

Financial Statements

FRIENDS OF GREAT SMOKY
MOUNTAINS NATIONAL PARK

Year Ended December 31, 2021

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

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

Opinion

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, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Great Smoky Mountains National Park as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of Great Smoky Mountains National Park and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Great Smoky Mountains National Park's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Mitchell Emert & Hill

May 5, 2022

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF FINANCIAL POSITION

December 31, 2021

CURRENT ASSETS

Cash		\$ 9,609,461
Certificates of deposit		189,600
Accounts receivable		342,160
Prepaid expenses		<u>43,404</u>

TOTAL CURRENT ASSETS 10,184,624

INVESTMENTS

14,005,693

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>(109,132)</u>	154,597

OTHER ASSETS

Beneficial interest in assets held by others	311,992	
Cash surrender value of life insurance	9,528	
Deposit	<u>275</u>	<u>321,795</u>

\$ 24,666,709

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	24,458	
Deferred revenue		<u>485,757</u>	

TOTAL CURRENT LIABILITIES			510,215
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NET ASSETS

Without donor restrictions:

Board designated	\$	861,554	
Undesignated		<u>3,929,254</u>	

4,790,808

With donor restrictions

19,365,686

24,156,494

\$ 24,666,709

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 670,854	\$ 1,847,110	\$ 2,517,964
Less: Amounts designated by donors for other organizations	0	(11,000)	(11,000)
License plate revenue:			
State of Tennessee	815,817	0	815,817
State of North Carolina	535,317	0	535,317
Special events, net of direct expenses	482,395	0	482,395
In-kind contributions	72,639	0	72,639
Other income	6,941	0	6,941
Investment income, net of expense	30,801	311,677	342,478
	<u>2,614,764</u>	<u>2,147,787</u>	<u>4,762,551</u>
Net assets released from restrictions	<u>1,535,183</u>	<u>(1,535,183)</u>	<u>0</u>
	4,149,947	612,604	4,762,551
EXPENSES			
Program services:			
Park projects	2,324,479	0	2,324,479
Salaries	118,804	0	118,804
Payroll taxes	10,890	0	10,890
Employee benefits	12,723	0	12,723
Insurance	2,349	0	2,349
Rent	13,452	0	13,452
Utilities	1,371	0	1,371
Office	1,686	0	1,686
Telephone	2,549	0	2,549
Computer	11,482	0	11,482
Travel	4,800	0	4,800
	<u>2,504,585</u>	<u>0</u>	<u>2,504,585</u>

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Management and general:			
Salaries	239,611	0	239,611
Payroll taxes	17,477	0	17,477
Employee benefits	20,419	0	20,419
Insurance	3,769	0	3,769
Accounting and legal	23,700	0	23,700
Rent	21,589	0	21,589
Utilities	2,200	0	2,200
Repairs and maintenance	7,958	0	7,958
Office	2,705	0	2,705
Telephone	4,091	0	4,091
Computer	18,426	0	18,426
Postage	6,563	0	6,563
Dues and subscriptions	4,705	0	4,705
Meals and entertainment	1,876	0	1,876
Travel	7,704	0	7,704
Bank charges	35,128	0	35,128
Board	21,454	0	21,454
Volunteer support	31	0	31
Public relations	3,393	0	3,393
Depreciation	12,644	0	12,644
Miscellaneous	285	0	285
	<u>455,728</u>	<u>0</u>	<u>455,728</u>
Fundraising:			
Salaries	341,494	0	341,494
Payroll taxes	25,180	0	25,180
Employee benefits	29,101	0	29,101
Insurance	5,372	0	5,372
Rent	30,768	0	30,768

