365	400	1,075	1,559	288	2,922
Office expenses	-	249	651	900	3,341	-	4,241
Printing and postage	1,074	2,460	13,274	16,808	4,977	1,764	23,549
Professional fees	6,500	53	8,332	14,885	13,364	2,750	30,999
Program supplies	38,159	24,923	50,283	113,365	-	-	113,365
Salaries and wages	105,872	56,451	64,700	227,023	11,836	43,288	282,147
Payroll taxes	7,811	4,165	4,774	16,750	873	3,194	20,817
Rental space and equipment	-	-	13,906	13,906	-	-	13,906
Retirement contributions	6,847	3,651	4,184	14,682	765	2,799	18,246
Other employee benefits	14,041	7,486	8,580	30,107	1,570	5,741	37,418
Telecommunications	659	1,119	413	2,191	3,055	41	5,287
Travel	6,059	2,997	2,020	11,076	595	101	11,772
Volunteer appreciation	-	-	2,304	2,304	169	12	2,485
	<u>\$ 485,750</u>	<u>\$ 134,475</u>	<u>\$ 199,956</u>	<u>\$ 820,181</u>	<u>\$ 55,423</u>	<u>\$ 66,484</u>	<u>\$ 942,088</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA STATEWIDE ARBORETUM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2015

	Program Services			Supporting Activities			
	Community Landscape	Horticulture	Other Program Service	Total Program Services	Management & General	Fundraising	Total
Advertising	\$ 1,339	\$ 191	\$ 10,173	\$ 11,703	\$ 437	\$ 31	\$ 12,171
Bank charges	-	974	1,800	2,774	2,822	1	5,597
Board and committee	-	-	-	-	318	-	318
Depreciation	-	-	-	-	2,860	-	2,860
Grants and stipends	392,468	-	1,200	393,668	-	-	393,668
Food	-	-	345	345	1,418	9,420	11,183
Insurance	-	-	-	-	3,779	-	3,779
Information technology	3,837	-	-	3,837	6,452	-	10,289
In-kind rent and utilities	29,753	14,623	7,991	52,367	17,930	-	70,297
Miscellaneous	580	640	513	1,733	355	202	2,290
Office expenses	1,898	-	1,030	2,928	3,049	-	5,977
Printing and postage	231	5,753	17,523	23,507	6,027	287	29,821
Professional fees	-	-	7,065	7,065	9,691	-	16,756
Program supplies	59,364	28,825	43,075	131,264	-	-	131,264
Salaries and wages	88,964	43,725	23,891	156,580	53,613	-	210,193
Payroll taxes	6,807	3,346	1,828	11,981	4,102	-	16,083
Rental space and equipment	1,456	60	15,339	16,855	420	-	17,275
Retirement contributions	4,255	2,091	1,143	7,489	2,564	-	10,053
Other employee benefits	11,709	5,755	3,145	20,609	7,056	-	27,665
Telecommunications	1,116	1,000	415	2,531	2,847	-	5,378
Travel	11,456	3,833	1,700	16,989	885	-	17,874
Volunteer appreciation	-	-	2,156	2,156	30	-	2,186
	<u>\$ 615,233</u>	<u>\$ 110,816</u>	<u>\$ 140,332</u>	<u>\$ 866,381</u>	<u>\$ 126,655</u>	<u>\$ 9,941</u>	<u>\$ 1,002,977</u>

The accompanying notes are an integral part of these financial statements.

NEBRASKA STATEWIDE ARBORETUM, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30,

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (236,468)	\$ (175,434)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	2,402	2,860
Unrealized loss of beneficial interest in funds held by third party	32,088	16,650
(Increase) decrease in operating assets:		
Accounts receivable	(11,462)	(964)
Grants receivable	101,694	(70,931)
Inventory	(2,472)	4,322
Prepaid expenses	(2,699)	7
Increase (decrease) in operating liabilities:		
Agency accounts payable	(16,428)	(10,703)
Accrued sales tax	195	(611)
Accrued vacation payable	4,228	-
Other accrued expenses	<u>(3,138)</u>	<u>1,993</u>
Net cash used by operating activities	<u>(132,060)</u>	<u>(232,811)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(965)
Contributions to beneficial interest in funds held by third party	<u>(1,550)</u>	<u>(51,625)</u>
Net cash used by investing activities	<u>(1,550)</u>	<u>(52,590)</u>
Net decrease in cash and cash equivalents	(133,610)	(285,401)
Cash and cash equivalents at beginning of year	<u>351,514</u>	<u>636,915</u>
Cash and cash equivalents at end of year	<u>\$ 217,904</u>	<u>\$ 351,514</u>

The accompanying notes are an integral part of these financial statements.

