

FRIENDS OF STATE PARKS
FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

MADDISON & CAISON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

Independent Auditor's Report

To the Board of Directors
Friends of State Parks, Inc.
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of Friends of State Parks, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of State Parks, Inc. as of June 30, 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. 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 Friends of State Parks, Inc. 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 Friends of State Parks, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of State Parks, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of State Parks, Inc.'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.

July 29, 2022

Maddison & Caison, LLP

FREINDS OF STATE PARKS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 274,085	\$ 285,772
Investments	356,296	261,075
License plate receivables	39,240	37,920
Other receivables	10,752	1,805
Prepaid expenses	8,914	3,078
Inventory	500	244
Total current assets	689,787	589,894
Other assets		
Website, net	1,747	2,981
Beneficial interest in assets held by community foundation	139,445	123,890
TOTAL ASSETS	\$ 830,979	\$ 716,765
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ -	\$ 2,500
Grants payable	930	4,550
Deferred revenue	9,000	-
Refundable advances from conditional grants	66,414	134,304
Total current liabilities	76,344	141,354
Net assets		
Without donor restrictions		
Available for operations	139,873	11,182
Investment in fixed assets	1,747	2,981
Board designated		
Medoc Mountain playground project	12,500	10,000
Beneficial interest in assets held by community foundation	139,445	123,890
Board designated operating reserve	100,000	100,000
Board designated for staff and membership support	200,000	200,000
	593,565	448,053
With donor restrictions	161,070	127,358
Total net assets	754,635	575,411
TOTAL LIABILITIES AND NET ASSETS	\$ 830,979	\$ 716,765

See accompanying accountant's report.
See accompanying notes to financial statements.

FRIENDS OF STATE PARKS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 116,800	\$ 47,762	\$ 164,562
License plate revenue	177,070	-	177,070
Membership dues	9,639	-	9,639
Book sales, net	1,244	-	1,244
Dividends and interest	7,916	-	7,916
Gain on beneficial interest, net	12,525	-	12,525
Loss on investments	(6,529)	-	(6,529)
Net assets with donor restrictions released from restriction	14,050	(14,050)	-
Total support and revenues	<u>332,715</u>	<u>33,712</u>	<u>366,427</u>
Expenses			
Program expenses	154,856	-	154,856
General and administrative	30,831	-	30,831
Fundraising	1,516	-	1,516
Total expenses	<u>187,203</u>	<u>-</u>	<u>187,203</u>
Change in net assets	145,512	33,712	179,224
Net assets, beginning of period	<u>448,053</u>	<u>127,358</u>	<u>575,411</u>
Net assets, end of period	<u>\$ 593,565</u>	<u>\$ 161,070</u>	<u>\$ 754,635</u>

See accompanying accountant's report.
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FRIENDS OF STATE PARKS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 21,225	\$ 25,692	\$ 46,917
License plate revenue	161,013	-	161,013
Membership dues	6,851	-	6,851
Book sales, net	366	-	366
Dividends and interest	7,574	-	7,574
Gain on beneficial interest, net	11,869	-	11,869
Gain on investments	1,170	-	1,170
Net assets with donor restrictions released from restriction	117,469	(117,469)	-
Total support and revenues	<u>327,537</u>	<u>(91,777)</u>	<u>235,760</u>
Expenses			
Program expenses	188,300	-	188,300
General and administrative	30,638	-	30,638
Fundraising	1,593	-	1,593
Total expenses	<u>220,531</u>	<u>-</u>	<u>220,531</u>
Change in net assets	107,006	(91,777)	15,229
Net assets, beginning of period	<u>341,047</u>	<u>219,135</u>	<u>560,182</u>
Net assets, end of period	<u>\$ 448,053</u>	<u>\$ 127,358</u>	<u>\$ 575,411</u>

See accompanying accountant's report.
See accompanying notes to financial statements.

