



# Financial Statements

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***Great Smoky Mountains Association***

*Years Ended December 31, 2020 and 2019*

**GREAT SMOKY MOUNTAINS ASSOCIATION**

*Financial Statements*

*Years Ended December 31, 2020 and 2019*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Great Smoky Mountains Association:

We have audited the accompanying financial statements of Great Smoky Mountains Association (the Association), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Smoky Mountains Association as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note B to the financial statements, the Association has been impacted due to the outbreak of the coronavirus disease 2019 (COVID-19). The Association closed its visitor centers for a number of weeks during March, April, and May of 2020 as a result of COVID-19. Our opinion is not modified with respect to this matter.

*PYA, P. C.*

Knoxville, Tennessee  
July 27, 2021

# GREAT SMOKY MOUNTAINS ASSOCIATION

## *Statements of Financial Position*

	<i>December 31,</i>	
	<i>2020</i>	<i>2019</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,669,956	\$ 4,335,936
Investments	1,531,363	1,196,559
Accounts receivable	33,262	140,033
Inventories	1,045,666	966,836
Prepaid expenses	46,906	28,870
TOTAL CURRENT ASSETS	<u>7,327,153</u>	<u>6,668,234</u>
PROPERTY AND EQUIPMENT, net	250,403	252,093
CASH RESTRICTED BY DONORS FOR LONG-TERM PURPOSES	98,548	121,286
TOTAL OTHER ASSETS	<u>348,951</u>	<u>373,379</u>
	<u>\$ 7,676,104</u>	<u>\$ 7,041,613</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 160,463	\$ 140,070
Accrued salaries and related liabilities	319,562	229,554
Current portion of long-term debt	600,797	60,721
TOTAL CURRENT LIABILITIES	<u>1,080,822</u>	<u>430,345</u>
LONG-TERM DEBT, net of current portion	-	71,002
TOTAL LIABILITIES	<u>1,080,822</u>	<u>501,347</u>
<b>COMMITMENTS AND CONTINGENCIES - Note J</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated	3,950,107	4,015,210
Undesignated	2,093,315	1,979,417
Total net assets without donor restrictions	<u>6,043,422</u>	<u>5,994,627</u>
With donor restrictions	551,860	545,639
TOTAL NET ASSETS	<u>6,595,282</u>	<u>6,540,266</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,676,104</u>	<u>\$ 7,041,613</u>

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Statements of Activities and Changes in Net Assets*

	<i>Year Ended December 31, 2020</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Sales revenue, net of discounts	\$ 6,592,104	\$ -	\$ 6,592,104
Donor gifts	342,037	93,985	436,022
Investment income, net	179,196	-	179,196
Other revenue and support	1,060,563	-	1,060,563
Net assets released from restrictions	87,764	(87,764)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	8,261,664	6,221	8,267,885
<b>EXPENSES AND LOSSES</b>			
Cost of sales and publications	3,069,110	-	3,069,110
Salaries and benefits	2,848,706	-	2,848,706
Park projects and other	1,544,184	-	1,544,184
Supplies	71,172	-	71,172
Insurance	85,676	-	85,676
Professional services	223,617	-	223,617
Maintenance and information technology	221,032	-	221,032
Utilities and telephone	61,783	-	61,783
Depreciation and amortization	87,589	-	87,589
TOTAL EXPENSES AND LOSSES	8,212,869	-	8,212,869
INCOME FROM OPERATIONS	48,795	6,221	55,016
NET ASSETS, BEGINNING OF YEAR	5,994,627	545,639	6,540,266
NET ASSETS, END OF YEAR	\$ 6,043,422	\$ 551,860	\$ 6,595,282

*See notes to financial statements.*

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Statements of Activities and Changes in Net Assets - Continued*