# NEBRASKA STATEWIDE ARBORETUM, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

### NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Organization

The Nebraska Statewide Arboretum, Inc. (the Organization) is a nonprofit corporation organized to promote sustainable landscapes for healthy homes and communities through initiatives in education, community landscapes and the environment. The Organization shares this mission with the University of Nebraska-Lincoln (the University) and the Nebraska Forest Service (the Service). The Organization accomplishes its mission through several programs:

- The Community Landscape program provides grants and other assistance to communities and organizations for the development and maintenance of public landscape projects.
- The Horticulture program encourages the introduction and conservation of plant species through research and distribution of plant materials to the public, either directly through sales of selected species, or in cooperation with commercial nurseries.
- The Affiliate Site program is a network of affiliated arboreta throughout the state. The Organization provides recognition and support to sites that meet its qualifications and choose to become affiliated.
- The Organization promotes education and appreciation of flora through its membership program. Members receive various publications, access to discounted plants and other items, and invitations to special educational events and tours.
- The Outreach program sponsors educational events, public speakers and an annual plant sale.

The Organization's programs are funded from a variety of private contributions, grants, program fees and other sources. See Note D for more details regarding the relationship between the Organization, the University and the Service.

#### 2. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred, not when received or paid. Accordingly, all significant receivables, payables, and other liabilities have been recorded.

#### 3. Basis of Presentation

The Organization's financial statements conform to the recommendations of the *Presentation of Financial Statements* section within the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification (Codification). Therefore, the Organization's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

NEBRASKA STATEWIDE ARBORETUM, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
Continued

3. Basis of Presentation – Continued

- Unrestricted net assets – Revenue and net assets that are not subject to donor imposed stipulations. Assets over which the Board of Directors has discretionary control are included with unrestricted assets.
- Temporarily restricted net assets – Revenue and net assets are reported as temporarily restricted if they are received with donor stipulations that limit their use. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.
- Permanently restricted – Endowment contributions are permanently restricted by the donor. Investment earnings available for distribution are classified as unrestricted or temporarily restricted net assets, depending on donor intention.

As discussed at Note H, the Board has also designated certain funds for specific intended uses. Due to the absence of donor restrictions, this is considered to be a subset or component of unrestricted net assets.

4. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Restricted Cash

The Organization is required to hold funds restricted for the programs funded by the Nebraska Environmental Trust in separate accounts. Such accounts are shown as a separate component of cash and cash equivalents in the Statements of Financial Position.

6. Beneficial interest in funds held by the University of Nebraska Foundation

The Organization is the beneficiary of two permanent endowments and one board designated endowment which are held in common trust funds administered and controlled by the University of Nebraska Foundation (the Foundation). These funds are reported at estimated fair value as determined by the Foundation. Additions to principal and changes in fair value are reported as additions or reductions in the Statements of Activities. Income credited but not yet transferred from the Foundation is shown as spendable earnings on the Statements of Financial Position. Income received from endowment funds is reported as an addition to unrestricted or temporarily restricted net assets, depending on the terms of the endowment as specified by the donor.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
Continued

7. Accounts Receivable

Accounts receivables are stated at the amount management expects to collect. Accounts receivable consists primarily of amounts due from various clients for plant sales and specialized landscaping project services. Management considers all receivables to be fully collectible and, therefore, no allowance for doubtful accounts is provided.

8. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed according to the straight-line method using the respective asset's anticipated useful life (typically 3 to 10 years). The Organization expenses minor additions, supplies, and repairs.

