

Financial Statements

FRIENDS OF GREAT SMOKY
MOUNTAINS NATIONAL PARK

Year Ended December 31, 2024

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3-4
Statement of Activities	5-7
Statement of Cash Flows	8
Notes to the Financial Statements	9-21

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Friends of Great Smoky Mountains National Park
Kodak, 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, 2024, 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, 2024, 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 15, 2025

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF FINANCIAL POSITION

December 31, 2024

CURRENT ASSETS

Cash		\$ 6,769,465
Certificates of deposit		4,942,297
Accounts receivable		440,216
Prepaid expenses		<u>45,422</u>

TOTAL CURRENT ASSETS 12,197,400

INVESTMENTS 18,610,999

PROPERTY AND EQUIPMENT

Office equipment	\$ 85,092	
Vehicles	17,800	
Leasehold improvements	<u>149,586</u>	
	252,477	
Accumulated depreciation	<u>(125,534)</u>	126,943

OTHER ASSETS

Beneficial interest in assets held by others	319,121	
Right of use asset	272,535	
Cash surrender value of life insurance	9,528	
Deposit	<u>275</u>	<u>601,459</u>
		<u>\$ 31,536,802</u>

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$	8,019
Current portion of long-term lease		27,719
Deferred revenue		<u>420,022</u>

TOTAL CURRENT LIABILITIES 455,760

LONG-TERM LEASE,
net of current portion

244,816

NET ASSETS

Without donor restrictions:

Board designated \$ 928,495

Undesignated 4,976,661

5,905,156

With donor restrictions

24,931,070

30,836,226

\$ 31,536,802

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 892,779	\$ 1,641,807	\$ 2,534,586
Less: amounts designated by donors for other organizations	0	(1,000)	(1,000)
License plate revenue:			
State of Tennessee	1,202,473	0	1,202,473
State of North Carolina	618,187	0	618,187
Special events, net of direct expenses	604,297	0	604,297
In-kind contributions	92,954	0	92,954
Investment income, net of expense	186,627	637,071	823,698
	<u>3,597,317</u>	<u>2,277,878</u>	<u>5,875,195</u>
Net assets released from restrictions	<u>1,467,028</u>	<u>(1,467,028)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	5,064,345	810,850	5,875,195
EXPENSES			
Program services:			
Park projects	2,945,001	0	2,945,001
Other program services:			
Salaries	360,953	0	360,953
Payroll taxes	28,446	0	28,446
Employee benefits	31,589	0	31,589
Insurance	4,962	0	4,962
Operating lease expense and rent	24,034	0	24,034
Utilities	2,681	0	2,681
Office	4,859	0	4,859
Telephone	7,260	0	7,260

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Computer	22,119	0	22,119
Travel	18,453	0	18,453
	<u>505,356</u>	<u>0</u>	<u>505,356</u>
Total program services	3,450,357	0	3,450,357
Management and general:			
Salaries	330,947	0	330,947
Payroll taxes	26,081	0	26,081
Employee benefits	28,963	0	28,963
Insurance	4,550	0	4,550
Professional services	25,200	0	25,200
Operating lease expense and rent	22,036	0	22,036
Utilities	2,459	0	2,459
Repairs and maintenance	11,447	0	11,447
Office	3,048	0	3,048
Telephone	6,656	0	6,656
Computer	20,280	0	20,280
Postage	9,594	0	9,594
Printing	86	0	86
Dues and subscriptions	7,081	0	7,081
Meals and entertainment	1,800	0	1,800
Travel	16,919	0	16,919
Bank charges	23,805	0	23,805
Board	32,528	0	32,528
Volunteer support	487	0	487
Public relations	3,011	0	3,011
Depreciation	10,989	0	10,989
Miscellaneous	<u>2,038</u>	<u>0</u>	<u>2,038</u>
Total management and general	590,006	0	590,006

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Fundraising:			
Salaries	228,710	0	228,710
Payroll taxes	18,024	0	18,024
Employee benefits	20,015	0	20,015
Insurance	3,144	0	3,144
Operating lease expense and rent	15,228	0	15,228
Utilities	1,699	0	1,699
Office	4,486	0	4,486
Telephone	4,600	0	4,600
Computer	14,015	0	14,015
Printing	7,290	0	7,290
Travel	11,692	0	11,692
Advertising and promotion	135,331	0	135,331
Newsletter	15,109	0	15,109
Public relations	<u>22,725</u>	<u>0</u>	<u>22,725</u>
Total fundraising	<u>502,070</u>	<u>0</u>	<u>502,070</u>
TOTAL EXPENSES	4,542,433	0	4,542,433
OTHER CHANGE IN NET ASSETS			
Unrealized gain on investments	<u>76,378</u>	<u>1,437,223</u>	<u>1,513,601</u>
CHANGE IN NET ASSETS	598,288	2,248,072	2,846,360
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>5,306,869</u>	<u>22,682,997</u>	<u>27,989,866</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 5,905,156</u>	<u>\$ 24,931,070</u>	<u>\$ 30,836,226</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

