



Financial Statements

Great Smoky Mountains Association

Years Ended December 31, 2022 and 2021

GREAT SMOKY MOUNTAINS ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Great Smoky Mountains Association:

Opinion

We have audited the financial statements of Great Smoky Mountains Association (the Association), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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

July 26, 2024

GREAT SMOKY MOUNTAINS ASSOCIATION

Statements of Financial Position

	<i>December 31,</i>	
	<i>2022</i>	<i>2021</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,431,723	\$ 6,896,288
Investments	2,437,792	2,124,067
Accounts receivable	20,492	26,565
Inventories	1,309,142	1,096,397
Prepaid expenses	96,494	87,869
TOTAL CURRENT ASSETS	11,295,643	10,231,186
OTHER ASSETS		
PROPERTY AND EQUIPMENT, net	239,005	179,320
TOTAL OTHER ASSETS	239,005	179,320
TOTAL ASSETS	\$ 11,534,648	\$ 10,410,506
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 188,681	\$ 188,699
Accrued salaries and related liabilities	365,555	298,235
TOTAL CURRENT LIABILITIES	554,236	486,934
TOTAL LIABILITIES	554,236	486,934
COMMITMENTS AND CONTINGENCIES - Note J		
NET ASSETS		
Without donor restrictions		
Board designated	7,689,142	5,963,355
Undesignated	2,789,938	3,644,861
Total net assets without donor restrictions	10,479,080	9,608,216
With donor restrictions	501,332	315,356
TOTAL NET ASSETS	10,980,412	9,923,572
TOTAL LIABILITIES AND NET ASSETS	\$ 11,534,648	\$ 10,410,506

GREAT SMOKY MOUNTAINS ASSOCIATION

Statements of Activities and Changes in Net Assets

	<i>Year Ended December 31, 2022</i>		
	<i>Without Donor</i>	<i>With Donor</i>	<i>Total</i>
	<i>Restrictions</i>	<i>Restrictions</i>	
REVENUES, GAINS AND OTHER SUPPORT			
Sales revenue, net of discounts	\$ 12,795,833	\$ -	\$ 12,795,833
Donor gifts	408,623	193,175	601,798
Other revenue and support	1,046,823	-	1,046,823
Net assets released from restrictions	7,199	(7,199)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	14,258,478	185,976	14,444,454
EXPENSES AND LOSSES			
Cost of sales and publications	6,133,786	-	6,133,786
Salaries and benefits	3,869,290	-	3,869,290
Park projects and other	2,288,033	-	2,288,033
Supplies	64,317	-	64,317
Insurance	113,514	-	113,514
Professional services	196,340	-	196,340
Maintenance and information technology	311,030	-	311,030
Utilities and telephone	92,561	-	92,561
Investment loss, net	197,750	-	197,750
Depreciation and amortization	120,993	-	120,993
TOTAL EXPENSES AND LOSSES	13,387,614	-	13,387,614
INCOME FROM OPERATIONS	870,864	185,976	1,056,840
INCREASE IN NET ASSETS	870,864	185,976	1,056,840
NET ASSETS, BEGINNING OF YEAR	9,608,216	315,356	9,923,572
NET ASSETS, END OF YEAR	\$ 10,479,080	\$ 501,332	\$ 10,980,412

GREAT SMOKY MOUNTAINS ASSOCIATION

Statements of Activities and Changes in Net Assets - Continued

	<i>Year Ended December 31, 2021</i>		
	<i>Without donor restrictions</i>	<i>With donor restrictions</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT			
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)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	12,990,050	(236,504)	12,753,546
EXPENSES AND LOSSES			
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
TOTAL EXPENSES AND LOSSES	10,509,596	-	10,509,596
INCOME (LOSS) FROM OPERATIONS	2,480,454	(236,504)	2,243,950
NON-OPERATING REVENUE - EXTINGUISHMENT OF DEBT - Note F	1,084,340	-	1,084,340
INCREASE (DECREASE) IN NET ASSETS	3,564,794	(236,504)	3,328,290
NET ASSETS, BEGINNING OF YEAR	6,043,422	551,860	6,595,282
NET ASSETS, END OF YEAR	\$ 9,608,216	\$ 315,356	\$ 9,923,572