9. Inventory

The Organization holds inventory consisting of plants which are either purchased or propagated for sale. Purchased plants are recorded at the cost of original purchase and subsequent costs to ready for sale. Propagated plants are valued at the estimated cost of purchasing a similar saleable plant. Cost is determined by marking down the anticipated propagated plant sales value by the average mark-up percentage of purchased plants. This naturally adjusts the estimated cost to lower than market value.

10. Compensated Absences

Employees of the Organization are entitled to paid vacation days, depending on the employee's respective job classification and length of service. The value of this accrued expense on the Statements of Financial Position is determined at each employee's rate of compensation at the respective year end.

11. Revenue Recognition

The Organization has adopted the recommendations of the *Accounting for Contributions Received and Contributions Made* section of the *Not-for-Profit Entities* topic of the Codification. In accordance with this provision, contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions of cash and other assets and certain grants are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

NEBRASKA STATEWIDE ARBORETUM, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
Continued

11. Revenue Recognition - Continued

The Organization's grant agreements with the Nebraska Environmental Trust specify that the funds are not receivable until very specific conditions are met. Following the guidance in the *Conditional Promises to Give* subsection of the guidance in the *Revenue Recognition* section of the *Not-for-Profit Entities* topic of the Codification, the funds from these grants are not recognized until the conditions are substantially met. Typically, this recognition occurs when an expense reimbursement request form is approved by the grantor. See also Note F.

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. See also Note D.

12. Income Taxes

Nebraska Statewide Arboretum, Inc., is exempt from federal income taxes 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 unrelated business income tax at normal corporate rates. The Organization has small amounts of advertising revenue which, less deductions, may be subject to unrelated business income taxes. However, no provision has been reflected in the financial statements as there were no such taxes paid during the fiscal years ending June 30, 2016 and 2015, nor are any anticipated for the years then ended. Management also believes that the Organization holds no uncertain tax positions. The tax years which still may be subject to an Internal Revenue Service audit are for fiscal years ending June 30, 2015, 2014 and 2013.

13. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Costs have been allocated among the programs and supporting services benefited by direct identification and management's estimates.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE B – BENEFICIAL INTEREST IN FUNDS HELD BY THIRD PARTY

The Organization holds two donor restricted and one Board of Directors’ designated endowment funds. The composition of these endowment funds by asset type as of June 30, are as follows:

	2016		
	Spendable Endowment Funds Held	Beneficial interest in funds held by third party	Total
Nebraska Statewide Arboretum	\$ 9,915	\$ 82,679	\$ 92,594
Wishart Horticultural Fund	1,207	175,647	176,854
Board designated endowment	<u>2,522</u>	<u>45,739</u>	<u>48,261</u>
	<u>\$ 13,644</u>	<u>\$ 304,065</u>	<u>\$ 317,709</u>
	2015		
	Spendable Endowment Funds Held	Beneficial interest in funds held by third party	Total
Nebraska Statewide Arboretum	\$ 8,036	\$ 90,304	\$ 98,340
Wishart Horticultural Fund	9,706	194,259	203,965
Board designated endowment	<u>433</u>	<u>50,040</u>	<u>50,473</u>
	<u>\$ 18,175</u>	<u>\$ 334,603</u>	<u>\$ 352,778</u>

The Board of Directors of the Organization has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In conjunction with the University of Nebraska Foundation, the custodian, the Organization has determined that the permanent portion of the endowment is to be reflected as the current fair value of the original contributions rather than the fair value of the original gift on the date of contribution. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) the accumulated fair value adjustments related to the original gifts.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified either as unrestricted or temporarily restricted net assets based on the donor’s intentions. That balance is composed of non-reinvested investment earnings, or “spendable endowment funds held.”



NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE B – BENEFICIAL INTEREST IN FUNDS HELD BY THIRD PARTY – Continued

The spendable endowment funds in the Nebraska Statewide Arboretum Endowment are available for the ongoing operations of the Organization and are therefore unrestricted. However, the funds held from the Wishart Horticultural Fund are restricted for use in the horticulture program to support the development of rare species of plants.

