

Financial Statements

FRIENDS OF GREAT SMOKY
MOUNTAINS NATIONAL PARK

Year Ended December 31, 2018

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Friends of Great Smoky Mountains National Park
Sevierville, Tennessee

We have audited the accompanying financial statements of Friends of Great Smoky Mountains National Park, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 of 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Friends of Great Smoky Mountains National Park as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mitchell Emert + Hill

April 5, 2019

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF FINANCIAL POSITION

December 31, 2018

CURRENT ASSETS

Cash		\$ 8,179,190
Certificates of deposit		192,010
Accounts receivable		245,985
Prepaid expenses		<u>21,786</u>

TOTAL CURRENT ASSETS 8,638,971

INVESTMENTS

8,682,462

PROPERTY AND EQUIPMENT

Computer equipment	\$ 71,619	
Office equipment	83,619	
Vehicles	17,800	
Leasehold improvements	<u>56,631</u>	
	229,669	
Accumulated depreciation	<u>(152,399)</u>	77,270

OTHER ASSETS

Beneficial interest in assets held by others	217,668	
Cash surrender value of life insurance	9,339	
Deposit	<u>275</u>	<u>227,282</u>

\$ 17,625,986

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	17,557	
Deferred revenue		<u>267,180</u>	

TOTAL CURRENT LIABILITIES			284,737
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NET ASSETS

Without donor restriction	\$	3,152,745	
With donor restriction		<u>14,188,504</u>	<u>17,341,249</u>

			<u><u>\$ 17,625,986</u></u>
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FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 530,821	\$ 1,628,694	\$ 2,159,515
Less: Amounts designated by donors for other organizations	0	(1,000)	(1,000)
License plate revenue:			
State of Tennessee	515,507	0	515,507
State of North Carolina	476,047	0	476,047
Special events, net of direct expenses	391,791	0	391,791
In-kind contributions	67,289	11,986	79,275
Other income	9,733	0	9,733
Investment income, net of expense	8,950	183,568	192,518
	<u>2,000,138</u>	<u>1,823,248</u>	<u>3,823,386</u>
Net assets released from restriction	<u>1,495,472</u>	<u>(1,495,472)</u>	<u>0</u>
	3,495,610	327,776	3,823,386
EXPENSES			
Program services:			
Park projects	1,992,619	0	1,992,619
Salaries	152,954	0	152,954
Payroll taxes	11,701	0	11,701
Employee benefits	10,083	0	10,083
Insurance	1,722	0	1,722
Rent	11,642	0	11,642
Utilities	1,084	0	1,084
Office	3,031	0	3,031
Telephone	2,377	0	2,377
Computer	3,407	0	3,407
Travel	6,057	0	6,057
	<u>2,196,676</u>	<u>0</u>	<u>2,196,676</u>

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
Management and general:			
Salaries	185,723	0	185,723
Payroll taxes	14,208	0	14,208
Employee benefits	12,243	0	12,243
Insurance	2,091	0	2,091
Accounting and legal	24,782	0	24,782
Rent	14,136	0	14,136
Utilities	2,578	0	2,578
Repairs and maintenance	6,127	0	6,127
Office	3,680	0	3,680
Telephone	2,886	0	2,886
Computer	4,337	0	4,337
Postage	17,818	0	17,818
Printing	2,240	0	2,240
Dues and subscriptions	4,212	0	4,212
Meals and entertainment	9,366	0	9,366
Travel	8,716	0	8,716
Bank charges	23,333	0	23,333
Board	18,975	0	18,975
Volunteer support	1,793	0	1,793
Public relations	9,672	0	9,672
Depreciation	4,833	0	4,833
Miscellaneous	1,215	0	1,215
	<u>374,962</u>	<u>0</u>	<u>374,962</u>
Fundraising:			
Salaries	280,965	0	280,965
Payroll taxes	21,642	0	21,642
Employee benefits	18,522	0	18,522

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
Insurance	3,163	0	3,163
Rent	21,386	0	21,386
Utilities	730	0	730
Office	5,617	0	5,617
Telephone	4,366	0	4,366
Computer	6,258	0	6,258
Printing	32,696	0	32,696
Travel	11,127	0	11,127
Advertising and promotion	21,984	0	21,984
Newsletter	11,513	0	11,513
Public relations	7,608	0	7,608
Telethon	42,398	0	42,398
	<u>489,973</u>	<u>0</u>	<u>489,973</u>
	3,061,611	0	3,061,611
OTHER CHANGES IN NET ASSETS			
Unrealized (loss) on investment	0	(491,050)	(491,050)
Change in cash surrender value of life insurance	113	0	113
	<u>113</u>	<u>(491,050)</u>	<u>(490,937)</u>
CHANGE IN NET ASSETS	434,112	(163,275)	270,837
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>2,718,633</u>	<u>14,351,779</u>	<u>17,070,412</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 3,152,745</u>	<u>\$ 14,188,504</u>	<u>\$ 17,341,249</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Change in net assets		\$ 270,837
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 4,833	
Unrealized loss on investments	491,050	
Decrease(increase) in:		
Prepaid expenses	25,863	
Accounts receivable	(34,798)	
(Decrease) in:		
Accounts payable	(34,128)	
Deferred revenue	(7,915)	
		<u>444,905</u>

