



# Financial Statements

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***Great Smoky Mountains Association***

*Years Ended December 31, 2021 and 2020*

**GREAT SMOKY MOUNTAINS ASSOCIATION**

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*Years Ended December 31, 2021 and 2020*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Great Smoky Mountains Association:

### ***Opinion***

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, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Great Smoky Mountains Association as of December 31, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 misstatement, 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 the Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 the Association'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 the Association'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.

PYA, P.C.

Knoxville, Tennessee  
May 24, 2023

# GREAT SMOKY MOUNTAINS ASSOCIATION

## Statements of Financial Position

	<i>December 31,</i>	
	<i>2021</i>	<i>2020</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,896,288	\$ 4,669,956
Investments	2,124,067	1,531,363
Accounts receivable	26,565	33,262
Inventories	1,096,397	1,045,666
Prepaid expenses	87,869	46,906
TOTAL CURRENT ASSETS	<b>10,231,186</b>	7,327,153
PROPERTY AND EQUIPMENT, net	179,320	250,403
CASH RESTRICTED BY DONORS FOR LONG-TERM PURPOSES	-	98,548
TOTAL OTHER ASSETS	<b>179,320</b>	348,951
	<b>\$ 10,410,506</b>	<b>\$ 7,676,104</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 188,699	\$ 160,463
Accrued salaries and related liabilities	298,235	319,562
Current portion of long-term debt	-	600,797
TOTAL CURRENT LIABILITIES	<b>486,934</b>	1,080,822
TOTAL LIABILITIES	<b>486,934</b>	1,080,822
COMMITMENTS AND CONTINGENCIES - Note J		
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated	5,963,355	3,950,107
Undesignated	3,644,861	2,093,315
Total net assets without donor restrictions	<b>9,608,216</b>	6,043,422
With donor restrictions	315,356	551,860
TOTAL NET ASSETS	<b>9,923,572</b>	6,595,282
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 10,410,506</b>	<b>\$ 7,676,104</b>

## GREAT SMOKY MOUNTAINS ASSOCIATION

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

	<i>Year Ended December 31, 2021</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	\$ 10,944,660	\$ -	\$ 10,944,660
Donor gifts	443,664	163,443	607,107
Investment income, net	240,620	-	240,620
Other revenue and support	961,159	-	961,159
Net assets released from restrictions	399,947	(399,947)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>12,990,050</b>	<b>(236,504)</b>	<b>12,753,546</b>
<b>EXPENSES AND LOSSES</b>			
Cost of sales and publications	5,193,051	-	5,193,051
Salaries and benefits	3,142,314	-	3,142,314
Park projects and other	1,348,125	-	1,348,125
Supplies	94,512	-	94,512
Insurance	86,361	-	86,361
Professional services	192,412	-	192,412
Maintenance and information technology	241,379	-	241,379
Utilities and telephone	96,070	-	96,070
Depreciation and amortization	115,372	-	115,372
<b>TOTAL EXPENSES AND LOSSES</b>	<b>10,509,596</b>	<b>-</b>	<b>10,509,596</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>2,480,454</b>	<b>(236,504)</b>	<b>2,243,950</b>
<b>NON-OPERATING REVENUE - EXTINGUISHMENT OF DEBT - Note F</b>	<b>1,084,340</b>	<b>-</b>	<b>1,084,340</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>3,564,794</b>	<b>(236,504)</b>	<b>3,328,290</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>6,043,422</b>	<b>551,860</b>	<b>6,595,282</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 9,608,216</b>	<b>\$ 315,356</b>	<b>\$ 9,923,572</b>

## GREAT SMOKY MOUNTAINS ASSOCIATION

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

	<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)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>8,261,664</b>	<b>6,221</b>	<b>8,267,885</b>
<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
<b>TOTAL EXPENSES AND LOSSES</b>	<b>8,212,869</b>	<b>-</b>	<b>8,212,869</b>
<b>INCOME FROM OPERATIONS</b>	<b>48,795</b>	<b>6,221</b>	<b>55,016</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>5,994,627</b>	<b>545,639</b>	<b>6,540,266</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 6,043,422</b>	<b>\$ 551,860</b>	<b>\$ 6,595,282</b>