The Organization does not have a formal spending policy, but the Board of Directors approves disbursements from the spendable endowment fund balance, as determined by the Foundation. In accordance with the Nebraska UPMIFA, the Organization considers the following factors in determining to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organizations and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The endowment net asset composition by fund as of June 30, is as follows:

<u>Endowment Name</u>	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Nebraska Statewide Arboretum	\$ 9,915	\$ -	\$ 82,679	\$ 92,594
Wishart Horticultural Fund	-	1,207	175,647	176,854
Board designated endowment	<u>48,261</u>	<u>-</u>	<u>-</u>	<u>48,261</u>
Total	<u>\$ 58,176</u>	<u>\$ 1,207</u>	<u>\$ 258,326</u>	<u>\$ 317,709</u>

<u>Endowment Name</u>	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Nebraska Statewide Arboretum	\$ 8,036	\$ -	\$ 90,304	\$ 98,340
Wishart Horticultural Fund	-	9,706	194,259	203,965
Board designated endowment	<u>50,473</u>	<u>-</u>	<u>-</u>	<u>50,473</u>
Total	<u>\$ 58,509</u>	<u>\$ 9,706</u>	<u>\$ 284,563</u>	<u>\$ 352,778</u>

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE B – BENEFICIAL INTEREST IN FUNDS HELD BY THIRD PARTY – Continued

Changes in the endowment composition are as follows during the years ending June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 58,509	\$ 9,706	\$ 284,563	\$ 352,778
Contributions	500	-	1,050	1,550
Decrease in fair value	(4,801)	-	(27,287)	(32,088)
Interest and earnings	5,852	8,044	-	13,896
Appropriated for expenses	(1,884)	(16,543)	-	(18,427)
Ending balance	<u>\$ 58,176</u>	<u>\$ 1,207</u>	<u>\$ 258,326</u>	<u>\$ 317,709</u>

  

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 4,338	\$ 1,667	\$ 299,628	\$ 305,633
Contributions	-	-	1,625	1,625
Increase (decrease) in fair value	40	-	(16,690)	(16,650)
Interest and earnings	4,131	8,039	-	12,170
Transfers	50,000	-	-	50,000
Ending balance	<u>\$ 58,509</u>	<u>\$ 9,706</u>	<u>\$ 284,563</u>	<u>\$ 352,778</u>

During the fiscal year ending June 30, 2016, the Organization was named the income beneficiary of gifts made to the Nebraska University Foundation – Cyril Bish Arboretum Support fund and Nebraska Community Foundation – Nebraska Statewide Arboretum fund. All charitable distributions from these funds are to be made to the Organization. In accordance with the *Transfer of Assets to a Not-for-Profit Entities* topic of the Codification, these endowments are not recorded by the Organization as assets due to the donor’s ability to redirect the donation and the Foundation’s variance power, respectively. No income was received for the year ended June 30, 2016.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE C – PROPERTY AND EQUIPMENT

A summary of major classifications of property and equipment as of June 30 is as follows:

<u>Property and equipment</u>	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</u>
Furniture and fixtures	3-10 years	\$ 14,436	\$ 13,212
Equipment	5-10 years	<u>25,920</u>	<u>25,920</u>
		40,356	39,132
Less accumulated depreciation		<u>(33,834)</u>	<u>(30,208)</u>
Net property and equipment		<u>\$ 6,522</u>	<u>\$ 8,924</u>

For the years ending June 30, 2016 and 2015, depreciation expense totaled \$2,402 and \$2,860, respectively.

NOTE D – RELATED PARTIES

University of Nebraska – Lincoln

The Organization contracts with the University to manage and conduct its programs. The Organization’s personnel costs paid through the University payroll system are reimbursed by the Organization.

Some operations of the Organization reported in these financial statements are administered by the University through the use of the University agency funds, where income is received and expenses paid through these funds held by the University on the Organization’s behalf. In addition, the agency account balances are included on the Statements of Financial Position. If agency accounts have negative balances at year end, they are reported as liabilities.

The University provides certain facilities, equipment and support services to the Organization at little or no charge through state appropriated funds. The value of those in-kind contributions has been reflected in the Statements of Activities at a value of \$57,640 and \$70,297 for the years ending June 30, 2016 and 2015, respectively. During the years ended June 30, 2016 and 2015, the University’s Institute of Agriculture and Natural Resources (IANR) funded \$53,311 and \$0, respectively, of personnel costs for employees who provided services for the Organization.