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Utilities	3,136	0	3,136
Office	3,856	0	3,856
Telephone	5,830	0	5,830
Computer	26,261	0	26,261
Printing	17,078	0	17,078
Travel	10,980	0	10,980
Advertising and promotion	90,918	0	90,918
Newsletter	15,452	0	15,452
Public relations	41,609	0	41,609
Telethon	34,441	0	34,441
	<u>681,475</u>	<u>0</u>	<u>681,475</u>
	3,641,789	0	3,641,789
OTHER CHANGES IN NET ASSETS			
Unrealized gain on investment	45,767	1,316,071	1,361,838
Change in cash surrender value of life insurance	34	0	34
	<u>45,801</u>	<u>1,316,071</u>	<u>1,361,872</u>
CHANGE IN NET ASSETS	553,959	1,928,675	2,482,634
NET ASSETS AT THE BEGINNING OF THE YEAR, as restated	<u>4,236,850</u>	<u>17,437,010</u>	<u>21,673,860</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 4,790,808</u>	<u>\$ 19,365,686</u>	<u>\$ 24,156,494</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Change in net assets		\$ 2,482,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 12,644	
Unrealized (gain) on investments	(1,361,838)	
(Increase) in:		
Prepaid expenses	(6,181)	
Accounts receivable	(33,593)	
(Decrease)increase in:		
Accounts payable	(20,654)	
Deferred revenue	233,835	<u>(1,175,787)</u>

**NET CASH PROVIDED BY
BY OPERATING ACTIVITIES**

1,306,847

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Decrease in certificates of deposit	7,809
(Increase) in investments	(841,985)
(Increase) in beneficial interest in assets held by others	(33,439)
(Increase) in cash surrender value of life insurance	<u>(34)</u>

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

(867,649)

NET INCREASE IN CASH

439,198

CASH AT THE BEGINNING OF THE YEAR

9,170,263

CASH AT THE END OF THE YEAR

\$ 9,609,461

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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, 2021

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, 2021 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, 2021

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, rent, 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, 2021

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Friends of the Smokies had the following financial assets available at December 31, 2021:

Cash	\$ 9,609,461
Certificates of deposit	189,600
Accounts receivable	342,160
Investments	14,005,693
Beneficial interest in assets held by others	311,992
Cash surrender value of life insurance	<u>9,528</u>
	24,468,434
Less those unavailable for general expenditures within one year:	
due to restrictions from donors for purpose	(19,365,686)
due to board designations	<u>(861,554)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,241,194</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	\$ 7,983,368
Mutual funds	1,055,278
Bonds	<u>4,967,047</u>
	<u>\$ 14,005,693</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

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, 2021 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Interest and dividends	\$ 30,274	\$ 264,783	\$ 295,057
Realized gain	2,087	83,201	85,288
Unrealized gain	45,767	1,316,071	1,361,838
Expenses	<u>(1,560)</u>	<u>(36,307)</u>	<u>(37,867)</u>
	<u>\$ 76,568</u>	<u>\$ 1,627,748</u>	<u>\$ 1,704,316</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, 2021 was \$65,809.

Future minimum lease payments are as follows:

<u>Year Ending December 31:</u>	
2022	\$ 40,432

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

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, 2021 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, 2021 was \$19,203.

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, 2021 were as follows:

Fundraising:

Special events food, lodging and supplies	\$ 72,639
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FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

NOTE I - 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)		\$ 783,470
National Park Service		4,699,617
Greenbriar renovations		410,033
Trails Now		19,547
Trails Forever endowment earnings		3,007,329
Parks as Classrooms		800,779
Scholarships		28,721
Brook Trout restoration		112,145
Purchase Knob		25,952
Tree protection and preservation		3,243
Oconoluftee Visitors Center		2,563
Endowment funds (principal balances):		
Brook Trout Fisheries Scholarship	\$ 20,954	
Other scholarships	46,721	
McNeil Education Ranger endowment	1,228,034	
Gibson park improvement endowment	1,950,424	
Forever places endowment	875,344	
Trails Forever endowment	<u>5,038,818</u>	9,160,294
Funds held by others for the benefit of Great Smoky Mountains National Park		<u>311,992</u>
		<u>\$ 19,365,686</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

