

Financial Statements

FRIENDS OF GREAT SMOKY
MOUNTAINS NATIONAL PARK

Year Ended December 31, 2020

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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, 2020, 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, 2020, 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

May 10, 2021

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF FINANCIAL POSITION

December 31, 2020

CURRENT ASSETS

Cash	\$	9,170,263
Certificates of deposit		197,409
Accounts receivable		308,567
Prepaid expenses		<u>37,224</u>

TOTAL CURRENT ASSETS 9,713,462

INVESTMENTS 11,801,870

PROPERTY AND EQUIPMENT

Computer equipment	\$	12,849	
Office equipment		83,495	
Vehicles		17,800	
Leasehold improvements		<u>149,586</u>	
		263,729	
Accumulated depreciation		<u>(96,488)</u>	167,241

OTHER ASSETS

Beneficial interest in assets held by others	278,553	
Cash surrender value of life insurance	9,494	
Deposit	<u>275</u>	<u>288,322</u>
		<u>\$ 21,970,896</u>

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$	45,112
Deferred revenue		<u>251,923</u>

TOTAL CURRENT LIABILITIES 297,035

NET ASSETS

Without donor restrictions	\$	3,854,962	
With donor restrictions		<u>17,818,898</u>	<u>21,673,860</u>
	\$		<u><u>21,970,896</u></u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 423,675	\$ 1,450,886	\$ 1,874,561
Less: Amounts designated by donors for other organizations	0	(1,000)	(1,000)
License plate revenue:			
State of Tennessee	705,531	0	705,531
State of North Carolina	504,187	0	504,187
Special events, net of direct expenses	630,585	0	630,585
In-kind contributions	59,718	0	59,718
Paycheck Protection Program	156,500	0	156,500
Other income	1,077	0	1,077
Investment income, net of expense	14,569	326,739	341,308
	<u>2,495,842</u>	<u>1,776,625</u>	<u>4,272,467</u>
Net assets released from restrictions	<u>1,006,471</u>	<u>(1,006,471)</u>	<u>0</u>
	3,502,313	770,154	4,272,467
EXPENSES			
Program services:			
Park projects	1,907,814	0	1,907,814
Salaries	137,424	0	137,424
Payroll taxes	10,205	0	10,205
Employee benefits	12,198	0	12,198
Insurance	2,776	0	2,776
Rent	13,448	0	13,448
Utilities	1,541	0	1,541
Office	1,803	0	1,803
Telephone	1,984	0	1,984
Computer	10,696	0	10,696
Travel	1,476	0	1,476
	<u>2,101,365</u>	<u>0</u>	<u>2,101,365</u>

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Management and general:			
Salaries	233,552	0	233,552
Payroll taxes	17,344	0	17,344
Employee benefits	20,730	0	20,730
Insurance	4,718	0	4,718
Accounting and legal	17,400	0	17,400
Rent	22,854	0	22,854
Utilities	2,619	0	2,619
Repairs and maintenance	16,480	0	16,480
Office	3,065	0	3,065
Telephone	3,372	0	3,372
Computer	14,797	0	14,797
Postage	9,530	0	9,530
Dues and subscriptions	8,326	0	8,326
Meals and entertainment	2,390	0	2,390
Travel	10,863	0	10,863
Bank charges	25,104	0	25,104
Board	6,872	0	6,872
Volunteer support	485	0	485
Public relations	2,487	0	2,487
Depreciation	12,644	0	12,644
Miscellaneous	727	0	727
	<u>436,360</u>	<u>0</u>	<u>436,360</u>
Fundraising:			
Salaries	285,507	0	285,507
Payroll taxes	22,643	0	22,643
Employee benefits	26,815	0	26,815