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Statements of Cash Flows*

	<i>Year Ended December 31,</i>	
	<i>2021</i>	<i>2020</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income from operations	\$ 2,243,950	\$ 55,016
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	115,372	87,589
Change in net unrealized gains	(190,297)	(132,901)
Net realized investment gains	(28,948)	(22,517)
Restricted contributions	(163,443)	(93,985)
Increase (decrease) in cash due to changes in:		
Accounts receivable	6,697	106,771
Inventories	(50,731)	(78,830)
Prepaid expenses	(40,963)	(18,036)
Accounts payable and accrued expenses	28,236	20,393
Accrued salaries and related liabilities	(21,327)	90,008
Total adjustments	(345,404)	(41,508)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,898,546</b>	<b>13,508</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(44,289)	(85,899)
Purchase of investments	(395,491)	(182,816)
Proceeds from investment redemption	22,032	3,430
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(417,748)</b>	<b>(265,285)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on promissory note	(70,997)	(60,726)
Proceeds from long-term debt	554,540	529,800
Restricted contributions received	163,443	93,985
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>646,986</b>	<b>563,059</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,127,784</b>	<b>311,282</b>
CASH AND CASH EQUIVALENTS, beginning of year	4,768,504	4,457,222
CASH AND CASH EQUIVALENTS, end of year	<b>\$ 6,896,288</b>	<b>\$ 4,768,504</b>
Reconciliation of cash and cash equivalents on Statements of Cash Flows to the Statements of Financial Position:		
Cash and cash equivalents	\$ 6,896,288	\$ 4,669,956
Cash restricted by donors for long-term purposes	-	98,548
	<b>\$ 6,896,288</b>	<b>\$ 4,768,504</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	\$ 1,425	\$ 5,186

*See notes to financial statements.*



# GREAT SMOKY MOUNTAINS ASSOCIATION

## *Notes to Financial Statements*

### *Years Ended December 31, 2021 and 2020*

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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.

*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

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2021 and 2020*

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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, 2021.

*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, 2021.

*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 purchase. Membership revenues were approximately \$888,000 and \$875,000 for the years ended December 31, 2021 and 2020, respectively, and are included within other revenue and support in the accompanying Statements of Activities and Changes in Net Assets.

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2021 and 2020*

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*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, 2021. At December 31, 2021, 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, 2021 and 2020, the Association's investments measured at fair value on a recurring basis are classified as Level 1 in the valuation hierarchy. Level 1 investments are valued based on quoted prices for identical assets or liabilities in active markets. At December 31, 2021 and 2020, 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 will adopt this ASU as required for the year ending December 31, 2022.

## GREAT SMOKY MOUNTAINS ASSOCIATION

### Notes to Financial Statements - Continued

#### Years Ended December 31, 2021 and 2020

#### NOTE C--INVESTMENTS

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

	<i>Level 1</i>	
	<i>2021</i>	<i>2020</i>
Investments		
Equity mutual funds	\$ 1,389,633	\$ 989,801
Fixed income mutual funds	734,434	541,562
Total investments	<u>\$ 2,124,067</u>	<u>\$ 1,531,363</u>

Investment income consists of the following at December 31:

	<i>Without Donor Restrictions</i>
<b>2021</b>	
Interest, dividends, and net realized gains	\$ 50,323
Change in net unrealized gain/loss	190,297
Investment income, net	<u>\$ 240,620</u>
<b>2020</b>	
Interest, dividends, and net realized gains	\$ 46,295
Change in net unrealized gain/loss	132,901
Investment income, net	<u>\$ 179,196</u>

At December 31, 2021 and 2020, the investment portfolio had net unrealized gains of approximately \$443,000 and \$271,000, respectively.

#### NOTE D--INVENTORIES

Inventories consist of the following at December 31:

	<i>2021</i>	<i>2020</i>
Publications	\$ 493,506	\$ 460,836
Demo/Theme	557,774	507,148
Audio/Visual	32,982	38,738
Convenience items	8,018	29,594
Vending	3,738	8,294
Consignment	379	931
Miscellaneous	-	125
	<u>\$ 1,096,397</u>	<u>\$ 1,045,666</u>

## GREAT SMOKY MOUNTAINS ASSOCIATION

### Notes to Financial Statements - Continued

#### Years Ended December 31, 2021 and 2020

#### NOTE E--PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<i>2021</i>	<i>2020</i>
Land and buildings	\$ 432,348	\$ 432,348
Building improvements	1,195,041	1,195,041
Equipment	1,697,346	1,653,057
Vehicles	180,007	180,007
	<u>3,504,742</u>	<u>3,460,453</u>
Less: accumulated depreciation and amortization	(3,325,422)	(3,210,050)
	<u>\$ 179,320</u>	<u>\$ 250,403</u>

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

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

<i>Description</i>	<i>Maturities</i>	<i>Rates</i>	<i>Outstanding Balance</i>	
			<i>2021</i>	<i>2020</i>
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
2020 paycheck protection program promissory note	Payable in 18 monthly principal and interest payments beginning August 2021	1.00%	-	529,800
			<u>-</u>	<u>600,797</u>
	Less: current portion		-	(600,797)
			<u>\$ -</u>	<u>\$ -</u>

