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FOREST HISTORY SOCIETY, INC.

Financial Statements

June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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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October 5, 2017

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FOREST HISTORY SOCIETY, INC.
Statements of Financial Position
June 30, 2017 and 2016

ASSETS		2017	2016
CURRENT ASSETS:			
Cash	\$	1,574,237	\$ 677,219
Accounts Receivable		26,122	10,594
Pledges Receivable		798,629	299,325
Inventory		22,993	17,234
Prepaid Expense and Deposits		30,414	26,834
Total Current Assets		2,452,395	1,031,206
LAND, BUILDING AND EQUIPMENT, Net of Depreciation		667,084	525,537
OTHER ASSETS:			
Investments		8,031,878	7,604,091
Pledges Receivable, Due after One Year		1,054,050	1,096,373
Total Other Assets		9,085,928	8,700,464
Total Assets	\$	12,205,407	\$ 10,257,207
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$	16,516	\$ 3,903
Accrued Expenses and Withholding		38,354	36,946
Total Current Liabilities		54,870	40,849
NET ASSETS:			
Unrestricted:			
Undesignated		140,930	99,624
Designated--Operations		272,112	246,806
Endowment Losses		(25,442)	(74,677)
Land, Building and Equipment		3,756,416	2,323,853
Total Unrestricted		4,144,016	2,595,606
Temporarily Restricted:			
Operations		25,385	60,858
Endowment Earnings		1,512,763	1,131,804
Total Temporarily Restricted		1,538,148	1,192,662
Permanently Restricted--Endowment		6,468,373	6,428,090
Total Net Assets		12,150,537	10,216,358
Total Liabilities and Net Assets	\$	12,205,407	\$ 10,257,207

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, 2017 and 2016

	June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT, REVENUE AND INVESTMENT INCOME:				
Support and Revenue:				
Memberships, Contributions and Grants	\$ 1,963,050	\$ 5,242	\$ 40,283	\$ 2,008,575
Program Income	14,405			14,405
Book Sales	4,972			4,972
Royalties	1,678			1,678
Miscellaneous	110,304			110,304
Total Support and Revenue	<u>2,094,409</u>	<u>5,242</u>	<u>40,283</u>	<u>2,139,934</u>
Investment Income:				
Dividend and Interest Income	22,138	94,982		117,120
Net Realized Gain	27,901	207,985		235,886
Net Unrealized Gain (Loss)	52,446	414,217		466,663
Total Investment Income	<u>102,485</u>	<u>717,184</u>		<u>819,669</u>
Net Assets Released from Restrictions	<u>376,940</u>	<u>(376,940)</u>		
Total Support, Revenue and Investment Income (Loss)	<u>2,573,834</u>	<u>345,486</u>	<u>40,283</u>	<u>2,959,603</u>
EXPENSES:				
Program Services	683,050			683,050
General Administration	142,884			142,884
Development	199,490			199,490
Total Expenses	<u>1,025,424</u>			<u>1,025,424</u>
CHANGE IN NET ASSETS	<u>1,548,410</u>	<u>345,486</u>	<u>40,283</u>	<u>1,934,179</u>
NET ASSETS--Beginning of Year	<u>2,595,606</u>	<u>1,192,662</u>	<u>6,428,090</u>	<u>10,216,358</u>
NET ASSETS--End of Year	<u>\$ 4,144,016</u>	<u>\$ 1,538,148</u>	<u>\$ 6,468,373</u>	<u>\$ 12,150,537</u>

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

June 30, 2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,264,353	\$ 44,842	\$ 34,267	\$ 2,343,462
15,318			15,318
6,975			6,975
1,759			1,759
18,199			18,199
<u>2,306,604</u>	<u>44,842</u>	<u>34,267</u>	<u>2,385,713</u>
18,392	77,093		95,485
20,082	136,913		156,995
(54,536)	(422,432)		(476,968)
<u>(16,062)</u>	<u>(208,426)</u>		<u>(224,488)</u>
317,689	(317,689)		
<u>2,608,231</u>	<u>(481,273)</u>	<u>34,267</u>	<u>2,161,225</u>
761,962			761,962
126,670			126,670
177,068			177,068
<u>1,065,700</u>			<u>1,065,700</u>
<u>1,542,531</u>	<u>(481,273)</u>	<u>34,267</u>	<u>1,095,525</u>
<u>1,053,075</u>	<u>1,673,935</u>	<u>6,393,823</u>	<u>9,120,833</u>
<u>\$ 2,595,606</u>	<u>\$ 1,192,662</u>	<u>\$ 6,428,090</u>	<u>\$ 10,216,358</u>