The Organization can apply for grant funding when the University is ineligible to apply or where the Organization has an advantage in the selection process.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE D – RELATED PARTIES – Continued

Nebraska Forest Service

Effective July 1, 2009, the Organization entered into an affiliation agreement with the Nebraska Forest Service (the Service). The Nebraska State Forester is the administrative head of the Service but reports to the Vice Chancellor of the University's Institute of Agriculture and Natural Resources (IANR). The Service is considered to be a part of the University. Under the affiliation agreement, the Service is primarily responsible for administrative support and supervision of the Organization in cooperation with the Organization's board of directors. The Nebraska Forest Service and IANR are represented on the Organization's board by ex-officio members. However, the Service has not committed any budgetary support to the Organization, other than a portion of the personnel costs for certain employees who split time between the Organization and the Service.

Board of Directors

The Organization periodically makes nursery stock purchases from businesses owned by members of the Board of Directors. Purchases from these companies totaled \$3,480 and \$9,246 for the years ended June 30, 2016 and 2015, respectively.

NOTE E – CONCENTRATIONS

The Organization receives support from the State of Nebraska through financial and in-kind support it receives from the University and from competitive grants from the Nebraska Environmental Trust and the Nebraska Department of Environmental Quality. The total revenue recorded from various Nebraska entities for the years ending June 30, 2016 and 2015, respectively was \$241,350 and \$409,687, or 34.2% and 49.5% of recorded revenue. If this support for the Organization were cut or eliminated, it could affect the Organization's present level of operations.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at financial institutions. As of June 30, 2016 and 2015, the FDIC coverage was \$250,000. During 2016, the bank accounts, at times, exceeded federally insured limits. The Organization has not experienced any losses on such accounts and management believes the risk is mitigated by maintaining all deposits in high quality institutions.

NOTE F – CONTINGENT GRANTS AND COMMITTED SUBGRANTS

The Organization is a recipient of funding from the Nebraska Environmental Trust for the Trees for Nebraska Towns, Greener Nebraska Towns, Community Habitat and Sustainable Schoolyard Partnership grant programs. These grants consist of multiple years of funding to provide community landscape projects and to cover administrative costs of the program. Funds from these programs are recognized as temporarily restricted revenue when the conditions have been substantially satisfied. See also Note A11. Funds for administrative costs are recognized as revenue when reimbursable costs have been incurred.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE F – CONTINGENT GRANTS AND COMMITTED SUBGRANTS – Continued

Funding for future sub-grant cycles and future administrative costs is conditional on the Organization's continuing to award grants and incur other costs related to the programs. Consequently, future funding commitments have not been recognized in the financial statements. Future funding committed by the Nebraska Environmental Trust to the Organization consists of the following as of June 30, 2016:

2014 Sustainable Schoolyard Partnership	\$ 122,332
2015 Greener Nebraska Towns	124,845
2016 Greener Nebraska Towns	277,081
2015 Community as Habitat	25,310
2016 Community as Habitat	161,630
2017 Community as Habitat	<u>208,826</u>
Total conditional grant revenue outstanding	<u>\$ 920,024</u>

Certain grants and awards have been awarded by the Organization to various grant recipients but not yet paid. These commitments are conditional since the grantees must meet certain requirements to be eligible to receive payment. They will be recognized in the financial statements when all conditions for payment have been met. Such outstanding commitments are as follows as of June 30, 2016:

2013 Sustainable Schoolyards	\$ 90,000
2015 Greener Nebraska Towns	75,000
2016 Greener Nebraska Towns	150,000
2016 Community as Habitat	93,404
2017 Community as Habitat	<u>125,000</u>
Total conditional sub-grant commitments outstanding	<u>\$ 533,404</u>