**NET CASH PROVIDED BY
BY OPERATING ACTIVITIES**

715,742

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Purchase of property and equipment	(23,324)
(Increase) in certificates of deposit	(1,645)
(Increase) in investments	(102,179)
Decrease in beneficial interest in assets held by others	21,216
(Increase) in cash surrender value of life insurance	(113)
	<u>(106,045)</u>

**NET CASH (USED) BY
INVESTING ACTIVITIES**

(106,045)

CASH PROVIDED(USED) BY FINANCING ACTIVITIES

Cash received from endowment pledges	<u>300</u>
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NET INCREASE IN CASH

609,996

CASH AT THE BEGINNING OF THE YEAR

7,569,194

CASH AT THE END OF THE YEAR

\$ 8,179,190

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE A - DESCRIPTION OF ORGANIZATION

Friends of Great Smoky Mountains National Park (Friends of the Smokies) is a nonprofit North Carolina corporation with offices in Kodak, Tennessee and Asheville, North Carolina. Friends of the Smokies was established in 1993 to assist the National Park Service in its mission to preserve and protect the Great Smoky Mountains National Park by raising funds and public awareness, and providing volunteers for needed projects.

Friends of the Smokies primary purposes are to preserve, restore, and enhance the natural beauty and features, the ecological systems and the cultural and historical heritage of Great Smoky Mountains National Park; to enhance educational, interpretive, and research opportunities relating to Great Smoky Mountains National Park; to increase public awareness, enjoyment, and appreciation of Great Smoky Mountains National Park; to support the efforts of the National Park Service and other organizations and individuals in furtherance of the foregoing, and to provide support and assistance to the National Park Service in constructing or improving park facilities such as trails, visitor centers, and support facilities to better serve the visiting public.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from those estimates. Estimates are used when accounting for fair value of pledges, allowances for uncollectible receivables, depreciation, allocation of expenses, and contingencies, among others.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits. For purposes of the statement of cash flows, Friends of the Smokies considers cash on deposit with financial institutions and all cash investments with original maturities of three months or less to be cash and cash equivalents.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

Property and Equipment

Property and equipment are recorded at cost or estimated cost if actual cost is not available. Donated property and equipment are recorded at the estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Depreciation expense for the year ended December 31, 2018 was \$4,833.

Support and Revenue

Contributions are recorded as support when cash or other assets are received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted grants and contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted. Revenue from services is recognized when the service is rendered.

Contributions of property and equipment and other long-lived assets with explicit restrictions that specify how the assets are to be used, including cash contributed to acquire such assets, are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; the expiration of donor restrictions is reported when the donated or acquired assets are placed in service.

Agency Transactions

Friends of the Smokies acts as an agent in certain cases to facilitate the receipt and transfer of charitable gifts to other organizations that benefit the Great Smoky Mountains National Park. Contributions received are recorded by Friends of the Smokies as revenue. Designated contributions disbursed to other organizations are presented in the accompanying statement of activities as a reduction of support and revenue.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are charged to program services, management and general and fundraising functions based on direct expenses incurred. Salaries, payroll taxes, employee benefits and office expenses are allocated based on an analysis of time spent on program services and other activities.

State License Plate Revenue

State of Tennessee has provided for the sale of specially earmarked Friends of Great Smoky Mountains National Park license plates. The funds produced from the sale of such plates, less the expense incurred in designing and manufacturing the plates, are deposited in a State of Tennessee general fund reserve account known as the Friends of Great Smoky Mountains endowment fund. The endowment fund maintains a principal balance of \$500,000. All revenue produced from the sale of the plates and the earned interest of the fund are to be used exclusively for the assistance of the National Park Service in the care of the Great Smoky Mountains National Park. The State of Tennessee Commissioner of Finance and Administration makes disbursements of such funds on a quarterly basis to Friends of the Smokies.

State of North Carolina has approved Friends of the Smokies as one of the organizations participating in its state attraction license plates program. Quarterly distributions are made to the specific organizations, based upon each organization's proportion of state attraction plates sold. The revenue received from the sale of such plates, is to be used for educational materials, preservation programs, capital improvements for the portion of the park that is located in North Carolina, and operating expenses of the park.