	<i>Year Ended December 31, 2019</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Sales revenue, net of discounts	\$ 9,790,675	\$ -	\$ 9,790,675
Donor gifts	329,153	150,374	479,527
Investment income, net	214,661	-	214,661
Other revenue and support	1,174,589	-	1,174,589
Net assets released from restrictions	102,027	(102,027)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	11,611,105	48,347	11,659,452
<b>EXPENSES AND LOSSES</b>			
Cost of sales and publications	4,571,084	-	4,571,084
Salaries and benefits	2,958,899	-	2,958,899
Park projects and other	1,664,310	-	1,664,310
Supplies	66,030	-	66,030
Insurance	85,287	-	85,287
Professional services	210,926	-	210,926
Maintenance and information technology	211,461	-	211,461
Utilities and telephone	62,217	-	62,217
Depreciation and amortization	118,156	-	118,156
TOTAL EXPENSES AND LOSSES	9,948,370	-	9,948,370
INCOME FROM OPERATIONS	1,662,735	48,347	1,711,082
NET ASSETS, BEGINNING OF YEAR	4,331,892	497,292	4,829,184
NET ASSETS, END OF YEAR	\$ 5,994,627	\$ 545,639	\$ 6,540,266

# GREAT SMOKY MOUNTAINS ASSOCIATION

## *Statements of Cash Flows*

	<i>Year Ended December 31,</i>	
	<i>2020</i>	<i>2019</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income from operations or change in net assets	\$ 55,016	\$ 1,711,082
Adjustments to reconcile income from operations or change in net assets to net cash provided by operating activities:		
Depreciation and amortization	87,589	118,156
Change in net unrealized gains	(132,901)	(138,329)
Net realized investment gains	(22,517)	(18,687)
Restricted contributions	(93,985)	(150,374)
Increase (decrease) in cash due to changes in:		
Accounts receivable	106,771	(128,485)
Inventories	(78,830)	(46,009)
Prepaid expenses	(18,036)	(4,480)
Accounts payable and accrued expenses	20,393	67,069
Accrued salaries and related liabilities	90,008	16,645
Total adjustments	<u>(41,508)</u>	<u>(284,494)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<b>13,508</b>	1,426,588
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(85,899)	(37,761)
Purchase of investments	(182,816)	(371,168)
Proceeds from investment redemption	3,430	76,188
NET CASH USED IN INVESTING ACTIVITIES	<u>(265,285)</u>	<u>(332,741)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on promissory note	(60,726)	(86,724)
Proceeds from long-term debt	529,800	-
Restricted contributions received	93,985	150,374
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>563,059</u>	<u>63,650</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>311,282</b>	1,157,497
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,457,222</u>	<u>3,299,725</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,768,504</u>	<u>\$ 4,457,222</u>
Reconciliation of cash and cash equivalents on Statements of Cash Flows to the Statements of Financial Position:		
Cash and cash equivalents	\$ 4,669,956	\$ 4,335,936
Cash restricted by donors for long-term purposes	98,548	121,286
	<u>\$ 4,768,504</u>	<u>\$ 4,457,222</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	\$ 5,186	\$ 9,286

See notes to financial statements.



# GREAT SMOKY MOUNTAINS ASSOCIATION

## *Notes to Financial Statements*

*Years Ended December 31, 2020 and 2019*

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### NOTE A--ORGANIZATION AND OPERATION

*Organization:* Great Smoky Mountains Association (the Association) was organized in 1953 to assist in the scientific, educational, historical and interpretive activities of the National Park Service (the Park Service) primarily in relation to the Great Smoky Mountains National Park (the Park).

*Operations:* The Association operates sales counters in seven visitor centers located in and around the Park, as well as conducts mail-order, internet sales and wholesale operations. The Association sells both purchased merchandise and internally developed items.

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation:* The financial statements of the Association are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and provide for the accrual basis of accounting. Based on the nature and/or existence of donor restrictions, the Association's financial position and activities are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Aid-to-Park:* The Association provides certain services and assets to the Park in exchange for space in visitor centers and other consideration. The value of such rent has not been estimated or reflected in the accompanying financial statements. These services and asset transfers are classified as Aid-to-Park in the summary of functional expenses in Note L. These items consist of salaries and benefits, certain direct costs and property and equipment which are constructed by the Association and donated to the Park. The amount of Aid-to-Park is determined by the Board of Directors of the Association.