GREAT SMOKY MOUNTAINS ASSOCIATION

Statements of Cash Flows

	<i>Year Ended December 31,</i>	
	<i>2022</i>	<i>2021</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from operations or change in net assets	\$ 1,056,840	\$ 2,243,950
Adjustments to reconcile income from operations or change in net assets to net cash provided by operating activities:		
Depreciation and amortization	120,993	115,372
Change in net unrealized gains on investments	318,706	(190,297)
Net realized investment gains	(39,734)	(28,948)
Restricted contributions	(193,175)	(163,443)
Increase (decrease) in cash due to changes in:		
Accounts receivable	6,073	6,697
Inventories	(212,745)	(50,731)
Prepaid expenses	(8,625)	(40,963)
Accounts payable and accrued expenses	(18)	28,236
Accrued salaries and related liabilities	67,320	(21,327)
Total adjustments	<u>58,795</u>	<u>(345,404)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,115,635	1,898,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(180,678)	(44,289)
Purchase of investments	(689,725)	(395,491)
Proceeds from investment redemption	97,028	22,032
NET CASH USED IN INVESTING ACTIVITIES	(773,375)	(417,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on promissory note	-	(70,997)
Proceeds from long-term debt	-	554,540
Restricted contributions received	193,175	163,443
NET CASH PROVIDED BY FINANCING ACTIVITIES	193,175	646,986
NET INCREASE IN CASH AND CASH EQUIVALENTS	535,435	2,127,784
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,896,288</u>	4,768,504
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,431,723</u>	<u>\$ 6,896,288</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ -	\$ 1,425

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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, 2022 and 2021

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, 2022.

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, 2022.

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.

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 \$898,000 and \$888,000 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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, 2022. At December 31, 2022, 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, 2022 and 2021, 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, 2022 and 2021, the Association had no liabilities meeting the disclosure requirements established under the guidance of FASB ASC 820.

Recently Adopted 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 adopted this ASU for the year ended December 31, 2022. There was not a significant impact to the Association's financial statements as a result of the adoption.

NOTE C--INVESTMENTS

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

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements - Continued

Years Ended December 31, 2022 and 2021

	<i>Level 1</i>	
	<i>2022</i>	<i>2021</i>
Investments		
Equity mutual funds	\$ 1,660,723	\$ 1,389,633
Fixed income mutual funds	777,069	734,434
Total investments	\$ 2,437,792	\$ 2,124,067

Investment income (loss) consists of the following at December 31:

	<i>Without Donor Restrictions</i>
2022	
Interest, dividends, and net realized gains	\$ 120,956
Change in net unrealized gain	(318,706)
Investment loss, net	\$ (197,750)
2021	
Interest, dividends, and net realized gains	\$ 50,323
Change in net unrealized gain	190,297
Investment income, net	\$ 240,620

At December 31, 2022 and 2021, the investment portfolio had net unrealized gains of approximately \$120,000 and \$443,000, respectively.

NOTE D--INVENTORIES

Inventories consist of the following at December 31:

	<i>2022</i>	<i>2021</i>
Publications	\$ 491,153	\$ 493,506
Demo/Theme	706,902	557,774
Miscellaneous	62,262	-
Audio/Visual	36,193	32,982
Convenience items	7,857	8,018
Vending	3,592	3,738
Consignment	1,183	379
	\$ 1,309,142	\$ 1,096,397

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements - Continued

Years Ended December 31, 2022 and 2021

NOTE E--PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<i>2022</i>	<i>2021</i>
Land and buildings	\$ 360,339	\$ 432,348
Building improvements	1,212,106	1,195,041
Equipment	1,713,724	1,697,346
Vehicles	188,598	180,007
	<u>3,474,767</u>	<u>3,504,742</u>
Less: accumulated depreciation and amortization	(3,235,762)	(3,325,422)
	<u>\$ 239,005</u>	<u>\$ 179,320</u>

NOTE F--LONG-TERM DEBT

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 matured on April 13, 2022, and bore 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 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. 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, 2022 and 2021, there was no outstanding balance related to the line of credit.

