

Financial Statements

FRIENDS OF GREAT SMOKY
MOUNTAINS NATIONAL PARK

Year Ended December 31, 2022

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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, 2022, 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, 2022, 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 auditors' 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

April 21, 2023

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF FINANCIAL POSITION

December 31, 2022

CURRENT ASSETS

Cash		\$ 9,691,141
Certificates of deposit		190,265
Accounts receivable		427,539
Prepaid expenses		<u>41,030</u>

TOTAL CURRENT ASSETS 10,349,975

INVESTMENTS

14,334,108

PROPERTY AND EQUIPMENT

Computer equipment	\$ 5,524	
Office equipment	83,495	
Vehicles	17,800	
Leasehold improvements	<u>149,586</u>	
	256,404	
Accumulated depreciation	<u>(116,893)</u>	139,512

OTHER ASSETS

Beneficial interest in assets held by others	258,331	
Right of use asset	323,991	
Cash surrender value of life insurance	9,528	
Deposit	<u>275</u>	<u>592,125</u>

\$ 25,415,720

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$	13,026
Current portion of long-term lease			25,086
Deferred revenue			<u>376,945</u>

TOTAL CURRENT LIABILITIES 415,057

LONG-TERM LEASE,

net of current portion 298,905

NET ASSETS

Without donor restrictions:

Board designated	\$	387,489
Undesignated		<u>3,732,347</u>
		4,119,836

With donor restrictions 20,581,922 24,701,758

\$ 25,415,720

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 637,766	\$ 5,110,925	\$ 5,748,691
Less: Amounts designated by donors for other organizations	0	(1,000)	(1,000)
License plate revenue:			
State of Tennessee	1,043,515	0	1,043,515
State of North Carolina	562,628	0	562,628
Special events, net of direct expenses	690,625	0	690,625
In-kind contributions	109,926	0	109,926
Other income	12,251	0	12,251
Investment income, net of expense	100,676	177,776	278,452
	<u>3,157,387</u>	<u>5,287,701</u>	<u>8,445,088</u>
Net assets released from restrictions	<u>2,209,693</u>	<u>(2,209,693)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	5,367,080	3,078,008	8,445,088
EXPENSES			
Program services:			
Park projects	4,104,839	0	4,104,839
Salaries	167,715	0	167,715
Payroll taxes	12,830	0	12,830
Employee benefits	15,615	0	15,615
Insurance	2,373	0	2,373
Operating lease expense and rent	13,420	0	13,420
Utilities	1,307	0	1,307
Office	1,763	0	1,763
Telephone	2,695	0	2,695
Computer	12,479	0	12,479
Travel	6,262	0	6,262
	<u>4,341,299</u>	<u>0</u>	<u>4,341,299</u>

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Management and general:			
Salaries	253,860	0	253,860
Payroll taxes	19,420	0	19,420
Employee benefits	23,635	0	23,635
Insurance	3,593	0	3,593
Professional services	97,722	0	97,722
Operating lease expense and rent	20,313	0	20,313
Utilities	1,979	0	1,979
Repairs and maintenance	17,203	0	17,203
Office	2,668	0	2,668
Telephone	4,080	0	4,080
Computer	19,266	0	19,266
Postage	8,698	0	8,698
Dues and subscriptions	6,905	0	6,905
Meals and entertainment	3,579	0	3,579
Travel	21,164	0	21,164
Bank charges	40,961	0	40,961
Board	17,144	0	17,144
Volunteer support	390	0	390
Public relations	681	0	681
Depreciation	12,644	0	12,644
Miscellaneous	5,045	0	5,045
	<u>580,950</u>	<u>0</u>	<u>580,950</u>
Fundraising:			
Salaries	338,914	0	338,914
Payroll taxes	29,399	0	29,399
Employee benefits	35,585	0	35,585
Insurance	5,409	0	5,409