STATEMENT OF CASH FLOWS

Year Ended December 31, 2024

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Change in net assets		\$ 2,846,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 37,359	
Unrealized (gain) on investments	(1,513,600)	
(Increase)decrease in:		
Prepaid expenses	(6,707)	
Accounts receivable	8,521	
(Decrease)increase in:		
Accounts payable	(18,931)	
Long-term lease	(26,370)	
Deferred revenue	26,388	<u>(1,493,340)</u>

**NET CASH PROVIDED BY
BY OPERATING ACTIVITIES**

1,353,020

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

(Increase) in certificates of deposit	(2,948,857)
(Increase) in investments	(935,368)
(Increase) in beneficial interest in assets held by others	<u>(29,594)</u>

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

(3,913,819)

NET (DECREASE) IN CASH

(2,560,797)

CASH AT THE BEGINNING OF THE YEAR

9,330,263

CASH AT THE END OF THE YEAR

\$ 6,769,465

See the accompanying notes to the financial statements.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

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, 2024

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, 2024 was \$10,998.

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, 2024

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, 2024

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Friends of the Smokies had the following financial assets available at December 31, 2024:

Cash	\$ 6,769,465
Certificates of deposit	4,942,297
Accounts receivable	440,216
Investments	18,610,999
Beneficial interest in assets held by others	319,121
Cash surrender value of life insurance	<u>9,528</u>
	31,091,626
Less cash surrender value of variable annuity	(9,528)
Less those unavailable for general expenditures within one year:	
due to restrictions from donors for purpose	(24,931,070)
due to board designations	<u>(928,495)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,222,533</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.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

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:

Mutual funds	\$ 13,018,156
Bonds	<u>5,592,842</u>
	<u>\$ 18,610,999</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, 2024 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Totals
Interest and dividends	\$ 183,799	\$ 592,576	\$ 776,374
Realized gain	4,608	92,888	97,497
Expense	<u>(1,780)</u>	<u>(48,393)</u>	<u>(50,173)</u>
	186,627	637,071	823,697
Unrealized gain	<u>76,378</u>	<u>1,437,223</u>	<u>1,513,601</u>
	<u>\$ 263,005</u>	<u>\$ 2,074,294</u>	<u>\$ 2,337,298</u>

NOTE E - LEASE OBLIGATIONS

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 from August 1, 2016 through July 31, 2026. Friends of the Smokies is reasonably certain to extend the lease for the additional remaining term through July 31, 2036. 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, 2024

The following summarizes amounts included in the statement of financial position for operating leases as of December 31, 2024:

Operating lease right-of-use asset	<u>\$ 272,535</u>
Current portion of long-term lease	\$ 27,719
Long-term lease, net of current portion	<u>244,816</u>
Total lease liability	<u>\$ 272,535</u>

The maturities of long-term lease liabilities as of December 31, 2023 were as follows:

<u>Year Ending</u> <u>December 31:</u>	
2025	\$ 40,716
2026	40,716
2027	40,716
2028	40,716
2029	40,716
Thereafter	<u>85,806</u>
Total lease payments	289,386
Less: interest	<u>(16,851)</u>
Present value of lease liability	<u>\$ 272,535</u>

Operating lease expense for the year ended December 31, 2024 was \$15,228. 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, 2024 was \$20,582.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

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, 2024 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, 2024 was \$22,204.