*Cash and Cash Equivalents:* Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less when purchased and consist of amounts held as bank deposits and in money market and similar accounts. The Association maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the Association may maintain bank account balances in excess of the FDIC insured limit. Management believes the credit risk associated with these deposits is not significant.

*Investments:* Investments are presented at estimated fair value in the Statements of Financial Position (Note C). Fair value is determined based upon quoted market prices in an active market. Realized gains and losses are determined on the average cost per share method. Investment income, including realized gains or losses, change in unrealized gains or losses, dividends, and interest, is included as a component of income from operations.

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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*Inventories:* Inventories consist primarily of items purchased for resale, which are stated at the lower of cost (determined by an average cost method) or net realizable value, as well as a small amount of items produced internally. Internally produced items include all significant identifiable direct production costs. Management has evaluated inventories against historical and planned usage and believes that no impairment exists at December 31, 2020.

*Property and Equipment:* Property and equipment, including betterments of existing facilities, are recorded at cost. Routine maintenance and repairs are charged against operations as incurred. Depreciation and amortization expenses are recognized over the estimated useful life of each asset which range from five to twenty years for building and improvements and five to ten years for equipment and vehicles and are computed using the straight-line method. Improvements on certain properties leased from the Park Service are amortized over the estimated useful lives of the improvements, which in certain cases are greater than the lease term, as management believes these leases will continue to be renewed through the useful life of the assets. The Association's policy is to capitalize assets in excess of \$1,500. The Association reviews property for indicators of potential impairment when changes in circumstances occur. The Association believes no such impairment exists at December 31, 2020.

*Net Assets with Donor Restrictions:* Net assets with donor restrictions are those whose use by the Association has been limited by donors for a specific purpose (Note G).

*Sales Revenue:* The Association derives its revenues primarily from the sale of merchandise. Revenues are recognized when performance obligations are satisfied. Performance obligations are defined as transferring the merchandise sold to the customer at a point in time. The performance obligation of each transaction is deemed to occur at the time of the transaction. The Association does not have sales transactions that occur over a period of time. The Association does not receive payment for merchandise in advance, and thus does not report any deferred revenue in the accompanying Statements of Financial Position. The Association determines the transaction price for merchandise sales based on standard charges for the goods provided less any explicit price concessions. Explicit price concessions are discounts provided to customers presented at the time of sale. The Association does not consider returned merchandise to be significant based on historical experience. The Association was impacted in 2020 due to the outbreak of the coronavirus disease 2019 (COVID-19). The Association closed its visitor centers for a number of weeks during March, April, and May of 2020 as a result of COVID-19. These closures coincided with closures of the Park by the Park Service.

*Membership Revenue:* The Association offers membership subscriptions to customers. Membership revenue is recognized when performance obligations are satisfied. Performance obligations are defined as providing the associated benefits of membership to members throughout the membership period. The membership period is typically one year in length. However, the majority of benefits provided to members are provided at the time of membership purchase. Thus, the Association recognizes revenues associated with membership at the time of membership

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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purchase. Membership revenues were approximately \$875,000 and \$1,031,000 for the years ended December 31, 2020 and 2019, respectively, and are included within other revenue and support in the accompanying Statements of Activities and Changes in Net Assets.

*Donor Gifts:* Unconditional promises to give cash and other assets to the Association are reported at fair value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at fair value at the date the gift is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Gifts received in the same year as the related restriction is met are shown as without donor restrictions in the accompanying financial statements.

*Income Taxes:* The Association is classified as an organization exempt from federal income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under provisions of the Tennessee Code Annotated. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Association has no uncertain tax positions at December 31, 2020. At December 31, 2020, tax returns filed for the previous three years are subject to examination by the Internal Revenue Service.

*Use of Estimates:* The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates that affect the reported amounts of assets, liabilities, revenues, expenses and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

*Fair Value Measurements:* In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, financial instruments are categorized among the three valuation hierarchy levels. At December 31, 2020 and 2019, the Association's investments measured at fair value on a recurring basis are classified as Level 1 in the valuation hierarchy. At December 31, 2020 and 2019, the Association had no liabilities meeting the disclosure requirements established under the guidance of FASB ASC 820.