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Insurance	6,103	0	6,103
Rent	29,563	0	29,563
Utilities	3,388	0	3,388
Office	3,964	0	3,964
Telephone	4,362	0	4,362
Computer	23,513	0	23,513
Printing	33,164	0	33,164
Travel	3,244	0	3,244
Advertising and promotion	14,794	0	14,794
Newsletter	15,499	0	15,499
Public relations	17,801	0	17,801
Telethon	21,370	0	21,370
	<u>511,729</u>	<u>0</u>	<u>511,729</u>
	3,049,454	0	3,049,454
OTHER CHANGES IN NET ASSETS			
Unrealized gain on investment	69,187	988,479	1,057,666
Change in cash surrender value of life insurance	64	0	64
	<u>69,251</u>	<u>988,479</u>	<u>1,057,730</u>
CHANGE IN NET ASSETS	522,111	1,758,633	2,280,744
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>3,332,852</u>	<u>16,060,265</u>	<u>19,393,117</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 3,854,962</u>	<u>\$ 17,818,898</u>	<u>\$ 21,673,860</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Change in net assets		\$ 2,280,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 12,644	
Unrealized (gain) on investments	(1,057,666)	
Decrease(increase) in:		
Prepaid expenses	36,069	
Accounts receivable	(25,940)	
Increase(decrease) in:		
Accounts payable	471	
Deferred revenue	(51,267)	(1,085,689)

**NET CASH PROVIDED BY
BY OPERATING ACTIVITIES**

1,195,055

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

(Increase) in certificates of deposit	(3,112)
(Increase) in investments	(557,232)
(Increase) in beneficial interest in assets held by others	(27,367)
(Increase) in cash surrender value of life insurance	(64)

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

(587,775)

NET INCREASE IN CASH

607,280

CASH AT THE BEGINNING OF THE YEAR

8,562,985

CASH AT THE END OF THE YEAR

\$ 9,170,263

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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, 2020

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. Friends of the Smokies capitalizes property and equipment purchases that cost \$2,000 or more. 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, 2020 was \$12,644.

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. Special event revenue is recognized when the event is held.

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, 2020

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, occupancy 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, 2020

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Friends of the Smokies had the following financial assets available at December 31, 2019:

Cash	\$ 9,170,263
Certificates of deposit	197,409
Accounts receivable	308,567
Investments	11,801,870
Beneficial interest in assets held by others	278,553
Cash surrender value of life insurance	9,494
Deposit	<u>275</u>
	21,766,431
Less those unavailable for general expenditures within one year, due to restrictions from donors for purpose	<u>(17,818,898)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,947,533</u>

As part of Friends of the Smokies' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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	\$ 4,844,948
Mutual funds	2,505,090
Bonds	<u>4,451,833</u>
	<u>\$ 11,801,870</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2020

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, 2020 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Interest and dividends	\$ 15,866	\$ 247,884	\$ 263,750
Realized gain	347	108,744	109,091
Unrealized gain	69,187	988,479	1,057,666
Expenses	<u>(1,644)</u>	<u>(29,889)</u>	<u>(31,533)</u>
	<u>\$ 83,756</u>	<u>\$ 1,315,218</u>	<u>\$ 1,398,974</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, 2020 was \$65,864.

Future minimum lease payments are as follows:

Year Ending
December 31:

2021	\$ 60,150
2022	40,432

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2020

NOTE F - 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, 2020 Friends of the Smokies had no major concentrations of credit risk except for uninsured bank deposits.

NOTE G - RETIREMENT

All full-time employees who are at least 21 years of age and have completed one year of service are eligible to participate in Friends of the Smokies' 401(k). Friends of the Smokies will match up to the first three percent of employee contributions to the plan. Pension expense for the year ended December 31, 2020 was \$17,339.

NOTE H - 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, 2020 were as follows:

Fundraising:

Special events food, lodging and supplies	\$ 59,718
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FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2020

NOTE I - PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2020, Friends of the Smokies applied for and received forgivable loan amounts totaling \$156,500 through the Paycheck Protection Program which was administered by the Small Business Administration as part of the Coronavirus Aid, Relief and Economic Security Act. In order for these funds to be forgiven, the funds are only to be used for payroll, employee pension, health insurance, rent and utilities expenses. Additionally, these funds are not legally forgiven until Friends of the Smokies applies for forgiveness and the Small Business Administration approves it. In accordance with ACS 958-605 *Not-for-Profit Entities: Revenue Recognition*, management made the decision to account for these funds as a conditional governmental grant. Accordingly, the amount expended on qualifying purchases is shown as support and revenue on the statement of activities. Friends of the Smokies applied for and received approval of forgiveness in January 2021.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