STATEMENTS OF FUNCTIONAL EXPENSES

FOREST HISTORY SOCIETY, INC.
Statement of Functional Expenses
For the Years Ended June 30, 2017 and 2016

	June 30, 2017			
	Program Services	General Administration	Development	Total
Salaries	\$ 408,287	\$ 25,718	\$ 93,941	\$ 527,946
Professional Fees and Services	50,795	28,425	39,012	118,232
Payroll Taxes and Benefits	120,457	10,154	29,837	160,448
Travel and Entertainment	6,316	3,261	23,618	33,195
Dues and Subscriptions	20,001	1,249	1,006	22,256
Committees and Board		30,101		30,101
Equipment and Equipment Rental	3,521	160	387	4,068
Telephone and Utilities	5,199	5,496	740	11,435
Rent				
Repairs and Maintenance		9,947		9,947
Postage and Shipping	4,770	1,428	4,248	10,446
Printing and Graphics	6,041	22	3,313	9,376
Supplies and Duplicating	9,004	2,828	2,507	14,339
Fellowships and Awards	43,067			43,067
Sundry	2,573	1,000	25	3,598
Bank Charges	611	1,846	722	3,179
Interest on Debt				
Insurance	1,496	7,703		9,199
Royalties				
Advertising and Promotion	912		134	1,046
Total Expenses before Depreciation	683,050	129,338	199,490	1,011,878
Depreciation		13,546		13,546
Total Expenses	\$ 683,050	\$ 142,884	\$ 199,490	\$ 1,025,424

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

June 30, 2016

Program Services		General Administration		Development	Total		
\$	455,265	\$	29,144	\$	83,809	\$	568,218
	76,800		13,912		36,000		126,712
	111,084		10,937		23,725		145,746
	15,634		2,805		25,674		44,113
	22,246		730		961		23,937
			14,888				14,888
	2,465		541				3,006
	5,163		5,904		804		11,871
	18,681						18,681
			9,418				9,418
	5,825		283		3,838		9,946
	6,149		31				6,180
	11,243		3,546		2,014		16,803
	25,580						25,580
	2,527		4,796		167		7,490
	815		1,676		76		2,567
			8,253				8,253
	1,769		5,973				7,742
	70						70
	646		550				1,196
	<u>761,962</u>		<u>113,387</u>		<u>177,068</u>		<u>1,052,417</u>
			<u>13,283</u>				<u>13,283</u>
\$	<u><u>761,962</u></u>	\$	<u><u>126,670</u></u>	\$	<u><u>177,068</u></u>	\$	<u><u>1,065,700</u></u>

FOREST HISTORY SOCIETY, INC.
 Statements of Cash Flows
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,934,179	\$ 1,095,525
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,546	13,283
Realized Gain on Investments	(235,886)	(156,995)
Unrealized (Gain) Loss on Investments	(466,663)	476,968
Contributions Restricted for Long Term Purposes	(1,620,221)	(1,977,473)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(15,528)	109,771
Pledges Receivable	(456,981)	(1,005,516)
Inventory	(5,759)	4,279
Prepaid Expenses and Deposits	(3,580)	4,981
Accounts Payable	12,613	(14,606)
Accrued Expenses and Withholding	1,408	(6,801)
Net Cash Used by Operating Activities	<u>(842,872)</u>	<u>(1,456,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	1,598,624	2,617,796
Purchase of Marketable Securities	(1,323,862)	(2,360,493)
Purchase of Equipment	(155,093)	(32,448)
Net Cash Provided by Investing Activities	<u>119,669</u>	<u>224,855</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Long Term Purposes	1,620,221	1,977,473
Payments on Line of Credit		(386,750)
Net Cash Provided by Financing Activities	<u>1,620,221</u>	<u>1,590,723</u>
NET INCREASE IN CASH	897,018	358,994
CASH--Beginning of Year	<u>677,219</u>	<u>318,225</u>
CASH--End of Year	<u>\$ 1,574,237</u>	<u>\$ 677,219</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Interest Paid	<u>\$</u>	<u>\$ 8,253</u>

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

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2017 and 2016

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. Contributions:

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, 2017 and 2016

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

H. Pledges Receivable:

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. 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.

I. Inventory:

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

J. 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.

K. 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.

L. 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, 2017, 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, 2017.

M. 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, 2017 and 2016

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

N. 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.

O. Long-Lived Assets:

Long-lived assets, such as building and equipment, 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.

