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FOREST HISTORY SOCIETY, INC.

Financial Statements

June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 10, 2019

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FOREST HISTORY SOCIETY, INC.
Statements of Financial Position
June 30, 2019 and 2018

ASSETS		2019	2018
CURRENT ASSETS:			
Cash	\$	784,357	\$ 1,165,283
Accounts Receivable		107,632	13,155
Pledges Receivable		614,267	986,420
Inventory		18,629	19,786
Prepaid Expense and Deposits		40,537	33,482
Total Current Assets		1,565,422	2,218,126
LAND, BUILDING AND EQUIPMENT, Net of Depreciation		6,305,606	3,325,665
OTHER ASSETS:			
Investments		8,236,870	8,329,650
Pledges Receivable, Due after One Year		395,237	853,113
Total Other Assets		8,632,107	9,182,763
Total Assets	\$	16,503,135	\$ 14,726,554
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$	321,389	\$ 459,061
Accrued Expenses and Withholding		45,649	39,111
Deferred Revenue		51,455	
Total Current Liabilities		418,493	498,172
LONG-TERM DEBT		1,100,203	900,203
Total Liabilities		1,518,696	1,398,375
NET ASSETS:			
Without Donor Restrictions:			
Undesignated		68,418	58,054
Designated--Operations		244,837	275,918
Endowment Gains (Losses)		(8,087)	3,230
Land, Building and Equipment		6,346,976	4,661,492
Total Without Donor Restrictions		6,652,144	4,998,694
With Donor Restrictions:			
Operations		214,682	125,448
Endowment Earnings		1,648,575	1,735,114
Endowment		6,469,038	6,468,923
Total With Donor Restrictions		8,332,295	8,329,485
Total Net Assets		14,984,439	13,328,179
Total Liabilities and Net Assets	\$	16,503,135	\$ 14,726,554

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, 2019 and 2018

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND INVESTMENT INCOME:			
Support and Revenue:			
Memberships, Contributions, and Grants	\$ 1,500,279	\$ 98,721	\$ 1,599,000
Program Income	6,587		6,587
Book Sales	4,403		4,403
Royalties	1,972		1,972
Miscellaneous	273		273
Gain on Disposal of Fixed Assets	785,799		785,799
Total Support and Revenue	<u>2,299,313</u>	<u>98,721</u>	<u>2,398,034</u>
Investment Income:			
Dividend and Interest Income	26,506	120,940	147,446
Net Realized Gain	50,631	398,688	449,319
Net Unrealized Gain (Loss)	(29,037)	(262,047)	(291,084)
Total Investment Income	<u>48,100</u>	<u>257,581</u>	<u>305,681</u>
Net Assets Released from Restrictions	<u>353,492</u>	<u>(353,492)</u>	
Total Support, Revenue and Investment Income	<u>2,700,905</u>	<u>2,810</u>	<u>2,703,715</u>
EXPENSES:			
Program Services	674,694		674,694
General Administration	272,582		272,582
Development	100,179		100,179
Total Expenses	<u>1,047,455</u>		<u>1,047,455</u>
CHANGE IN NET ASSETS	<u>1,653,450</u>	<u>2,810</u>	<u>1,656,260</u>
NET ASSETS--Beginning of Year	<u>4,998,694</u>	<u>8,329,485</u>	<u>13,328,179</u>
NET ASSETS--End of Year	<u>\$ 6,652,144</u>	<u>\$ 8,332,295</u>	<u>\$ 14,984,439</u>