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Operating lease expense and rent	30,583	0	30,583
Utilities	2,980	0	2,980
Office	4,018	0	4,018
Telephone	6,143	0	6,143
Computer	28,438	0	28,438
Printing	13,614	0	13,614
Travel	14,271	0	14,271
Advertising and promotion	58,528	0	58,528
Newsletter	14,582	0	14,582
Public relations	32,286	0	32,286
	<u>614,750</u>	<u>0</u>	<u>614,750</u>
TOTAL EXPENSES	5,536,999	0	5,536,999
OTHER CHANGE IN NET ASSETS			
Unrealized (loss) on investments	<u>(501,052)</u>	<u>(1,861,772)</u>	<u>(2,362,824)</u>
CHANGE IN NET ASSETS	(670,971)	1,216,236	545,265
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>4,790,808</u>	<u>19,365,686</u>	<u>24,156,494</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 4,119,836</u>	<u>\$ 20,581,922</u>	<u>\$ 24,701,758</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Change in net assets		\$ 545,264
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 36,509	
Gain on disposal of assets	2,441	
Unrealized loss on investments	2,362,824	
Decrease(increase) in:		
Prepaid expenses	2,374	
Accounts receivable	(85,379)	
(Decrease) in:		
Accounts payable	(11,432)	
Deferred revenue	(108,813)	
		<u>2,198,524</u>
NET CASH PROVIDED BY BY OPERATING ACTIVITIES		2,743,788
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
(Increase) in certificates of deposit	(666)	
(Increase) in investments	(2,691,239)	
Decrease in beneficial interest in assets held by others	53,660	
		<u>(2,638,245)</u>
NET CASH (USED) BY INVESTING ACTIVITIES		(2,638,245)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Principal payments on long-term lease		<u>(23,865)</u>
NET INCREASE IN CASH		81,681
CASH AT THE BEGINNING OF THE YEAR		<u>9,609,461</u>
CASH AT THE END OF THE YEAR		<u>\$ 9,691,141</u>

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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, computation of the value of lease liability and right-of-use assets, 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, 2022

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, 2022 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, 2022

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

The 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.

The 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, 2022

New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. Friends of the Smokies adopted Topic 842 effective January 1, 2022 using a modified retrospective transition method with the effective date as of the date of initial application. Friends of the Smokies elected to use all available practical expedients provided in the transition guidance. Because Friends of the Smokies elected the practical expedient to not reassess lease identification, classification and initial direct cost, Topic 842 had no effect on beginning net assets. Friends of the Smokies recorded a right-of-use asset and lease liability of \$347,856 at January 1, 2022.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Friends of the Smokies had the following financial assets available at December 31, 2022:

Cash	\$ 9,691,141
Certificates of deposit	190,265
Accounts receivable	427,539
Investments	14,334,108
Beneficial interest in assets held by others	258,331
Cash surrender value of life insurance	<u>9,528</u>
	24,910,912
Less those unavailable for general expenditures within one year:	
due to restrictions from donors for purpose	(20,581,922)
due to board designations	<u>(387,489)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,941,501</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.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

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	\$ 9,023,963
Mutual funds	1,307,807
Bonds	<u>4,002,338</u>
	<u>\$ 14,334,108</u>

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, 2022 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Interest and dividends	\$ 111,148	\$ 193,350	\$ 304,498
Realized gain	3,608	16,998	20,606
Expense	<u>(14,081)</u>	<u>(32,572)</u>	<u>(46,653)</u>
	100,676	177,776	278,451
Unrealized loss	<u>(501,052)</u>	<u>(1,861,772)</u>	<u>(2,362,824)</u>
	<u>\$ (400,377)</u>	<u>\$ (1,683,996)</u>	<u>\$(2,084,373)</u>

NOTE E - LEASE OBLIGATIONS

As described in Note B, Friends of the Smokies implemented FASB ASC 842 during the year ended December 31, 2022. Friends of the Smokies leases office space in Tennessee under an operating lease with an initial term of ten years with the option to extend for four additional five year terms. The lease is currently in the third extended term. Friends of the Smokies is reasonably certain to extend the lease for the additional remaining term. The right-of-use asset and lease liability were computed using a discount rate of 5%.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

The following summarizes amounts included in the statement of financial position for operating leases as of December 31, 2022:

Operating lease right-of-use asset	<u>\$ 323,991</u>
Current portion of long-term lease	\$ 25,086
Long-term lease, net of current portion	<u>298,905</u>
Total lease liability	<u>\$ 323,991</u>

The maturities of long-term lease liabilities as of December 31, 2022 were as follows:

<u>Year Ending</u>		
<u>December 31:</u>		
2023	\$ 40,716	
2024	40,716	
2025	40,716	
2026	40,716	
2027	40,716	
Thereafter	<u>186,615</u>	
Total lease payments	390,195	
Less: interest	<u>(66,204)</u>	
Present value of lease liability	<u>\$ 323,991</u>	

Operating lease expense for the year ended December 31, 2022 was \$40,716. Friends of the Smokies also leases office space in North Carolina under a short-term agreement. Rent expense on the North Carolina office for the year ended December 31, 2022 was \$20,929.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

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, 2022 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 the 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, 2022 was \$19,513.