2. Pledges Receivable

Pledges receivable consists of the following:

	<u>Pledges Receivable</u>	<u>Carrying Value of Pledges Receivable</u>
<u>June 30, 2017:</u>		
Amounts due in:		
Less than one year	\$ 798,629	\$ 798,629
One to five years	1,090,047	1,054,050
	<u>\$ 1,888,676</u>	<u>\$ 1,852,679</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>

Pledges due in more than a year are reflected at the present value of estimated future cash flows using a discount rate of 2% at June 30, 2017 and 2016. All pledges are considered fully collectible and an allowance is not considered necessary.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2017 and 2016

3. Investments

Dividend and interest income for the years ended June 30, 2017 and 2016 was \$117,120 and \$95,485, net of investment fees of \$29,518 and \$28,816, respectively. Realized and unrealized gains (losses) totaled \$702,549 and \$(319,973) for the years ended June 30, 2017 and 2016, respectively.

Investments are carried on the books at fair value at June 30, 2017 as follows:

	Carrying Value	Cost	Unrealized Gain (Loss)
Alliance Bernstein:			
Fixed Income	\$ 2,227,946	\$ 2,149,083	\$ 78,863
Equities	4,716,114	3,994,088	722,026
Real Estate Securities	277,740	269,347	8,393
Alternative Investments	766,910	783,146	(16,236)
Money Market Fund	43,168	43,168	
	<u>\$ 8,031,878</u>	<u>\$ 7,238,832</u>	<u>\$ 793,046</u>

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

	Carrying Value	Cost	Unrealized Gain (Loss)
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>

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, 2017 and 2016

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

The following tables set forth the financial assets and liabilities as of June 30, 2017 and 2016 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, 2017	Fair Value Measurements Using		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Alliance Bernstein Investments	\$ 8,031,878	\$ 6,015,010	\$ 2,016,868	\$ 0

	Balance at June 30, 2016	Fair Value Measurements Using		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Alliance Bernstein Investments	\$ 7,604,091	\$ 5,723,984	\$ 1,880,107	\$ 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, 2017 and 2016

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 \$25,442 and \$74,677 as of June 30, 2017 and 2016, 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, 2017 and 2016

5. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (25,442)	\$ 1,512,763	\$ 6,468,373	\$ 7,955,694
Board-designated endowment funds				
Total	<u>\$ (25,442)</u>	<u>\$ 1,512,763</u>	<u>\$ 6,468,373</u>	<u>\$ 7,955,694</u>

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>

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets--Beginning of year	\$ (74,677)	\$ 1,131,804	\$ 6,428,090	\$ 7,485,217
Investment return:				
Investment income	12,702	94,981		107,683
Net appreciation (realized and unrealized)	82,331	622,201		704,532
Total investment return	<u>95,033</u>	<u>717,182</u>		<u>812,215</u>
Contributions			40,283	40,283
Appropriation of endowment for expenditure	<u>(45,798)</u>	<u>(336,223)</u>		<u>(382,021)</u>
Endowment net assets--End of year	<u>\$ (25,442)</u>	<u>\$ 1,512,763</u>	<u>\$ 6,468,373</u>	<u>\$ 7,955,694</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 depreciation (realized and unrealized)	(38,355)	(285,519)		(323,874)
Total investment return	<u>(28,033)</u>	<u>(208,426)</u>		<u>(236,459)</u>
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>

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5. Endowment (Concluded)

A summary of capital assets is as follows:

	Cost	Accumulated Depreciation	Net Book Value
<u>June 30, 2017:</u>			
Land	\$ 453,165	\$	\$ 453,165
Construction in progress	120,673		120,673
Building and improvements	337,085	327,373	9,712
Furniture and fixtures	90,687	76,755	13,932
Computer equipment and software	76,077	6,475	69,602
	<u>\$ 1,077,687</u>	<u>\$ 410,603</u>	<u>\$ 667,084</u>
<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>

6. Line of Credit

The Society has a line of credit with Paragon Bank. Interest is due monthly at the prime rate plus .25%. The line of credit is secured by real estate. At June 30, 2017 and 2016, the outstanding balance on the line of credit was \$0.

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 \$45,278 and \$42,687 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the amounts that exceeded the FDIC limit were \$1,346,349 and \$329,481, 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	
	2017	2016
Operations	\$ 25,385	\$ 60,858
Library	266,835	210,641
Service and outreach	61,260	49,932
Awards and fellowships	246,247	190,837
Education	82,870	69,320
Research and publications	544,961	395,675
Archives	305,117	214,724
Maintenance	5,473	675
	<u>\$ 1,538,148</u>	<u>\$ 1,192,662</u>

10. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	June 30	
	2017	2016
Undesignated	\$ 950,187	\$ 950,187
Library	795,360	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	49,935	39,766
	<u>\$ 6,468,373</u>	<u>\$ 6,428,090</u>

11. Subsequent Events

Management of Forest History Society evaluated subsequent events through October 5, 2017, 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.