The 2017 promissory note was provided by Citizens National Bank (the Bank) for the purchase and implementation of a new membership system 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 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. On March 2, 2021, the Association was granted a second unsecured loan under the PPP with the Bank in the amount of \$554,540. The loan matures March 2, 2026, and bears interest at 1.00% per annum, payable monthly commencing on March 2, 2021. Both loans and accrued interest are eligible for forgiveness as long as the Association uses the loan funds for

## GREAT SMOKY MOUNTAINS ASSOCIATION

### *Notes to Financial Statements - Continued*

#### *Years Ended December 31, 2021 and 2020*

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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 Standards Codification Topic 470. As the first 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. In 2021, the Association applied for forgiveness for the first loan with the Bank and received forgiveness of the full loan amount in February 2021. The Association applied for forgiveness for the second loan with the Bank and received forgiveness for the full loan amount in October 2021. The amount of loan forgiveness has been reported as a component of non-operating 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, 2021 and 2020, there was no outstanding balance related to the line of credit.

Interest expense was approximately \$1,000 and \$5,000 during the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the Association released \$399,947 and \$87,764, 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>2021</u>	<u>2020</u>
Internal park programs	\$ 259,970	\$ 495,677
Active Trails program	37,858	37,858
Other purposes	17,528	18,325
	<u>\$ 315,356</u>	<u>\$ 551,860</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 matching contributions to the plan to match employee contributions up to 6% of the eligible participants' compensation. 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

## GREAT SMOKY MOUNTAINS ASSOCIATION

### Notes to Financial Statements - Continued

#### Years Ended December 31, 2021 and 2020

vested when such contributions are made. Benefit plan expense was \$84,866 and \$84,332 for the years ended December 31, 2021 and 2020, respectively, and is included in salaries and benefits on the Statements of Activities and Changes in Net Assets.

During 2020, 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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,896,288	\$4,768,504
Investments	2,124,067	1,531,363
Accounts receivable	26,565	33,262
Total financial assets	<u>9,046,920</u>	<u>6,333,129</u>
Less:		
Net assets with donor restrictions	315,356	551,860
Net assets designated by the Board	<u>5,963,355</u>	<u>3,950,107</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,768,209</u>	<u>\$ 1,831,162</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, 2021 and 2020

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#### NOTE J--COMMITMENTS AND CONTINGENCIES

*Insurance:* The Association maintains professional liability insurance at December 31, 2021, and intends to maintain such coverages in the future. Management is unaware of any outstanding or pending legal claims at December 31, 2021.

*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>2021</u>	<u>2020</u>
Operating reserve	\$ 1,000,000	\$ 651,687
Register donations	124,260	352,986
Future project reserve	1,504,469	717,523
Legacy investment	2,162,033	1,547,297
Emergency reserve	457,369	257,111
Capital expenditures reserve	300,813	100,460
Future building reserve	235,911	115,529
Palmer house project	96,403	125,500
Pension reserve	50,000	50,000
Additional aid to park reserve	32,097	32,014
	<u>\$ 5,963,355</u>	<u>\$ 3,950,107</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, 2021 and 2020

	<i>Aid-to-Park</i>	<i>Membership and Sales Centers</i>	<i>Administrative Expenses</i>	<i>Total</i>
<b>2021</b>				
Cost of sales	\$ -	\$ 5,193,051	\$ -	\$ 5,193,051
Salaries and benefits	1,056,182	1,365,706	720,426	3,142,314
Park projects and other	675,400	617,228	55,497	1,348,125
Supplies	-	85,760	8,752	94,512
Insurance	-	7,282	79,079	86,361
Professional services	-	2,504	189,908	192,412
Maintenance and information technology	-	81,105	160,274	241,379
Utilities and telephone	-	26,947	69,123	96,070
Depreciation and amortization	-	-	115,372	115,372
Total	\$ 1,731,582	\$ 7,379,583	\$ 1,398,431	\$ 10,509,596
<b>2020</b>				
Cost of sales	\$ -	\$ 3,069,110	\$ -	\$ 3,069,110
Salaries and benefits	926,329	1,092,467	829,910	2,848,706
Park projects and other	835,189	590,805	118,190	1,544,184
Supplies	-	64,369	6,803	71,172
Insurance	-	22,458	63,218	85,676
Professional services	-	134,999	88,618	223,617
Maintenance and information technology	-	80,865	140,167	221,032
Utilities and telephone	-	29,320	32,463	61,783
Depreciation and amortization	-	67,890	19,699	87,589
Total	\$ 1,761,518	\$ 5,152,283	\$ 1,299,068	\$ 8,212,869

### 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, 2021 financial statements, other than as described below.

Subsequent to December 31, 2021, 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.