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FOREST HISTORY SOCIETY, INC.

Financial Statements

June 30, 2016 and 2015

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To the Board of Directors
Forest History Society, Inc.
Durham, North Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Forest History Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Forest History Society, Inc. as of June 30, 2016 and 2015, 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.

Koonce, Wooten & Haywood, LLP

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September 28, 2016

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FOREST HISTORY SOCIETY, INC.
Statements of Financial Position
June 30, 2016 and 2015

ASSETS		2016	2015
		<u>2016</u>	<u>2015</u>
CURRENT ASSETS:			
Cash	\$	677,219	\$ 318,225
Accounts Receivable		10,594	120,365
Pledges Receivable		299,325	98,326
Inventory		17,234	21,513
Prepaid Expense and Deposits		26,834	31,815
Total Current Assets		<u>1,031,206</u>	<u>590,244</u>
INVESTMENTS		<u>7,604,091</u>	<u>8,181,367</u>
PLEDGES RECEIVABLE, Due after One Year		<u>1,096,373</u>	<u>291,856</u>
LAND, BUILDING AND EQUIPMENT, Net of Depreciation		<u>525,537</u>	<u>506,372</u>
Total Assets	\$	<u><u>10,257,207</u></u>	\$ <u><u>9,569,839</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$	3,903	\$ 18,509
Accrued Expenses and Withholding		36,946	43,747
Total Current Liabilities		<u>40,849</u>	<u>62,256</u>
LONG TERM LIABILITIES:			
Line of Credit			<u>386,750</u>
Total Liabilities		<u>40,849</u>	<u>449,006</u>
NET ASSETS:			
Unrestricted:			
Undesignated		99,624	156,086
Designated--Operations		246,806	363,857
Endowment Losses		(74,677)	(2,570)
Land, Building and Equipment		2,323,853	535,702
Total Unrestricted		<u>2,595,606</u>	<u>1,053,075</u>
Temporarily Restricted:			
Operations		60,858	14,234
Endowment Earnings		1,131,804	1,659,701
Total Temporarily Restricted		<u>1,192,662</u>	<u>1,673,935</u>
Permanently Restricted--Endowment		<u>6,428,090</u>	<u>6,393,823</u>
Total Net Assets		<u>10,216,358</u>	<u>9,120,833</u>
Total Liabilities and Net Assets	\$	<u><u>10,257,207</u></u>	\$ <u><u>9,569,839</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF ACTIVITIES

FOREST HISTORY SOCIETY, INC.
 Statements of Activities
 For the Years Ended June 30, 2016 and 2015

	June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT, REVENUE AND INVESTMENT INCOME:				
Support and Revenue:				
Memberships, Contributions and Grants	\$ 2,264,353	\$ 44,842	\$ 34,267	\$ 2,343,462
Program Income	15,318			15,318
Book Sales	6,975			6,975
Royalties	1,759			1,759
Miscellaneous	18,199			18,199
Total Support and Revenue	2,306,604	44,842	34,267	2,385,713
Investment Income:				
Dividend and Interest Income	18,392	77,093		95,485
Net Realized Gain	20,082	136,913		156,995
Net Unrealized Loss	(54,536)	(422,432)		(476,968)
Total Investment Income	(16,062)	(208,426)		(224,488)
Net Assets Released from Restrictions	317,689	(317,689)		
Total Support, Revenue and Investment Income (Loss)	2,608,231	(481,273)	34,267	2,161,225
EXPENSES:				
Program Services	761,962			761,962
General Administration	126,670			126,670
Development	177,068			177,068
Total Expenses	1,065,700			1,065,700
CHANGE IN NET ASSETS	1,542,531	(481,273)	34,267	1,095,525
NET ASSETS--Beginning of Year	1,053,075	1,673,935	6,393,823	9,120,833
NET ASSETS--End of Year	\$ 2,595,606	\$ 1,192,662	\$ 6,428,090	\$ 10,216,358

The accompanying notes are an integral part of the financial statements.