FRIENDS OF STATE PARKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	State Parks & Other Programming	Junior Ranger & YIP-EE	Total Program	General & Administrative	Fundraising	Total
Administrative consultant	\$ 25,200	\$ 4,200	\$ 29,400	\$ 12,600	\$ -	\$ 42,000
Travel and board expenses	7,893	-	7,893	2,919	-	10,812
Office expenses	1,187	-	1,187	2,409	-	3,596
Website and communication	4,158	-	4,158	235	300	4,693
Legal and accounting	15,504	-	15,504	11,247	-	26,751
Insurance	-	-	-	1,421	-	1,421
Education and training	595	-	595	-	-	595
Marketing	1,906	-	1,906	-	963	2,869
Dues and subscriptions	1,665	-	1,665	-	253	1,918
Cost of goods sold	1,434	-	1,434	-	-	1,434
Medoc Mountain project	67,890	-	67,890	-	-	67,890
100 Mile Challenge	1,693	-	1,693	-	-	1,693
Friends chapter expenses	14,050	-	14,050	-	-	14,050
Miscellaneous grants awarded	6,915	-	6,915	-	-	6,915
Other program expenses	-	2,000	2,000	-	-	2,000
Total expenses	150,090	6,200	156,290	30,831	1,516	188,637
Less expenses included with revenues on the statement of activities						
Cost of goods sold	(1,434)	-	(1,434)	-	-	(1,434)
Total expenses included in the expense section of the statement of activities	\$ 148,656	\$ 6,200	\$ 154,856	\$ 30,831	\$ 1,516	\$ 187,203

See accompanying accountant's report.
See accompanying notes to financial statements.

FRIENDS OF STATE PARKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	State Parks & Other Programming	Junior Ranger & YIP-EE	Total Program	General & Administrative	Fundraising	Total
Administrative consultant	\$ 25,200	\$ 4,200	\$ 29,400	\$ 12,600	\$ -	\$ 42,000
Travel and board expenses	3,745	-	3,745	1,367	-	5,112
Office expenses	1,361	-	1,361	2,763	-	4,124
Website and communication	3,698	-	3,698	217	435	4,350
Legal and accounting	14,004	-	14,004	12,345	-	26,349
Insurance	-	-	-	1,346	-	1,346
Marketing	647	-	647	-	327	974
Dues and subscriptions	1,295	-	1,295	-	831	2,126
Cost of goods sold	1,102	-	1,102	-	-	1,102
NC Forever	2,500	-	2,500	-	-	2,500
100 Mile Challenge	12,326	-	12,326	-	-	12,326
Friends chapter expenses	107,184	-	107,184	-	-	107,184
Miscellaneous grants awarded	11,948	-	11,948	-	-	11,948
Other program expenses	77	115	192	-	-	192
Total expenses by function	185,087	4,315	189,402	30,638	1,593	221,633
Less expenses included with revenues on the statement of activities						
Cost of goods sold	(1,102)	-	(1,102)	-	-	(1,102)
Total expenses included in the expense section of the statement of activities	\$ 183,985	\$ 4,315	\$ 188,300	\$ 30,638	\$ 1,593	\$ 220,531

See accompanying accountant's report.
See accompanying notes to financial statements.

FRIENDS OF STATE PARKS, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 179,224	\$ 15,229
Adjustments to reconcile change in net assets:		
Gain on beneficial interest	(12,525)	(11,869)
(Gain)/loss on investments	6,529	(1,170)
Donated stock	(10,648)	-
Website amortization	1,233	719
Changes in:		
Receivables	(10,267)	(1,585)
Prepaid expenses	(5,836)	465
Inventory	(256)	153
Accounts payable	(2,500)	2,500
Grants payable	(3,620)	-
Deferred revenue	9,000	-
Refundable advances	(67,890)	(77)
Net cash provided by operating activities	<u>82,444</u>	<u>4,365</u>
Cash flows from investing activities		
Purchases of investments	(301,100)	(461,905)
Sales of investments	210,000	202,000
Investment in website	-	(3,700)
Reinvestment in beneficial interest	(3,031)	(2,667)
Net cash used by investing activities	<u>(94,131)</u>	<u>(266,272)</u>
Cash and cash equivalents - beginning of year	<u>285,772</u>	<u>547,679</u>
Cash and cash equivalents - end of year	<u><u>\$274,085</u></u>	<u><u>\$285,772</u></u>

See accompanying accountant's report.
See accompanying notes to financial statements.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 1 - Organization

Friends of State Parks, Inc. (the "Organization") was incorporated in the State of North Carolina in 1978 and is a tax-exempt, nonprofit organization as defined under Section 501(c)(3) of the Internal Revenue Code. The Organization is dedicated to the understanding, enjoyment, and protection of North Carolina's state parks. Assets purchased or constructed for state parks are the property of the State of North Carolina. The Organization's primary source of revenue is contributions from the general public, including substantial income through the state's nonprofit license plate program.