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

June 30, 2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,390,923	\$ 113,072	\$ 1,503,995
4,750		4,750
4,717		4,717
1,899		1,899
10,147		10,147
<u>1,412,436</u>	<u>113,072</u>	<u>1,525,508</u>
26,588	119,929	146,517
40,274	300,515	340,789
14,930	141,748	156,678
<u>81,792</u>	<u>562,192</u>	<u>643,984</u>
<u>352,300</u>	<u>(352,300)</u>	
<u>1,846,528</u>	<u>322,964</u>	<u>2,169,492</u>
660,966		660,966
139,396		139,396
191,488		191,488
<u>991,850</u>		<u>991,850</u>
<u>854,678</u>	<u>322,964</u>	<u>1,177,642</u>
<u>4,144,016</u>	<u>8,006,521</u>	<u>12,150,537</u>
<u>\$ 4,998,694</u>	<u>\$ 8,329,485</u>	<u>\$ 13,328,179</u>

STATEMENTS OF FUNCTIONAL EXPENSES

FOREST HISTORY SOCIETY, INC.
Statement of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	June 30, 2019			
	Program Services	General Administration	Development	Total
Salaries	\$ 404,891	\$ 25,608	\$ 31,174	\$ 461,673
Professional Fees and Services	45,824	58,930	29,856	134,610
Payroll Taxes and Benefits	141,261	9,530	12,898	163,689
Travel and Entertainment	3,037	13,398	13,187	29,622
Dues and Subscriptions	19,195	937	381	20,513
Committees and Board		14,978		14,978
Equipment and Equipment Rental	3,861	3,224	967	8,052
Telephone and Utilities	4,912	20,081	818	25,811
Repairs and Maintenance		9,323		9,323
Postage and Shipping	3,259	1,057	2,198	6,514
Printing and Graphics	8,956	6,268	690	15,914
Supplies and Duplicating	5,234	12,473	1,061	18,768
Fellowships and Awards	32,334			32,334
Sundry	761	353	56	1,170
Insurance	873	9,774		10,647
Bank Charges	272	1,217	3,367	4,856
Interest on Debt		40,519		40,519
Bad Debt	24		3,526	3,550
Rent		5,685		5,685
Advertising and Promotion				
Total Expenses	674,694	233,355	100,179	1,008,228
before Depreciation		39,227		39,227
Depreciation		39,227		39,227
Total Expenses	\$ 674,694	\$ 272,582	\$ 100,179	\$ 1,047,455

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

June 30, 2018

June 30, 2018			
Program Services	General Administration	Development	Total
\$ 388,057	\$ 25,947	\$ 59,426	\$ 473,430
55,586	19,167	75,195	149,948
129,624	10,324	19,588	159,536
10,513	2,592	19,232	32,337
19,578	809		20,387
	16,370		16,370
1,950	1,528	595	4,073
5,383	5,849	862	12,094
	9,038		9,038
9,110	741	5,252	15,103
11,652	106	5,774	17,532
6,914	6,211	3,098	16,223
18,662			18,662
1,531	319	485	2,335
623	7,529		8,152
420	1,744	523	2,687
	1,091		1,091
192		1,158	1,350
1,171		300	1,471
660,966	109,365	191,488	961,819
	30,031		30,031
\$ 660,966	\$ 139,396	\$ 191,488	\$ 991,850

FOREST HISTORY SOCIETY, INC.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,656,260	\$ 1,177,642
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	39,227	30,031
Gain on Disposal of Fixed Assets	(785,799)	
Realized Gain on Investments	(449,319)	(340,789)
Unrealized Loss (Gain) on Investments	291,084	(156,678)
Contributions Restricted for Long Term Purposes	(1,104,268)	(1,020,754)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(94,477)	12,967
Pledges Receivable	830,029	13,146
Inventory	1,157	3,207
Prepaid Expenses and Deposits	(7,055)	(3,068)
Accounts Payable	(137,672)	442,545
Accrued Expenses and Withholding	6,538	757
Deferred Revenue	51,455	
Net Cash Provided by Operating Activities	<u>297,160</u>	<u>159,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	2,567,020	1,778,110
Purchase of Marketable Securities	(2,316,004)	(1,578,415)
Proceeds from Disposal of Fixed Assets	832,365	
Purchase of Building and Equipment	(3,065,735)	(2,688,612)
Net Cash Used by Investing Activities	<u>(1,982,354)</u>	<u>(2,488,917)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Long Term Purposes	1,104,268	1,020,754
Net Proceeds from Long-Term Debt Issuance	200,000	900,203
Net Cash Provided by Financing Activities	<u>1,304,268</u>	<u>1,920,957</u>
NET DECREASE IN CASH	(380,926)	(408,954)
CASH--Beginning of Year	<u>1,165,283</u>	<u>1,574,237</u>
CASH--End of Year	<u>\$ 784,357</u>	<u>\$ 1,165,283</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Interest Paid	<u>\$ 40,519</u>	<u>\$ 1,091</u>