Income Taxes

Friends of the Smokies is exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code, except on unrelated business income. Friends of the Smokies' income tax filings are open and subject to examination by the Internal Revenue Service generally for three years after they are filed. However, Friends of the Smokies is not currently under audit nor has Friends of the Smokies been contacted by this jurisdiction. Friends of the Smokies believes that it has appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Friends of the Smokies had the following financial assets available at December 31, 2018:

Cash	\$ 8,179,190
Certificates of deposit	192,010
Accounts receivable	245,985
Investments	8,682,971
Beneficial interest in assets held by others	217,668
Cash surrender value of life insurance	9,339
Deposit	<u>275</u>
	<u>\$ 17,527,438</u>

Of those assets, \$14,188,504 is unavailable for general expenditures within one year, due to restrictions from donors for time or purpose restrictions leaving \$3,338,934 available within one year for general expenditures.

NOTE D - INVESTMENTS

Investments are carried at fair value. Fair value is determined based on quoted prices in active markets for identical assets (considered Level 1 in the fair value hierarchy). Long-term investments at December 31, consisted of the following:

Common stock	\$ 4,103,998
Mutual funds	998,349
Bonds	<u>3,580,118</u>
	<u>\$ 8,682,462</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

Realized and unrealized gains and losses are determined on the basis of specific identification. Investment income includes income from investments, checking and savings accounts and certificates of deposit. Investment income for the year ended December 31, 2018 consisted of the following:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
Interest and dividends	\$ 8,950	\$ 218,899	\$ 227,849
Realized (loss)	0	(1,098)	(1,098)
Unrealized (loss)	0	(491,048)	(491,048)
Expenses	<u>0</u>	<u>(34,235)</u>	<u>(34,235)</u>
	<u>\$ 8,950</u>	<u>\$ (307,482)</u>	<u>\$ (298,532)</u>

NOTE E - LEASE OBLIGATIONS

Friends of the Smokies leases two office facilities under operating leases. The lease agreement for the office space in Tennessee will expire in July 2022. The lease agreement for office space in North Carolina will expire in October 2022. Rent expense for the year ended December 31, 2018 was \$47,164, net of sublease income.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 59,034
2020	59,584
2021	60,150
2022	40,432

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

NOTE G - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Friends of the Smokies to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are maintained in demand deposit accounts which, at times, may exceed federally insured limits. Friends of the Smokies has not experienced any losses and does not believe it is exposed to any significant credit risk on such accounts. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by counterparties. Exposure to credit risk is managed through various monitoring procedures. At December 31, 2018 Friends of the Smokies had no major concentrations of credit risk except for uninsured bank deposits.

NOTE H - RETIREMENT

Friends of the Smokies provides an IRA retirement savings plan for employees. All full-time employees who have completed a 90 day probationary period are eligible to participate. The first three percent of employee contributions are matched by Friends of the Smokies. Contributions made on behalf of employees during the year ended December 31, 2018 were \$12,587.

NOTE I - DONATED MATERIALS AND SERVICES

Donated materials and services are recorded in the financial statements at their estimated fair market value. The donated materials and services for the year ended December 31, 2018 were as follows:

Program services:	
Park expense	\$ 11,986
Management and general:	
Travel	268
Office expense	12
Fundraising:	
Special events food, lodging and supplies	<u>67,010</u>
	<u>\$ 79,275</u>

Friends of the Smokies also received donated billboard advertising that did not meet the requirements for recording as donated service under accounting principles generally accepted in the United States. Donated billboard advertising, valued at approximately \$68,250, has not been recorded in the accompanying financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

NOTE J - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of cash and investments held for the following purposes:

Smokies Fund (for administration and operation)		\$ 753,052
National Park Service		3,077,691
Greenbriar renovations		513,111
Trails Now		25,053
Trails Forever endowment earnings		1,034,953
Parks as Classrooms		466,049
Scholarships		34,485
Brook Trout restoration		100,196
Purchase Knob-Burroughs Welcome		29,952
Tree protection and preservation		1,869
Oconoluftee Visitors Center		1,450
Other		941
Endowment funds (principal balances):		
Brook Trout Fisheries Scholarship	\$ 20,954	
Other scholarships	46,721	
McNeil Education Ranger endowment	1,227,034	
Gibson park improvement endowment	1,950,424	
Trails Forever endowment	<u>4,686,900</u>	7,932,032
Funds held by others for the benefit of Great Smoky Mountains National Park		<u>217,668</u>
		<u>\$ 14,188,504</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

NOTE K - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Friends of the Smokies incurred expenses for the following projects:

	Release of Temporarily Restricted Net Assets	Unrestricted Net Assets	Totals
Park amenities/facility improvements	\$ 89,595	\$ 58,527	\$ 148,122
Appalachian Bear Center	222	0	222
Cabin preservation/restoration	9,056	73,652	82,708
Collections preservation center	0	35,660	35,660
Discover life in America	0	12,500	12,500
Water monitoring, air quality and streams	784	14,734	15,518
Trail and shelter management	279,000	39,920	318,920
Parks as Classrooms	263,878	13,650	277,529
Cades Cove projects	95,894	8,000	103,894
Park interns and student conservation assistants	0	8,460	8,460
Purchase Knob Science Learning Center	3,628	0	3,628
Tree protection and preservation	54,586	75,895	130,481
Fire relief	437,920	0	437,920
Radio upgrade	212,324	87,676	300,000
Other parkwide initiatives	39,685	77,372	117,057
Capital asset purchases	<u>8,900</u>	<u>0</u>	<u>8,900</u>
	<u>\$ 1,495,472</u>	<u>\$ 506,047</u>	<u>\$ 2,001,519</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

NOTE L - ENDOWMENTS

Friends of the Smokies endowment consists of approximately seven funds established for a variety of purposes. All of the endowment funds are donor-restricted. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2018, Friends of the Smokies held permanently restricted endowments of \$9,259,275, the income from which is expendable to support the following purposes:

Brook Trout Fisheries Scholarship	\$ 20,954
Other scholarships	46,721
McNeil Education Ranger endowment	1,339,811
Gibson park improvement endowment	2,101,440
Trails Forever endowment	<u>5,750,350</u>
	9,259,275
Funds held by others for the benefit of Friends of Great Smoky Mountains National Park:	
The Community Foundation of Western North Carolina	70,344
East Tennessee Foundation	<u>147,324</u>
	<u>217,668</u>
	<u>\$ 9,476,945</u>

Interpretation of Relevant Law

The Board of Directors of Friends of the Smokies has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Friends of the Smokies classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the organization 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.

Spending Policy

Endowment distributions are limited to no more than five percent of the average market value for the previous twelve quarters of each endowment fund. During the year ended December 31, 2018, distributions from the Trails Forever endowment totaled \$258,900 or 4.56% of the average market value for the previous twelve quarters of the Trails Forever endowment fund. There were no distributions from the other endowment funds held by Friends of the Smokies.

Distributions from The Community Foundation of Western North Carolina are made in accordance with donor stipulations and totaled \$3,430 for the year ended December 31, 2018. There were no distributions from funds held by East Tennessee Foundation.

Investment Return Objective, Risk Parameters and Strategies

Endowments are invested in corporate stocks, money market accounts and certificates of deposit. Friends of the Smokies is developing investment and spending policies, to be approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The goal of the endowment is to exist in perpetuity, and therefore, provide funding in perpetuity.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

Two of Friends of the Smokies endowment funds are held and administered by East Tennessee Foundation and The Community Foundation of Western North Carolina for the benefit of Friends of the Smokies with the income distributed to Friends of the Smokies annually. Friends of the Smokies has granted the foundations variance power, which is defined as the power to modify any restriction or condition on the distribution of funds for the specified charitable purposes or to a specified organization, in the sole judgment of the foundation's board, such restrictions or conditions become, in effect unnecessary, undesirable, impracticable, incapable of fulfillment, or inconsistent with the charitable needs of the community served. Assets held by the foundations for the benefit of Friends of the Smokies are recorded in the accompanying statement of financial position as beneficial interest in assets held by others.

Changes in endowment net assets held by East Tennessee Foundation and The Community Foundation of Western North Carolina for the year ended December 31, 2018 were as follows:

Balance at December 31, 2017	\$ 238,883
Interest and dividends	3,786
Realized gain	9,038
Unrealized (loss)	(28,496)
Distribution	(3,430)
Endowment fees	<u>(2,114)</u>
Balance at December 31, 2018	<u>\$ 217,668</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2018

Changes in donor-restricted endowment net assets held by Friends of the Smokies for the year ended December 31, 2018 were as follows:

Endowment net assets at the beginning of the year	\$ 9,717,468
Contributions	106,286
Investment return:	
Investment income, net of expenses	167,110
Net appreciation (realized and unrealized)	(472,688)
Released from restriction	<u>(258,900)</u>
Endowment net assets the end of the year	<u>\$ 9,259,275</u>

Endowment net assets held by Friends of the Smokies are presented in the financial statements as follows:

Cash	\$ 576,813
Investments	<u>8,682,462</u>
	<u>\$ 9,259,275</u>

NOTE M - SUBSEQUENT EVENTS

Friends of the Smokies has evaluated subsequent events through April 5, 2019, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.