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, 2024 were as follows:

Fundraising:

Special events food, lodging and supplies

\$ 92,954

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

Smokies Fund Settlement		\$ 895,885
Park Programs and Projects		5,503,421
Greenbrier Area Support		1,237,328
Trails Rehabilitation		2,718,353
Parks as Classrooms		806,211
Employee and Alumni Association Scholarship Fund		26,193
Brook Trout Fisheries Program Fund		135,793
Appalachian Highlands Science Learning Center		22,973
Tree Protection and Preservation		3,708
Endowment and Special Funds (principal balances):		
Brook Trout Fisheries Program Fund	\$ 20,954	
Employee and Alumni Association Scholarship Fund	46,721	
McNeil Education Ranger Endowment	1,228,055	
Gibson Park Improvement Endowment	1,950,451	
Forever Places Endowment	4,601,399	
Trails Forever Endowment	<u>5,414,505</u>	13,262,085
Funds held by others for the benefit of		
Friends of Great Smoky Mountains National Park		<u>319,121</u>
		<u>\$ 24,931,070</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

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 Facility Improvements	\$ 1,209	\$ 127,541	\$ 128,751
Forever Places	323,185	249,477	572,662
Collections Preservation Center	0	18,000	18,000
Tremont	64,000	5,000	69,000
Water and Air Quality	0	61,506	61,506
Trail Maintenance	357,230	238,477	595,707
Parks as Classrooms	221,995	110,800	332,795
Cades Cove Projects	8,290	56,954	65,244
Park Intern Program	54,979	42,835	97,814
Park Stock Program	10,000	10,000	20,000
Tree Protection and Preservation	39,874	29,966	69,840
Cemetery Preservation	0	33,150	33,150
Accessibility Improvement Programs and Projects	19,825	0	19,825
Emergency Services	27,500	27,500	55,000
Park it Forward Parking Program	0	157,793	157,793
Search and Rescue	6,500	32,500	39,000
Urban Youth Engagement	0	31,208	31,208
Elk Program	10,750	9,312	20,062
Volunteer in Park	7,935	23,669	31,605
Park Website	47,500	35,000	82,500
Hazard Tree Removal Program	37,500	37,500	75,000
Video Project Development	19,000	27,000	46,000
Vital Signs Marketing	4,703	40,297	45,000
Other Park Programs and Projects	<u>205,053</u>	<u>72,488</u>	<u>277,539</u>
	<u>\$ 1,467,028</u>	<u>\$ 1,477,973</u>	<u>\$ 2,945,001</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

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, 2024, Friends of the Smokies held restricted endowments of \$18,751,665, the income from which is expendable to support the following purposes:

Brook Trout Fisheries Program Fund	\$ 20,954
Employee and Alumni Association Scholarship Fund	46,721
McNeil Education Ranger Endowment	1,906,992
Gibson Park Improvement Endowment	3,255,796
Forever Places Endowment (historic structures)	5,095,856
Trails Forever Endowment (trail maintenance)	<u>8,106,226</u>
	18,432,544
Funds held by others for the benefit of Friends of Great Smoky Mountains National Park:	
The Community Foundation of Western North Carolina	80,772
East Tennessee Foundation	<u>238,350</u>
	<u>319,121</u>
	<u>\$ 18,751,665</u>

At December 31, 2024, Friends of the Smokies held board designated endowments of \$928,495, the income from which is to be used for Forever Places.

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

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, 2024, distributions from endowment funds held by Friends of the Smokies were as follows:

Trails Forever	\$ 325,000
McNeil Education Ranger	63,000
Forever Places	<u>81,426</u>
	<u>\$ 469,426</u>

During the year ended December 31, 2024, no distributions were made 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, 2024

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, 2024 were as follows:

Balance at December 31, 2023	\$ 289,528
Interest and dividends	6,846
Realized gain	7,200
Unrealized gain	19,728
Endowment fees	<u>(4,181)</u>
Balance at December 31, 2024	<u>\$ 319,121</u>

FRIENDS OF GREAT SMOKY MOUNTAINS NATIONAL PARK

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

Changes in endowment net assets held by Friends of the Smokies for the year ended December 31, 2024 were as follows:

	<u>With Donor Restrictions</u>	<u>Board Designated</u>	<u>Totals</u>
Endowment net assets			
at the beginning of the year	\$ 16,565,228	\$ 841,390	\$ 17,406,618
Contributions	509,819	0	509,819
Investment return:			
Investment income	331,860	21,243	353,103
Investment expense	(48,393)	(1,780)	(50,173)
Net depreciation (realized and unrealized)	1,530,111	80,986	1,611,098
Distributions	<u>(456,082)</u>	<u>(13,345)</u>	<u>(469,426)</u>
Endowment net assets			
At the end of the year	<u>\$ 18,432,544</u>	<u>\$ 928,495</u>	<u>\$ 19,361,039</u>

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

Cash	\$ 750,040
Investments	<u>18,610,999</u>
	<u>\$ 19,361,039</u>

NOTE L - SUBSEQUENT EVENTS

Friends of the Smokies has evaluated subsequent events through April 15, 2025, 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.