June 30, 2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,135,662	\$ 5,413	\$ 1,500	\$ 1,142,575
6,138			6,138
6,406			6,406
6,635			6,635
135,993			135,993
<u>1,290,834</u>	<u>5,413</u>	<u>1,500</u>	<u>1,297,747</u>
21,470	109,552		131,022
42,554	304,646		347,200
(18,837)	(109,813)		(128,650)
<u>45,187</u>	<u>304,385</u>		<u>349,572</u>
<u>340,569</u>	<u>(340,569)</u>		
<u>1,676,590</u>	<u>(30,771)</u>	<u>1,500</u>	<u>1,647,319</u>
694,319			694,319
152,264			152,264
224,174			224,174
<u>1,070,757</u>			<u>1,070,757</u>
<u>605,833</u>	<u>(30,771)</u>	<u>1,500</u>	<u>576,562</u>
<u>447,242</u>	<u>1,704,706</u>	<u>6,392,323</u>	<u>8,544,271</u>
<u>\$ 1,053,075</u>	<u>\$ 1,673,935</u>	<u>\$ 6,393,823</u>	<u>\$ 9,120,833</u>

STATEMENTS OF FUNCTIONAL EXPENSES

FOREST HISTORY SOCIETY, INC.
Statement of Functional Expenses
For the Years Ended June 30, 2016 and 2015

	June 30, 2016			
	Program Services	General Administration	Development	Total
Salaries	\$ 455,265	\$ 29,144	\$ 83,809	\$ 568,218
Professional Fees and Services	76,800	13,912	36,000	126,712
Payroll Taxes and Benefits	111,084	10,937	23,725	145,746
Travel and Entertainment	15,634	2,805	25,674	44,113
Dues and Subscriptions	22,246	730	961	23,937
Committees and Board		14,887		14,887
Equipment and Equipment Rental	2,465	541		3,006
Telephone and Utilities	5,163	5,904	804	11,871
Rent	18,681			18,681
Repairs and Maintenance		9,418		9,418
Postage and Shipping	5,825	283	3,838	9,946
Printing and Graphics	6,149	32		6,181
Supplies and Duplicating	11,243	3,546	2,014	16,803
Fellowships and Awards	25,580			25,580
Sundry	2,527	4,796	167	7,490
Bank Charges	815	1,676	76	2,567
Interest on Debt		8,253		8,253
Insurance	1,769	5,973		7,742
Royalties	70			70
Advertising and Promotion	646	550		1,196
Total Expenses before Depreciation	761,962	113,387	177,068	1,052,417
Depreciation		13,283		13,283
Total Expenses	\$ 761,962	\$ 126,670	\$ 177,068	\$ 1,065,700

The accompanying notes are an integral part of the financial statements.

June 30, 2015

Program Services		General Administration		Development	Total		
\$	338,634	\$	44,856	\$	109,645	\$	493,135
	182,481		19,158		44,743		246,382
	93,240		13,639		27,366		134,245
	8,115		2,752		28,244		39,111
	22,715		1,085		1,149		24,949
			22,446				22,446
	4,438		719		759		5,916
	5,225		6,154		813		12,192
	6,496						6,496
	3,500		8,204				11,704
	4,121		1,611		4,553		10,285
	6,313				3,436		9,749
	3,465		3,846		2,355		9,666
	7,897						7,897
	2,699		2,919		845		6,463
	398		1,453		41		1,892
			3,418				3,418
			4,866				4,866
	3,936						3,936
	646				225		871
	<u>694,319</u>		<u>137,126</u>		<u>224,174</u>		<u>1,055,619</u>
			<u>15,138</u>				<u>15,138</u>
\$	<u><u>694,319</u></u>	\$	<u><u>152,264</u></u>	\$	<u><u>224,174</u></u>	\$	<u><u>1,070,757</u></u>