Note 2 – Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in its Statement of Financial Accounting Standards ASC 958, *Not-for-Profit Entities*.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of maps, park guides and books. Inventory is stated at the lower of cost or net realizable value on an average cost basis. Inventory sales are presented in the statement of activities net of cost of goods sold of \$1,434 and \$1,102 for the years ended December 31, 2021 and 2020, respectively.

Net Assets

Net assets and revenues received are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions that are temporary or perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed and/or when the stipulated purpose for which the resource was restricted has been fulfilled.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 2 – Significant Accounting Policies (continued)

Contributions and Grants

Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Non-cash donations are recorded at estimated fair market value on the date of the gift.

The Organization occasionally receives grants which fit the definition of unconditional grants with donor restrictions. Under Accounting Standards Update (“ASU”) 2020-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, unconditional grants are recognized as revenue in the period awarded. Unconditional grants received are included in net assets with donor restrictions at year end to the extent the donor restrictions have not been satisfied. In addition, memberships fit the definition of unconditional contributions under the update.

In addition to unconditional grants with donor restrictions, the Organization also occasionally receives conditional grants. Under ASU 2020-08, conditional grants are recognized as revenue in the period when the grant’s conditions have been substantially met. Conditional grants received are recorded as refundable advances in the liability section of the statements of financial position at year end to the extent the grant conditions have not yet been satisfied.

Contributed Services

A substantial number of volunteers make significant contributions of their time to the Organization. These contributed services are not reported as they do not meet the definition for recording or disclosure under current standards. Contributed services are only recognized for those that require specialized skills.

Functional Allocation of Expenses

The costs of program and supporting services of the Organization have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and general and administrative services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 3 – Liquidity and Availability

Financial assets without donor or other restrictions limiting their use that are available for general expenditure within one year of December 31, 2021 are as follows:

Cash and cash equivalents	\$ 274,085
Investments	356,296
Receivables	49,992
Less beneficial interest	(139,445)
Less board designations	(312,500)
Less donor restrictions	<u>(161,070)</u>
 Total	 <u>\$ 67,358</u>

Management believes these assets are sufficient to provide for operations in the coming year as the Organization has a stable history of significant quarterly license plate revenue to fund general operational activities. To manage liquidity, management regularly prioritizes expenditures and adheres to a detailed monthly budget plan.

Note 4 - Concentration of Risk

The Organization maintains cash balances at a local financial institution as well as cash balances and several certificates of deposit with a brokerage firm in the Organization's accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At December 31, 2021, the Organization had no funds on deposit in excess of federally insured limits. The Organization believes there is minimal risk regarding its cash and cash equivalents.

The Organization also maintains mutual fund balances with its brokerage firm that are fully insured up to \$500,000 through Securities Investor Protection Corporation ("SIPC").

Receivables consist of quarterly license plate receipts that had been collected by the State of North Carolina as of December 31, 2021 and 2020 and remitted to the Organization in January of 2022 and 2021, respectively. The Organization does not believe it is exposed to any significant credit risk from these receivables.

License plate revenue received for the years ended December 31, 2021 and 2020 constituted approximately 48% and 68% of total revenue and 55% and 76% of operational revenue, respectively.