*Reclassification:* Certain prior period amounts have been reclassified to conform with current year presentation.

*Recently Issued Accounting Pronouncement:* In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires statement of financial position recognition of a liability and right-to-use asset for substantially all leases. ASU 2016-02 is effective for years beginning after December 15, 2021 and requires a modified retrospective transition approach for leases existing at the date of adoption. The Association is currently evaluating the impact of the adoption of this standard on the financial statements.

**GREAT SMOKY MOUNTAINS ASSOCIATION**

*Notes to Financial Statements - Continued*

*Years Ended December 31, 2020 and 2019*

NOTE C--INVESTMENTS

Investments, by level within the fair value hierarchy, consist of the following at December 31:

	<i>Level 1</i>	
	<i>2020</i>	<i>2019</i>
Investments		
Equity mutual funds	\$ 989,801	\$ 774,485
Fixed income mutual funds	541,562	422,074
Total investments	<u>\$ 1,531,363</u>	<u>\$ 1,196,559</u>

Investment income consists of the following at December 31:

	<i>Without Donor Restrictions</i>
<b>2020</b>	
Interest, dividends, and net realized gains (losses)	\$ 46,295
Change in net unrealized gain (loss)	132,901
Investment income, net	<u>\$ 179,196</u>
<b>2019</b>	
Interest, dividends, and net realized gains (losses)	\$ 76,332
Change in net unrealized gain (loss)	138,329
Investment income, net	<u>\$ 214,661</u>

At December 31, 2020 and 2019, the investment portfolio had net unrealized gains of approximately \$271,000 and \$138,000, respectively.

NOTE D--INVENTORIES

Inventories consist of the following at December 31:

	<i>2020</i>	<i>2019</i>
Publications	\$ 460,836	\$ 439,179
Demo/Theme	507,148	477,760
Audio/Visual	38,738	39,318
Convenience items	29,594	5,082
Vending	8,294	4,686
Consignment	931	811
Miscellaneous	125	-
	<u>\$ 1,045,666</u>	<u>\$ 966,836</u>

## GREAT SMOKY MOUNTAINS ASSOCIATION

### Notes to Financial Statements - Continued

Years Ended December 31, 2020 and 2019

#### NOTE E--PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land and buildings	\$ 432,348	\$ 432,348
Building improvements	1,195,041	1,193,226
Equipment	1,653,057	1,568,974
Vehicles	180,007	200,770
	<u>3,460,453</u>	<u>3,395,318</u>
Less: accumulated depreciation and amortization	(3,210,050)	(3,143,225)
	<u>\$ 250,403</u>	<u>\$ 252,093</u>

#### NOTE F--LONG-TERM DEBT

The following summarizes the Association's outstanding line of long-term debt at December 31:

<u>Description</u>	<u>Maturities</u>	<u>Rates</u>	<u>Outstanding</u>	
			<u>2020</u>	<u>2019</u>
2017 promissory note, secured by substantially all assets of the Association	Payable in 9 monthly interest only payments beginning in September 2017, with 50 monthly principal and interest payments of \$5,492 beginning June 2018	4.90%	\$ 70,997	\$ 131,723
2020 paycheck protection program promissory note	Payable in 18 monthly principal and interest payments beginning August 2021	1.00%	529,800	-
			<u>600,797</u>	<u>131,723</u>
	Less: current portion		(600,797)	(60,721)
			<u>\$ -</u>	<u>\$ 71,002</u>

The 2017 promissory note was provided by Citizens National Bank (the Bank) for the purchase and implementation of a new accounting and point of sale system for the Association.

On April 13, 2020, the Association was granted a loan from the Bank in the amount of \$529,800 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for loans to qualifying business for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan matures on April 13, 2022 and bears interest at 1.00% per annum, payable monthly commencing on August 13, 2021. The loan and accrued interest are eligible for forgiveness as long as the Association uses the loan funds for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Association treats the loan proceeds in accordance with FASB Accounting

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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Standards Codification Topic 470. As the loan was not forgiven prior to December 31, 2020, the amount borrowed has been recorded as a current liability, as forgiveness was anticipated, on the Statement of Financial Position. Subsequent to year end, the Association applied for forgiveness with the Bank and received forgiveness of the full loan amount in February 2021. The amount of loan forgiveness will be reported as a component of other revenue in 2021.