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, 2022 were as follows:

Management and General – staff expense and training	\$ 11,685
Fundraising:	
Special events food, lodging and supplies	95,066
Marketing	<u>3,175</u>
	<u>\$ 109,926</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

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)		\$ 846,586
National Park Service		3,900,844
Greenbriar renovations		779,374
Trails Now		15,042
Trails Forever endowment earnings		1,705,972
Parks as Classrooms		616,502
Scholarships		26,735
Fisheries fund for scholarships		124,911
Purchase Knob		25,155
Tree protection and preservation		15,658
Oconoluftee Visitors Center		600
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	3,873,465	
Trails Forever endowment	<u>5,146,614</u>	12,266,212
Funds held by others for the benefit of		
Friends of Great Smoky Mountains National Park		<u>258,331</u>
		<u>\$ 20,581,922</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

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	\$ 29,866	\$ 27,087	\$ 56,953
Cabin preservation/restoration	208,912	301,568	510,480
Collections preservation center	2,500	30,110	32,610
Tremont	1,000	24,266	25,266
Water monitoring, air quality and streams	0	21,400	21,400
Trail and shelter management	336,000	108,354	444,354
Parks as Classrooms	210,470	0	210,470
Cades Cove projects	107,300	4,200	111,500
Park interns and student conservation assistants	26,725	201,745	228,470
Purchase Knob Science Learning Center	797	31,363	32,160
Tree protection and preservation	55,000	10,000	65,000
African American cultural experience	28,327	6,673	35,000
Boat	0	189,093	189,093
Campground: Look-Rock	88,039	0	88,039
Cataloochee	10,291	130,472	140,763
Cherokee gathering permit	0	24,000	24,000
Communication/marketing	0	222,043	222,043
Employee memorial	0	24,388	24,388
Land specialist	0	27,239	27,239
Park-it-Forward	170,000	0	170,000
Search and rescue	13,000	0	13,000
Urban youth project	0	30,000	30,000
Visitor stewardship	735,000	408,339	1,143,339
Other parkwide initiatives	186,466	72,806	259,272
	<u>\$ 2,209,693</u>	<u>\$ 1,895,146</u>	<u>\$ 4,104,839</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

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, 2022, Friends of the Smokies held restricted endowments of \$15,233,713, 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	1,558,461
Gibson park improvement endowment	2,623,194
Forever Places endowment (historic structures)	3,873,465
Trails Forever endowment (trail maintenance)	<u>6,852,587</u>
	14,975,382
Funds held by others for the benefit of Friends of Great Smoky Mountains National Park:	
The Community Foundation of Western North Carolina	68,537
East Tennessee Foundation	<u>189,795</u>
	<u>258,331</u>
	<u>\$ 15,233,713</u>

At December 31, 2021, Friends of the Smokies held board designated endowments of \$387,489, 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, 2022

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

Friends of the Smokies has a policy of appropriating for distribution each year five percent of the average market value for the previous twelve quarters of each endowment fund. During the year ended December 31, 2022, distributions from endowment funds held by Friends of the Smokies were as follows:

Trails Forever	\$ 315,052
McNeil Education Ranger	68,000
Gibson	170,000
Forever Places	<u>116,000</u>
	<u>\$ 669,052</u>

During the year ended December 31, 2022, no distributions were from funds held by East Tennessee Foundation or The Community Foundation of Western 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, 2022

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, 2022 were as follows:

Balance at December 31, 2021	\$ 311,992
Interest and dividends	2,079
Realized gain	8,725
Unrealized (loss)	(50,866)
Endowment fees	<u>(13,599)</u>
Balance at December 31, 2022	<u>\$ 258,331</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2022

Changes in endowment net assets held by Friends of the Smokies for the year ended December 31, 2022 were as follows:

	<u>With Donor Restrictions</u>	<u>Board Designated</u>	<u>Totals</u>
Endowment net assets			
at the beginning of the year	\$ 14,129,959	\$ 861,554	\$ 14,991,513
Contributions	3,105,918	0	3,105,918
Investment return:			
Investment income	234,334	89,028	323,362
Investment expense	(32,572)	(14,081)	(46,653)
Net depreciation (realized and unrealized)	(1,844,774)	(497,444)	(2,342,218)
Distributions	<u>(617,484)</u>	<u>(51,568)</u>	<u>(669,052)</u>
Endowment net assets			
At the end of the year	<u>\$ 14,975,382</u>	<u>\$ 387,489</u>	<u>\$ 15,362,870</u>

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

Cash	\$ 1,028,762
Investments	<u>14,334,108</u>
	<u>\$ 15,362,870</u>

NOTE M - SUBSEQUENT EVENTS

Friends of the Smokies has evaluated subsequent events through April 21, 2023 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.