NOTE J - 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	\$ 145,865	\$ 26,492	\$ 172,357
Collections preservation center	0	21,900	21,900
Discover life in America	0	13,365	13,365
Tremont	0	10,000	10,000
Water monitoring, air quality and streams	42,228	81,288	123,516
Trail and shelter management	447,600	43,851	491,451
Parks as Classrooms	374,656	90,732	465,389
Cades Cove projects	71,600	0	71,600
Park interns and student conservation assistants	86,100	118,704	204,804
Purchase Knob Science Learning Center	0	31,800	31,800
Tree protection and preservation	57,589	11,413	69,002
Radio upgrade	181,854	25,146	207,000
Search and rescue	33,874	0	33,874
Strategic Operational Planning	0	60,708	60,708
Visitor Stewardship	0	68,238	68,238
Land Specialist	0	67,761	67,761
Vegetation mapping	0	29,570	29,570
Donation box collection expense	51,135	0	51,135
Other parkwide initiatives	42,682	88,328	131,010
	<u>\$ 1,535,183</u>	<u>\$ 789,296</u>	<u>\$ 2,324,479</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

NOTE K - ENDOWMENTS

Friends of the Smokies endowment consists of approximately seven funds established for a variety of purposes. Friends of the Smokies holds both board designated and donor restricted endowments. 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. At December 31, 2021, Friends of the Smokies held restricted endowments of \$14,441,951, 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	1,868,524
Gibson park improvement endowment	3,207,838
Forever Places endowment (historic structures)	939,776
Trails Forever endowment (trail maintenance)	<u>8,046,147</u>
	14,129,959
Funds held by others for the benefit of Friends of Great Smoky Mountains National Park:	
The Community Foundation of Western North Carolina	92,005
East Tennessee Foundation	<u>219,987</u>
	<u>311,992</u>
	<u>\$ 14,441,951</u>

At December 31, 2021, Friends of the Smokies held board designated endowments of \$861,554, the income from which is to be used for Forever Places.

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, 2021

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, 2021, distributions from the Trails Forever endowment totaled \$270,950 or 4.09% 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 4.18% 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.

During the year ended December 31, 2021, were no distributions from funds held by East Tennessee Foundation or The Community Foundation of Wester North Carolina.

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, 2021

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, 2021 were as follows:

Balance at December 31, 2020	\$ 278,553
Interest and dividends	3,018
Realized gain	8,787
Unrealized gain	24,954
Endowment fees	<u>(3,320)</u>
Balance at December 31, 2021	<u>\$ 311,992</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

Changes in endowment net assets held by Friends of the Smokies for the year ended December 31, 2021 were as follows:

	<u>With Donor Restrictions</u>	<u>Board Designated</u>	<u>Totals</u>
Endowment net assets			
at the beginning of the year	\$ 11,895,006	\$ 0	\$ 11,895,006
Contributions	996,183	802,485	1,798,668
Investment return:			
Investment income	214,754	12,775	227,529
Investment expense	(36,307)	(1,560)	(37,867)
Net appreciation (realized and unrealized)	1,399,272	47,854	1,447,126
Distributions	<u>(338,950)</u>	<u>0</u>	<u>(338,950)</u>
Endowment net assets			
At the end of the year	<u>\$ 14,129,959</u>	<u>\$ 861,554</u>	<u>\$ 14,991,513</u>

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

Cash	\$ 986,820
Investments	<u>14,005,693</u>
	<u>\$ 14,991,513</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2021

NOTE L - RESTATEMENT

Net assets at December 31, 2020 have been restated to correct reporting of board designated net assets related to the Forever Places endowment.

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Totals</u>
Net assets at December 31, 2020 as originally stated	\$ 3,854,962	\$ 17,818,898	\$ 21,673,860
Board designated funds reported as restricted in the prior year	<u>381,888</u>	<u>(381,888)</u>	<u>0</u>
Net assets at December 31, 2020 as restated	<u>\$ 4,236,850</u>	<u>\$ 17,437,010</u>	<u>\$ 21,673,860</u>

This restatement had no effect on the change in net assets for the year ended December 31, 2020.

NOTE M - SUBSEQUENT EVENTS

Friends of the Smokies has evaluated subsequent events through May 5, 2022 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.