The Association has an existing line of credit in the amount of \$1,000,000, secured by certain assets of the Association. The maturity of the note associated with the line of credit extends to June 2023. As of December 31, 2020 and 2019, there was no outstanding balance related to the line of credit.

Aggregate minimum annual principal payments due on debt obligations, is as follows:

<u>Year Ending December 31,</u>	
2021	\$ 600,797
	<u>\$ 600,797</u>

Interest expense was approximately \$5,000 and \$9,000 during the years ended December 31, 2020 and 2019, respectively, and is included in Park projects and other in the accompanying Statements of Activities and Changes in Net Assets.

#### NOTE G--NET ASSETS WITH DONOR RESTRICTIONS

During the years ended December 31, 2020 and 2019, the Association released \$87,764 and \$102,027, respectively, of net assets with donor restrictions as these amounts were expended in accordance with donor restrictions. These amounts were used to further advance the mission of the Association.

At December 31, net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Internal park programs	\$ 495,677	\$ 486,597
Active Trails program	37,858	37,858
Other purposes	18,325	21,184
	<u>\$ 551,860</u>	<u>\$ 545,639</u>

#### NOTE H--BENEFIT PLAN

The Association sponsors a 403(b) defined contribution plan, covering substantially all employees of the Association who have completed a minimum of six months of service. The Association made contributions to the plan in the amount of 6% of the eligible participants' compensation.

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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Plan contributions are invested, at the direction of each participant, in one or more of the funding vehicles available under the plan. Employer contributions are fully vested when such contributions are made. Benefit plan expense was \$84,332 and \$78,709 for the years ended December 31, 2020 and 2019, respectively, and is included in salaries and benefits on the Statements of Activities and Changes in Net Assets.

During 2019, the Association consulted legal counsel regarding delinquent filings of the Form 5500 for the plan, as well as certain operational errors within the plan. The Association has recorded a reserve of \$50,000 at December 31, 2020 and 2019, respectively, related to these items, including administrative and other costs. The Association is in the process of filing a Delinquent Filer Voluntary Compliance Program (DFVCP) with the Department of Labor and a Voluntary Correction Program (VCP) with the Internal Revenue Service, which further details these matters and the Association's plan for correcting them. The Association does not expect these submissions to affect the plan's tax status. However, the ultimate outcome of these matters is unknown.

#### NOTE I--AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,768,504	\$ 4,457,222
Investments	1,531,363	1,196,559
Accounts receivable	33,262	140,033
Total financial assets	<u>6,333,129</u>	<u>5,793,814</u>
Less:		
Net assets with donor restrictions	551,860	545,639
Net assets designated by the Board	3,950,107	4,015,210
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,831,162</u>	<u>\$ 1,232,965</u>

The Association evaluates operating cash needs on a regular basis to determine the amounts of investments to liquidate to meet cash obligations. The remaining financial assets are invested in accordance with the Association's investment policies. The Association receives amounts from donors which are required to be used for specific purposes or in specific timeframes and, therefore, are not available for general use. Additionally, the Board has designated assets for certain uses. The Board designated amounts may be re-designated for other purposes or for general use upon Board approval.

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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#### NOTE J--COMMITMENTS AND CONTINGENCIES

*Insurance:* The Association maintains professional liability insurance at December 31, 2020, and intends to maintain such coverages in the future. Management is unaware of any outstanding or pending legal claims at December 31, 2020.

*Concentrations:* The Association's operations are concentrated in and around the Park and may be impacted by any closures mandated by the Park Service. See Note B.

#### NOTE K--BOARD DESIGNATED FUNDS

The Board of Directors of the Association designates funds without donor restriction that are included in investments or in cash and cash equivalents to be used for specified purposes. Board designations are reduced as funds are expended for the designated purposes. Unused funds at the end of a project are generally redesignated for other purposes.