FOREST HISTORY SOCIETY, INC.
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,095,525	\$ 576,562
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	13,283	15,138
Realized Gain on Investments	(156,995)	(347,200)
Unrealized Loss on Investments	476,968	128,650
Loss on Disposal of Property and Equipment		228
Changes in Operating Assets and Liabilities:		
Accounts Receivable	109,771	(9,866)
Pledges Receivable	(1,005,516)	(384,682)
Inventory	4,279	3,270
Prepaid Expenses and Deposits	4,981	5,567
Accounts Payable	(14,606)	(88,789)
Accrued Expenses and Withholding	(6,801)	2,686
Net Cash Provided (Used) by Operating Activities	520,889	(98,436)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Marketable Securities	2,617,796	1,461,773
Purchase of Marketable Securities	(2,360,493)	(1,240,629)
Acquisition of Equipment	(32,448)	(429,185)
Net Cash Provided (Used) by Investing Activities	224,855	(208,041)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Line of Credit		386,750
Payments on Line of Credit	(386,750)	
Net Cash Provided (Used) by Financing Activities	(386,750)	386,750
NET INCREASE IN CASH	358,994	80,273
CASH--Beginning of Year	318,225	237,952
CASH--End of Year	\$ 677,219	\$ 318,225
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Interest Paid	\$ 8,253	\$ 3,418

The accompanying notes are an integral part of the financial statements.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

A. Description of Organization:

The Forest History Society, Inc. (the "Society") is engaged in collecting, preserving and disseminating the history of forests and all forest-related activities. The Society solicits, receives and acquires gifts of money and other kinds of property to be used for educational and charitable purposes.

B. Basis of Accounting:

The Society prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles; consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

C. Basis of Presentation:

Net assets and public support, revenues, and expenses are classified based on the existence or absence of externally-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted Net Assets--Net assets that are not subject to externally-imposed restrictions. Certain net assets classified as unrestricted may be designated for specific purposes or uses under various internal operating budgets or for board designated purposes.

Temporarily Restricted Net Assets--Net assets subject to externally-imposed restrictions that may or will be met either by actions of the Society and/or the passage of time.

Permanently Restricted Net Assets--Net assets subject to externally-imposed restrictions that they be maintained permanently by the Society.

D. Investments:

Investments are carried at fair value. Fair values are based on readily available market quotes.

E. Cash:

For the purposes of the Statements of Cash Flows, the Society considers all bank deposits to be cash.

F. Accounts Receivable:

Accounts receivable consists primarily of reimbursements due for project expenses. The Society considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is made.

G. Pledges Receivable:

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (Continued)

Unconditional promises to give are recognized as support and assets in the period the pledges are received and are carried at net realizable value if they are to be collected in one year and at fair value if they are expected to be collected in more than one year. Fair value is measured at the present value of the future cash flows. Contributions expected to be collected in more than one year are discounted. The discount rate used for the years ending June 30, 2016 and 2015 was 2%. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All pledges are considered fully collectible.

H. Inventory:

Inventory is valued at cost and consists of books, DVDs, and journals.

I. Land, Building, and Equipment:

Land, building, and equipment are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are 30 years for the building, 10 years for office equipment and 5 years for computer equipment and software. The Society's policy is to capitalize property and equipment when acquired at a cost greater than \$1,000.

J. Collections:

Collections include books, articles, pictures, and other items related to forest history. The collection is categorized and maintained at the Society's office.

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statements of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statements of Activities based on the absence or existence and nature of donor-imposed restrictions.

K. Income Taxes Status:

The Society is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code ("IRC"); therefore, no income taxes are reflected in the financial statements.

As of June 30, 2016, the Society had no accrued interest or penalties related to uncertain tax positions.

The Society has its previous three tax years open to examination by federal tax and state tax jurisdictions. The Society has not been informed by any tax authorities for any jurisdiction that any of its tax years are under examination as of June 30, 2016.

L. Use of Estimates:

The preparation of financial statements in conformity with U.S. 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.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (Concluded)

M. Functional Allocation:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, the identifiable costs have been allocated among the programs and supporting services benefited based on management's judgment.

N. Long-Lived Assets:

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

O. Subsequent Events:

Management of Forest History Society evaluated subsequent events through September 28, 2016, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed, except as described above.