Note 5 - Investments

Investments consist of certificates of deposit and publicly traded mutual funds recorded at fair market value. Realized and unrealized gains and losses are included in the statement of activities in the current period.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 5 – Investments (continued)

As of December 31, 2021, the Organization’s investments consisted of the following:

	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>	<u>Fair Value</u>
Equities	\$ 10,648	\$ (194)	\$ 10,454
Mutual funds & EFTs	<u>349,241</u>	<u>(3,399)</u>	<u>345,842</u>
Total	<u>\$ 359,889</u>	<u>\$ (3,593)</u>	<u>\$ 356,296</u>

Note 6 – Beneficial Interest in Assets Held by Community Foundation

On April 26, 2014, the board of directors voted to establish an endowment fund and a gift fund with the North Carolina Community Foundation (the "Foundation"). Under the terms of the agency endowment agreement related to the endowment fund, the Foundation has legal and fiduciary control of the assets, including full authority and discretion as to investment of the assets. The agreement grants variance power to the Foundation, meaning the Foundation can re-designate the funds for a beneficiary other than the Organization in the unlikely event that its board of directors should deem the charitable purpose of the fund to be unnecessary, undesirable, impractical, incapable of fulfillment or inconsistent with the charitable needs of the community. However, per the Foundation’s policies related to agency endowment funds, there is a mechanism whereby the Organization could request in extenuating circumstances a distribution of all assets in the fund. As a policy of the Foundation, normally 5% of the endowment fund’s average balance over a twelve-quarter period is available for distribution to the Organization annually.

Because the Organization is the named beneficiary of future distributions from the fund and because it intends to hold the beneficial interest long-term, it has recorded this beneficial interest in assets held by community foundation (the “beneficial interest”) as a long-term asset at fair value with a corresponding segregation of net assets on the statements of financial position. Investment income from the beneficial interest is reported net in the statements of activities and consists of interest, dividends, and realized and unrealized gains and losses, less external and direct investment expenses of \$1,575 and \$1,322 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, the Organization has not received any contributions restricted by donors for the endowment or gift fund. As a result, the Organization’s net assets related to this beneficial interest are classified as unrestricted (board designated).

The recorded fair value of the Organization’s beneficial interest in the assets held by the Foundation at December 31, 2021 and 2020 was \$139,446 and \$123,890, respectively.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 6 – Beneficial Interest in Assets Held by Community Foundation (continued)

The following is a reconciliation of endowment fund activity as of and for the years ended December 31:

	<u>Without Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 123,148	\$ 108,364
Contributions	-	-
Withdrawals	-	-
Interest and dividends	3,031	2,667
Unrealized gain/loss	14,100	13,191
Fees	<u>(1,327)</u>	<u>(1,074)</u>
Ending balance	<u>\$ 138,952</u>	<u>\$ 123,148</u>

With regard to the endowment fund component of the beneficial interest, the Organization has entrusted the Foundation to achieve its return objectives for stable, long-term growth. The Organization intends to follow a 5% spending policy whereby it will accept distributions from earnings of up to 5% of the corpus annually. The Organization does not make appropriations from the fund if it is in an underwater position. Since inception, the Organization has not received any distributions from the Foundation.

Contributions from the Organization’s board of directors to the endowment fund from inception through December 31, 2021 total \$99,598. As of December 31, 2021 and 2020, the fair value of the fund exceeded the corpus by \$39,354 and \$23,550, respectively.

Note 7 – Fair Value Measurements

ASU 2011-04, Fair Value Measurement (Topic 820) – *Fair Value Measurement and Disclosure* defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. FASB Accounting Standards Codification (“ASC”) 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 7 – Fair Value Measurements (continued)

FASB ASC 820-10 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Organization's valuation methodology used to measure and disclose the fair value of its investments on a recurring basis is the quoted exchange price as of the measurement date. The Organization's valuation methodology used to measure and disclose the fair value of its beneficial interest assets on a recurring basis is based on the fair value as reported by the community foundation as of the measurement date.