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

Smokies Fund (for administration and operation)		\$ 725,121
National Park Service		4,542,756
Greenbriar renovations		590,706
Trails Now		36,450
Trails Forever endowment earnings		2,374,047
Parks as Classrooms		906,521
Scholarships		30,301
Brook Trout restoration		106,411
Purchase Knob		25,952
Tree protection and preservation		35,445
Oconoluftee Visitors Center		2,524
Endowment funds (principal balances):		
Brook Trout Fisheries Scholarship	\$ 20,954	
Other scholarships	46,721	
McNeil Education Ranger endowment	1,227,534	
Gibson park improvement endowment	1,950,424	
Trails Forever endowment	<u>4,918,478</u>	8,164,111
Funds held by others for the benefit of		
Great Smoky Mountains National Park		<u>278,553</u>
		<u>\$ 17,818,898</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2020

NOTE K - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Friends of the Smokies incurred expenses for the following projects:

	Release of Net Assets With Donor Restrictions	Unrestricted Net Assets	Totals
Park amenities/facility improvements	\$ 154,400	\$ 129,310	\$ 283,710
Cabin preservation/restoration	196,963	5,000	201,963
Collections preservation center	0	19,646	19,646
Discover life in America	0	23,480	23,480
Tremont	0	248,212	248,212
Water monitoring, air quality and streams	14,318	23,382	37,700
Trail and shelter management	277,000	32,339	309,339
Parks as Classrooms	63,848	0	63,848
Cades Cove projects	37,557	40,600	78,157
Park interns and student conservation assistants	0	51,000	51,000
Purchase Knob Science Learning Center	50,175	25,800	75,975
Tree protection and preservation	16,753	53,540	70,293
Fire relief	34,326	0	34,326
Search and rescue	59,053	0	59,053
Strategic Operational Planning	0	61,850	61,850
Visitor Stewardship	0	64,047	64,047
African American Cultural Experience	0	36,929	36,929
Cemetery Preservation	27,400	0	27,400
Donation box collection expense	35,642	0	35,642
Other parkwide initiatives	39,035	86,208	125,243
	<u>\$ 1,006,471</u>	<u>\$ 901,343</u>	<u>\$ 1,907,814</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2020

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, 2020, Friends of the Smokies held restricted endowments of \$12,173,559, 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	1,705,673
Gibson park improvement endowment	2,829,133
Trails Forever endowment	<u>7,292,526</u>
	11,895,006
Funds held by others for the benefit of Friends of Great Smoky Mountains National Park:	
The Community Foundation of Western North Carolina	97,142
East Tennessee Foundation	<u>181,411</u>
	<u>278,553</u>
	<u>\$ 12,173,559</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 net assets with donor restrictions (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 endowment fund that is classified as net assets with donor restrictions 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, 2020

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, 2020, distributions from the Trails Forever endowment totaled \$268,067 or 4.43% of the average market value for the previous twelve quarters of the Trails Forever endowment fund. Distributions from the McNeil Education Ranger endowment totaled \$68,000 or 4.58% of the average market value of the previous twelve quarter of the McNeil Education Ranger 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 \$3,380 for the year ended December 31, 2020. 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, 2020

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, 2020 were as follows:

Balance at December 31, 2019	\$ 251,186
Interest and dividends	1,919
Realized gain	5,893
Unrealized gain	25,805
Distribution	(2,870)
Endowment fees	<u>(3,380)</u>
Balance at December 31, 2020	<u>\$ 278,553</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2020

Changes in donor-restricted endowment net assets held by Friends of the Smokies for the year ended December 31, 2020 were as follows:

Endowment net assets at the beginning of the year	\$ 10,813,306
Contributions	145,490
Investment return:	
Investment income, net of expenses of \$29,117	175,055
Net appreciation (realized and unrealized)	1,097,223
Released from restriction	<u>(336,067)</u>
Endowment net assets the end of the year	<u>\$ 11,895,006</u>

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

Cash	\$ 764,790
Investments	<u>11,130,216</u>
	<u>\$ 11,895,006</u>

NOTE M - CORONAVIRUS

During March 2020, a public health crisis related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19) gained momentum, significantly impacting the national, state and local economies. The impact of the coronavirus is ongoing and Friends of the Smokies management continues to evaluate the impact on the financial position, liquidity and results of operations.

NOTE N - SUBSEQUENT EVENTS

Friends of the Smokies has evaluated subsequent events through May 10, 2021 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 other than as noted below.