2. Pledges Receivable

Pledges receivable consists of the following:

	<u>Pledges Receivable</u>	<u>Carrying Value of Pledges Receivable</u>
<u>June 30, 2016:</u>		
Amounts due in:		
Less than one year	\$ 299,325	\$ 299,325
One to five years	1,097,181	1,052,410
Thereafter	50,000	43,963
	<u>\$ 1,446,506</u>	<u>\$ 1,395,698</u>
 <u>June 30, 2015:</u>		
Amounts due in:		
Less than one year	\$ 98,326	\$ 98,326
One to five years	238,000	226,556
Thereafter	75,000	65,300
	<u>\$ 411,326</u>	<u>\$ 390,182</u>

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

3. Investments

Dividend and interest income for the years ended June 30, 2016 and 2015 was \$95,485 and \$131,022, net of investment fees of \$28,816 and \$29,749, respectively. Realized and unrealized gains (losses) totaled \$(319,973) and \$218,550 for the years ended June 30, 2016 and 2015, respectively.

Investments are carried on the books at fair value at June 30, 2016 as follows:

	Carrying Value	Cost	Unrealized Gain
Alliance Bernstein:			
Fixed Income	\$ 2,163,532	\$ 2,120,723	\$ 42,809
Equities	4,425,030	4,079,802	345,228
Real Estate Securities	270,375	262,528	7,847
Alternative Investments	700,153	777,092	(76,939)
Money Market Fund	45,001	45,001	
	<u>\$ 7,604,091</u>	<u>\$ 7,285,146</u>	<u>\$ 318,945</u>

Investments are carried on the books at fair value at June 30, 2015 as follows:

	Carrying Value	Cost	Unrealized Gain
Alliance Bernstein:			
Fixed Income	\$ 1,640,911	\$ 1,539,755	\$ 101,156
Equities	5,240,948	4,554,725	686,223
Real Estate Securities	489,722	385,750	103,972
Alternative Investments	771,784	758,452	13,332
Money Market Fund	38,002	38,002	
	<u>\$ 8,181,367</u>	<u>\$ 7,276,684</u>	<u>\$ 904,683</u>

4. Disclosure About Fair Value of Financial Instruments

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Society utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Alliance Bernstein investment has a dynamic asset allocation overlay investment that is considered a Level 2 as it does not trade publicly. The market price is determined internally by Alliance Bernstein using the most recent prices in sales of the same or similar assets.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

4. Disclosure About Fair Value of Financial Instruments (Continued)

The following tables set forth the financial assets and liabilities as of June 30, 2016 and 2015 that were measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement:

	Balance at June 30, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Alliance Bernstein Investments	\$ 7,604,091	\$ 5,723,984	\$ 1,880,107	\$ 0

	Balance at June 30, 2015	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Alliance Bernstein Investments	\$ 8,181,367	\$ 5,973,590	\$ 2,207,777	\$ 0

5. Endowment

The Society's endowment consists of 23 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of appropriate market indexes while assuming a moderate level of risk. The Society expects its endowment funds, over time, to provide an average real rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

5. Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a current policy of appropriating for distribution up to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long-term, the Society expects the current spending policy to allow its endowment to grow one to four percent annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the North Carolina State Prudent Management of Institutional Funds Act (SPMIFA) requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$74,677 and \$2,570 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs. Both the deficiencies and the appropriations from accounts with deficiencies were considered by the Board of Directors in its evaluation and review of its responsibility under SPMIFA.

Interpretation of Relevant Law

The Board of Directors of the Forest History Society has interpreted the North Carolina State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Forest History Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted or unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2016 and 2015

5. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (74,677)	\$ 1,131,804	\$ 6,428,090	\$ 7,485,217
Board-designated endowment funds				
Total	<u>\$ (74,677)</u>	<u>\$ 1,131,804</u>	<u>\$ 6,428,090</u>	<u>\$ 7,485,217</u>

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (2,570)	\$ 1,659,701	\$ 6,393,823	\$ 8,050,954
Board-designated endowment funds				
Total	<u>\$ (2,570)</u>	<u>\$ 1,659,701</u>	<u>\$ 6,393,823</u>	<u>\$ 8,050,954</u>