The Organization's investments and beneficial interest assets are all classified as follows as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 10,454	\$ 10,454	\$ -	\$ -
Mutual funds & ETFs	345,842	345,842	-	-
Beneficial interest assets	<u>139,445</u>	<u>-</u>	<u>139,445</u>	<u>-</u>
Total	<u>\$ 495,741</u>	<u>\$ 356,296</u>	<u>\$ 139,445</u>	<u>\$ -</u>

The Organization's investments and beneficial interest assets are all classified as follows as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 211,301	\$ 211,301	\$ -	\$ -
Mutual funds & ETFs	49,774	49,774	-	-
Beneficial interest assets	<u>123,890</u>	<u>-</u>	<u>123,890</u>	<u>-</u>
Total	<u>\$ 384,965</u>	<u>\$ 261,075</u>	<u>\$ 123,890</u>	<u>\$ -</u>

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

Note 8 – Net Assets Without Donor Restrictions – Board Designated

In addition to the designation of the fund principle and earnings that constitute the beneficial interest in assets held by community foundation, as of both December 31, 2021 and 2020, the Organization's board of directors has designated \$100,000 as an operating reserve and \$200,000 to support two staff positions for up to two years in order to enhance the Organization's communication with its local chapters, membership, and state park system visitors, and to increase the Organization's income through grants, foundation gifts, and corporate contributions. In addition, the board has set aside \$12,500 and \$10,000 as of December 31, 2021 and 2020, respectively, toward the Medoc Mountain playground project.

Note 9 – Net Assets With Donor Restrictions

The Organization had net assets restricted by donors at December 31 for the following purposes:

	<u>2021</u>	<u>2020</u>
Friends of State Parks chapters	\$ 122,150	\$ 88,438
Carver's Creek	30,021	30,021
Junior Ranger	2,634	2,634
Ledford Scholarship Fund	<u>6,265</u>	<u>6,265</u>
Total	<u>\$ 161,070</u>	<u>\$ 127,358</u>

Note 10 – Friends of State Parks Chapter Accounts

The Organization reports and manages the activities of chapter groups associated with individual North Carolina state parks. These chapters provide funding for projects and volunteer support for programs in addition to advocating for improvements and maintenance at specific state parks. The Organization collects donations and revenues on their behalf and oversees disbursements of their approved expenditures. Management has determined the value of services the Organization provides to such groups to be immaterial.

Note 11 – Allocation of Functional Expenses

Certain expenses in these financial statements are attributable to more than one program or supporting function. Under ASU 2016-14, these expenses must be allocated over functional categories on a reasonable basis that is consistently applied. Accordingly, the Organization has allocated administrative consultant costs based on an analysis of time and efforts. Travel and board expenses are allocated directly with all external meeting travel recorded as program expense and all internal meeting costs reflected as general and administrative. Legal expenses consist of fees incurred primarily for legislative representation and lobbying and as such are recorded as program expenses. Accounting fees are recorded as general and administrative. Marketing costs are considered program costs as they have been incurred to promote the use and raise awareness of the state parks system in the community. Overhead expenses such as office, telephone and insurance are allocated individually based on an analysis of consumption.

FRIENDS OF STATE PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 12 – Related Party Transactions

The Organization's Administrative Director served on the board of NC Forever, a coalition of businesses and nonprofit organizations that share a commitment to the conservation of the state's land and water resources, that received funding from the Organization in the amount of \$2,500 for the year ended December 31, 2020.

Note 13 – Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been recorded on the financial statements. The Organization has evaluated its tax positions as of December 31, 2021 and believes they exceed the "more likely than not" standard set by FASB ASC 740-10. Consequently, it has not recorded a liability for any potentially imposed taxes or any potentially unrecognized tax benefits.

Note 14 – Uncertainties and Subsequent Events

The Organization has evaluated subsequent events through July 29, 2022, the date the financial statements were available to be issued. Consideration has been given to the actual as well as the uncertain effects of the COVID-19 pandemic on the Organization's financial position and the results of its operations after December 31, 2021, through July 29, 2022, and thereafter.

In management's judgment, the COVID-19 pandemic does not present an existential threat to the Organization itself, and further, management has determined that conditions are not such that there is substantial doubt about the Organization's ability to operate for another twelve months from July 29, 2022. It is reasonably possible that estimates related to the contingencies and uncertainties surrounding the COVID-19 pandemic will change within one year of the date of the financial statements due to one or more confirming events and that the effect of the change would be material to the financial statements.

Note 16 - Reclassifications

Certain reclassifications were made to the December 31, 2020 financial statements in order to conform to the December 31, 2021 financial statement presentation.