Interest expense was approximately \$1,000 during the year ended December 31, 2021, and is included in Park projects and other in the accompanying Statements of Activities and Changes in

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements - Continued

Years Ended December 31, 2022 and 2021

Net Assets. No interest expense was recorded during the year ended December 31, 2022.

NOTE G--NET ASSETS WITH DONOR RESTRICTIONS

During the years ended December 31, 2022 and 2021, the Association released \$7,199 and \$399,947, 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>2022</u>	<u>2021</u>
Internal park programs	\$ 434,420	\$ 259,970
Active Trails program	37,858	37,858
Other purposes	29,054	17,528
	<u>\$ 501,332</u>	<u>\$ 315,356</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 vested when such contributions are made. Benefit plan expense was \$99,412 and \$84,866 for the years ended December 31, 2022 and 2021, respectively, and is included in salaries and benefits on the Statements of Activities and Changes in Net Assets.

The Association has 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, 2022 and 2021, 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:

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements - Continued

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,431,723	\$6,896,288
Investments	2,437,792	2,124,067
Accounts receivable	20,492	26,565
Total financial assets	<u>9,890,007</u>	<u>9,046,920</u>
Less:		
Net assets with donor restrictions	501,332	315,356
Net assets designated by the Board	<u>7,689,142</u>	<u>5,963,355</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,699,533</u>	<u>\$ 2,768,209</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.

NOTE J--COMMITMENTS AND CONTINGENCIES

Insurance: The Association maintains professional liability insurance at December 31, 2022, and intends to maintain such coverages in the future. Management is unaware of any outstanding or pending legal claims at December 31, 2022.

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:

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements - Continued

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 1,000,000	\$ 1,000,000
Register donations	301,860	124,260
Future project reserve	1,838,858	1,504,469
Legacy investment	2,597,885	2,162,033
Emergency reserve	758,617	457,369
Capital expenditures reserve	701,603	300,813
Future building reserve	351,711	235,911
Palmer house project	61,864	96,403
Pension reserve	50,000	50,000
Additional aid to park reserve	26,744	32,097
	<u>\$ 7,689,142</u>	<u>\$ 5,963,355</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 include 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:

	<i>Aid-to-Park</i>	<i>Membership and Sales Centers</i>	<i>Administrative Expenses</i>	<i>Total</i>
2022				
Cost of sales and publications	\$ -	\$ 6,133,786	\$ -	\$ 6,133,786
Salaries and benefits	1,279,500	1,513,362	1,076,428	3,869,290
Park projects and other	1,275,226	887,537	125,270	2,288,033
Supplies	-	54,668	9,649	64,317
Insurance	-	7,870	105,644	113,514
Professional services	-	3,185	193,155	196,340
Maintenance and information technology	-	119,274	191,756	311,030
Utilities and telephone	-	42,552	50,009	92,561
Depreciation and amortization	-	-	120,993	120,993
Total	<u>\$ 2,554,726</u>	<u>\$ 8,762,234</u>	<u>\$ 1,872,904</u>	<u>\$ 13,189,864</u>

GREAT SMOKY MOUNTAINS ASSOCIATION

Notes to Financial Statements - Continued

Years Ended December 31, 2022 and 2021

	<i>Aid-to-Park</i>	<i>Membership and Sales Centers</i>	<i>Administrative Expenses</i>	<i>Total</i>
2021				
Cost of sales and publications	\$ -	\$ 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

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, 2022 financial statements.