NOTE G – RETIREMENT BENEFIT PLAN

Employees of the Organization are compensated through the University's agency accounts and are, therefore, eligible to participate in the University of Nebraska retirement plan. To be eligible an employee needs to work at least half-time, and have reached age 26 and attain two years of service. Participation is mandatory at age 30 and two years of service. The retirement plan is a retirement annuity with Teachers Insurance and Annuity Association, College Retirement Equities Fund (TIAA/CREF). The Plan is fully funded. For the years ended June 30, 2016 and 2015, the Organization's employer contribution was \$18,246 and \$10,053, respectively.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS -- Continued

June 30, 2016 and 2015

NOTE H -- NET ASSETS

As discussed in Note A3, the Board has designated certain unrestricted funds for intended uses. Therefore, unrestricted net assets are composed of designated funds and undesignated funds for the years ending June 30, 2016 and 2015, respectively.

<u>Designated intention</u>	<u>2016</u>	<u>2015</u>
Board designated endowment	\$ 48,261	\$ 50,473
GreatPlants® royalties	-	3,147
Accounting software	-	188
Total designated unrestricted net assets	\$ 48,261	\$ 53,808
Undesignated unrestricted net assets	<u>30,742</u>	<u>4,927</u>
Total unrestricted net assets	<u>\$ 79,003</u>	<u>\$ 58,735</u>

Temporarily restricted net assets at June 30, are restricted for specific purposes as follows:

<u>Restricted purpose</u>	<u>2016</u>	<u>2015</u>
Trees for Nebraska Towns	\$ -	\$ 103,689
Sustainable Schoolyards	72,066	283,522
Greener Nebraska Towns	62,749	-
Entomology sub grant	36,696	-
Earnings from Wishart Horticultural Fund	1,207	9,706
Graduate student research award	-	1,884
NSA Promotional Video	7,501	9,500
Lola Leu memorial funds	-	2,273
Brandle graduate student	1,500	-
Western Nebraska arboretum site brochures	515	515
Greenhouse renovation	2,123	2,123
Staff professional development	-	464
Mooter internship fund	-	1,180
Total temporarily restricted net assets	<u>\$ 184,357</u>	<u>\$ 414,856</u>

Permanently restricted net assets at June 30, consisted of the following:

<u>Fund</u>	<u>2016</u>	<u>2015</u>
Nebraska Statewide Arboretum Endowment	\$ 82,679	\$ 90,304
Wishart Horticulture Fund	<u>175,647</u>	<u>194,259</u>
Total permanently restricted net assets	<u>\$ 258,326</u>	<u>\$ 284,563</u>

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE H – NET ASSETS – Continued

In conformance with donor's intentions, earnings from the Nebraska Statewide Arboretum Endowment are unrestricted for the general support and operation of the Organization. However, earnings from the Wishart Horticulture Fund are restricted for use in the horticulture program to support the development of rare species of plants.

NOTE I - FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosures* section of the Codification provides the framework for measuring and disclosing fair value. That framework provides a fair value hierarchy that prioritizes 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 and the lowest priority to unobservable inputs 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 Organization 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's 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 or 2015.

Beneficial interest in funds held by the University of Nebraska Foundation – these funds are valued at the fair value determined by the trustee. The common trust funds held by the trustee is composed of a mixture of public and private investments with various methodologies of assessing fair values.

NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE I - FAIR VALUE MEASUREMENTS – Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 table sets forth by level, within the fair value hierarchy, the Organization’s assets and liabilities at fair value as of June 30:

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in funds held by the University of Nebraska Foundation	\$ -	\$ -	\$ 304,065	\$ 304,065
Total assets as fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,065</u>	<u>\$ 304,065</u>
	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in funds held by the University of Nebraska Foundation	\$ -	\$ -	\$ 334,603	\$ 334,603
Total assets as fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,603</u>	<u>\$ 334,603</u>

Reconciliations of beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) are as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 334,603	\$ 299,628
Allocated investment (loss) earnings	(32,088)	(16,650)
Contributions	1,550	1,625
Transfers	-	50,000
Ending balance	<u>\$ 304,065</u>	<u>\$ 334,603</u>



NEBRASKA STATEWIDE ARBORETUM, INC.

NOTES TO FINANCIAL STATEMENTS – Continued

June 30, 2016 and 2015

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2016, the date the financial statements were available to be issued. No events or transactions were noted to that date which requires further disclosure.