Changes in endowment net assets for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets--Beginning of year	\$ (2,570)	\$ 1,659,701	\$ 6,393,823	\$ 8,050,954
Investment return:				
Investment income	10,322	77,093		87,415
Net appreciation (realized and unrealized)	<u>(38,355)</u>	<u>(285,519)</u>		<u>(323,874)</u>
Total investment return	(28,033)	(208,426)		(236,459)
Contributions			34,267	34,267
Appropriation of endowment for expenditure	<u>(44,074)</u>	<u>(319,471)</u>		<u>(363,545)</u>
Endowment net assets--End of year	<u>\$ (74,677)</u>	<u>\$ 1,131,804</u>	<u>\$ 6,428,090</u>	<u>\$ 7,485,217</u>

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets--Beginning of year	\$ (1,494)	\$ 1,659,003	\$ 6,392,323	\$ 8,049,832
Investment return:				
Investment income	14,724	109,552		124,276
Net appreciation (realized and unrealized)	<u>26,248</u>	<u>194,833</u>		<u>221,081</u>
Total investment return	40,972	304,385		345,357
Contributions			1,500	1,500
Appropriation of endowment for expenditure	<u>(42,048)</u>	<u>(303,687)</u>		<u>(345,735)</u>
Endowment net assets--End of year	<u>\$ (2,570)</u>	<u>\$ 1,659,701</u>	<u>\$ 6,393,823</u>	<u>\$ 8,050,954</u>

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5. Endowment (Concluded)

A summary of capital assets is as follows:

	Cost	Accumulated Depreciation	Net Book Value
<u>June 30, 2016:</u>			
Land	\$ 453,165	\$	\$ 453,165
Construction in progress	30,873		30,873
Building and improvements	337,085	318,216	18,869
Furniture and fixtures	90,687	74,636	16,051
Computer equipment and software	31,111	24,532	6,579
	<u>\$ 942,921</u>	<u>\$ 417,384</u>	<u>\$ 525,537</u>
<u>June 30, 2015:</u>			
Land	\$ 453,165	\$	\$ 453,165
Building and improvements	337,085	309,058	28,027
Furniture and fixtures	90,687	72,509	18,178
Computer equipment and software	30,932	23,930	7,002
	<u>\$ 911,869</u>	<u>\$ 405,497</u>	<u>\$ 506,372</u>

6. Line of Credit

The Society has a line of credit with Paragon Bank. Interest is due monthly at the prime rate plus .25%, with the outstanding balance due October 2016. The line of credit is secured by real estate. At June 30, 2016 and 2015, the outstanding balance on the line of credit was \$0 and \$386,750, respectively.

7. Retirement Plan

The Society participates in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). All full-time, permanent staff are eligible after one year of employment. Employees must contribute 5% to the plan and the Society contributes 10%. Contributions by the Society on behalf of employees were \$42,687 and \$39,648 for the years ended June 30, 2016 and 2015, respectively.

8. Concentration of Risk

The Society maintains deposit accounts at two local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016 and 2015, the amounts that exceeded the FDIC limit were \$329,481 and \$117,779, respectively.

Investments held by the Society are held at one brokerage company. The investments are protected by SIPC (Securities Investors Protection Corporation) up to \$500,000. The broker has also obtained excess coverage from a commercial insurer that provides up to \$24,500,000 in additional coverage.

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9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	June 30	
	2016	2015
Operations	\$ 60,858	\$ 14,234
Library	210,641	289,422
Service and outreach	49,932	66,348
Awards and fellowships	190,837	265,272
Education	69,320	88,881
Research and publications	395,675	609,424
Archives	214,724	340,354
Maintenance	675	
	<u>\$ 1,192,662</u>	<u>\$ 1,673,935</u>

10. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	June 30	
	2016	2015
Undesignated	\$ 950,187	\$ 955,686
Library	765,246	765,246
Service and outreach	150,786	150,786
Research and publications	2,243,921	2,243,921
Archives	1,357,653	1,357,653
Awards and fellowships	750,004	750,004
Education	170,527	170,527
New facility endowment	39,766	
	<u>\$ 6,428,090</u>	<u>\$ 6,393,823</u>