As of December 31, the following Board designations exist:

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ 651,687	\$ 450,000
Register donations	352,986	362,947
Future project reserve	717,523	1,364,026
Legacy investment	1,547,297	1,209,063
Emergency reserve	257,111	256,636
Capital expenditures reserve	100,460	100,011
Future building reserve	115,529	115,013
Palmer house project	125,500	125,500
Pension reserve	50,000	-
Additional aid to park reserve	32,014	32,014
	<u>\$ 3,950,107</u>	<u>\$ 4,015,210</u>

#### NOTE L--FUNCTIONAL EXPENSES

The Association provides various aid to the Park and operates sales centers. Management allocates expenses based on estimates of employees' time incurred, usage of resources, and other methods. Administrative expenses includes expenses that are not directly tied to specific programs or functions but provide for the overall support, maintenance, and direction of the Association. Expenses by functional classification are as follows:



# GREAT SMOKY MOUNTAINS ASSOCIATION

## Notes to Financial Statements - Continued

Years Ended December 31, 2020 and 2019

	<i>Aid-to-Park</i>	<i>Membership and Sales Centers</i>	<i>Administrative Expenses</i>	<i>Total</i>
<b>2020</b>				
Cost of sales	\$ -	\$ 3,069,110	\$ -	\$ 3,069,110
Salaries & benefits	926,329	1,092,467	829,910	2,848,706
Supplies	-	64,369	6,803	71,172
Equipment	-	9,131	15,113	24,244
Insurance	-	22,458	63,218	85,676
Park management	18,807	-	-	18,807
Resource management and science	318,665	-	-	318,665
Resource education	480,917	-	-	480,917
Parkwide volunteer-in-park program	10,000	-	-	10,000
Administration	6,800	-	-	6,800
Professional services	-	134,999	88,618	223,617
Maintenance	-	70,241	101,561	171,802
Utilities & telephone	-	29,320	32,463	61,783
Computer support	-	1,493	23,493	24,986
Membership benefits	-	203,532	-	203,532
Postage and freight	-	110,777	6,350	117,127
Miscellaneous	-	276,496	111,840	388,336
Depreciation and amortization	-	67,890	19,699	87,589
Total	<u>\$ 1,761,518</u>	<u>\$ 5,152,283</u>	<u>\$ 1,299,068</u>	<u>\$ 8,212,869</u>
<b>2019</b>				
Cost of sales	\$ -	\$ 4,571,084	\$ -	\$ 4,571,084
Salaries & benefits	1,031,889	933,191	993,819	2,958,899
Supplies	-	18,138	47,892	66,030
Equipment	-	13,155	26,320	39,475
Insurance	-	18,484	66,803	85,287
Park management	37,475	-	-	37,475
Resource management and science	351,434	-	-	351,434
Resource education	476,090	-	-	476,090
Parkwide volunteer-in-park program	12,600	-	-	12,600
Professional services	-	56,224	154,702	210,926
Maintenance	-	58,760	36,643	95,403
Utilities & telephone	-	27,903	34,314	62,217
Computer support	-	76,164	419	76,583
Membership benefits	-	291,891	-	291,891
Postage and freight	-	62,444	4,897	67,341
Miscellaneous	-	353,417	74,062	427,479
Depreciation and amortization	-	88,617	29,539	118,156
Total	<u>\$ 1,909,488</u>	<u>\$ 6,569,472</u>	<u>\$ 1,469,410</u>	<u>\$ 9,948,370</u>

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2020 and 2019*

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#### NOTE M--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the December 31, 2020 financial statements, other than as described in Note F and as follows.

Subsequent to December 31, 2020, the COVID-19 pandemic has continued to impact the operations of the Association. The ultimate outcome of the pandemic or its impact on the financial markets and the Association's operations is unknown.

On March 2, 2021, the Association entered into a second unsecured loan under the PPP with the Bank and administered by the United States Small Business Administration (SBA) and authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, enacted on December 27, 2020. The principal amount of the second PPP loan is \$554,540 which bears interest at a rate of 1.0% per annum, has a maturity date of five years from disbursement and was disbursed on March 2, 2021.