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

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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:

Net Assets Without Donor Restrictions--Net assets that are not subject to externally imposed restrictions. Certain net assets classified as without donor restrictions may be designated for specific purposes or uses under various internal operating budgets or for board designated purposes.

Net Assets With Donor Restrictions --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.

The Society reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provision of additional donor-imposed stipulations or a Board approved spending policy.

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. As of the year ended June 30, 2019 and 2018 the Society had \$3,550 and \$1,350, respectively of bad debt expense.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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

G. Contributions:

Contributions received are recorded as increases in without or with donor restrictions net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor 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.

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 39 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. Deferred Revenue:

Deferred revenue consists of contract revenue in which the services have not yet been provided.

M. Income Taxes Status:

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

As of June 30, 2019, the Society had no accrued interest or penalties related to uncertain tax positions.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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

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, 2019.

N. 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.

O. 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.

P. 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, 2019:</u>		
Amounts due in:		
Less than one year	\$ 614,267	\$ 614,267
One to five years	403,461	395,237
	<u>\$ 1,017,728</u>	<u>\$ 1,009,504</u>
 <u>June 30, 2018:</u>		
Amounts due in:		
Less than one year	\$ 986,420	\$ 986,420
One to five years	877,268	853,113
	<u>\$ 1,863,688</u>	<u>\$ 1,839,533</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, 2019 and 2018. All pledges are considered fully collectible and an allowance is not considered necessary.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2019 and 2018

3. Investments

Dividend and interest income for the years ended June 30, 2019 and 2018 was \$147,446 and \$146,517, respectively. Net realized and unrealized gains totaled \$158,235 and \$497,467 for the years ended June 30, 2019 and 2018, respectively.

Investments are carried on the books at fair value at June 30, 2019 as follows:

	Carrying Value	Cost	Unrealized Gain
Alliance Bernstein:			
Fixed Income	\$ 2,055,603	\$ 1,970,142	\$ 85,461
Equities	4,790,918	4,323,237	467,681
Real Estate Securities	293,308	277,048	16,260
Alternative Investments	1,061,329	1,054,067	7,262
Money Market Fund	35,712	35,712	
	<u>\$ 8,236,870</u>	<u>\$ 7,660,206</u>	<u>\$ 576,664</u>

Investments are carried on the books at fair value at June 30, 2018 as follows:

	Carrying Value	Cost	Unrealized Gain (Loss)
Alliance Bernstein:			
Fixed Income	\$ 2,464,744	\$ 2,418,545	\$ 46,199
Equities	5,094,166	4,223,650	870,516
Real Estate Securities	310,277	277,048	33,229
Alternative Investments	414,084	413,062	1,022
Money Market Fund	46,379	46,379	
	<u>\$ 8,329,650</u>	<u>\$ 7,378,684</u>	<u>\$ 950,966</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, 2019 and 2018

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

The following tables set forth the financial assets and liabilities as of June 30, 2019 and 2018 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, 2019	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	\$ 8,236,870	\$ 6,279,634	\$ 1,957,236	\$ 0

	Balance at June 30, 2018	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	\$ 8,329,650	\$ 6,189,722	\$ 2,139,928	\$ 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, 2019 and 2018

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 net assets without donor restrictions were \$8,086 and \$0 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the year 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 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, 2019 and 2018

5. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ (8,086)	\$ 8,117,613	\$ 8,109,527
Board-designated endowment funds			
Total	<u>\$ (8,086)</u>	<u>\$ 8,117,613</u>	<u>\$ 8,109,527</u>

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 3,230	\$ 8,204,037	\$ 8,207,267
Board-designated endowment funds			
Total	<u>\$ 3,230</u>	<u>\$ 8,204,037</u>	<u>\$ 8,207,267</u>

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets--Beginning of year	\$ 3,230	\$ 8,204,037	\$ 8,207,267
Investment return:			
Investment income	16,257	120,942	137,199
Net appreciation (realized and unrealized)	18,306	136,247	154,553
Total investment return	<u>34,563</u>	<u>257,189</u>	<u>291,752</u>
Contributions	<u> </u>	<u>115</u>	<u>115</u>
Appropriation of endowment for expenditure	<u>(45,879)</u>	<u>(343,728)</u>	<u>(389,607)</u>
Endowment net assets--End of year	<u>\$ (8,086)</u>	<u>\$ 8,117,613</u>	<u>\$ 8,109,527</u>

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets--Beginning of year	\$ (25,442)	\$ 7,981,136	\$ 7,955,694
Investment return:			
Investment income	15,932	119,932	135,864
Net appreciation (realized and unrealized)	58,576	442,263	500,839
Total investment return	<u>74,508</u>	<u>562,195</u>	<u>636,703</u>
Contributions	<u> </u>	<u>550</u>	<u>550</u>
Appropriation of endowment for expenditure	<u>(45,836)</u>	<u>(339,844)</u>	<u>(385,680)</u>
Endowment net assets--End of year	<u>\$ 3,230</u>	<u>\$ 8,204,037</u>	<u>\$ 8,207,267</u>

FOREST HISTORY SOCIETY, INC.
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June 30, 2019 and 2018

6. Capital Assets

A summary of capital assets is as follows:

	Cost	Accumulated Depreciation	Net Book Value
<u>June 30, 2019:</u>			
Land	\$ 421,025	\$	\$ 421,025
Building and improvements	5,678,984	7,281	5,671,703
Furniture and fixtures	117,364	16,770	100,594
Computer equipment and software	165,833	53,549	112,284
	<u>\$ 6,383,206</u>	<u>\$ 77,600</u>	<u>\$ 6,305,606</u>
<u>June 30, 2018:</u>			
Land	\$ 453,165	\$	\$ 453,165
Construction in progress	2,805,091		2,805,091
Building and improvements	337,085	332,092	4,993
Furniture and fixtures	90,687	78,867	11,820
Computer equipment and software	80,271	29,675	50,596
	<u>\$ 3,766,299</u>	<u>\$ 440,634</u>	<u>\$ 3,325,665</u>

7. Long-term Debt

The Society entered into a promissory note with Paragon Bank for construction on a new building in November 2017. The note allows for the Society to draw up to \$4,500,000 for construction. The note calls for payment of principal in November 2022 and quarterly interest payments at 3.7% starting in March 2018. The loan is secured by substantially all assets of the Society. As of June 30, 2019 and 2018, the Society loan has a balance of \$1,100,203 and \$900,203, respectively.

8. Retirement Plan

The Society participates in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association-College Retirement Equities Fund. 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 \$42,373 and \$46,077 for the years ended June 30, 2019 and 2018, respectively.

9. Concentration of Risk

The Society maintains deposit accounts at two local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019 and 2018, the amounts that exceeded the FDIC limit were \$544,236 and \$923,255, 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.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2019 and 2018

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

	June 30	
	2019	2018
Subject to expenditure for specified purpose or period:		
Operations	\$ 214,682	\$ 125,448
Library	289,553	302,008
Service and outreach	65,006	67,754
Awards and fellowships	264,246	277,028
Education	87,353	90,636
Research and publications	575,722	631,500
Archives	354,521	356,251
Maintenance	12,174	9,937
Total subject to expenditure for specified purpose or period	<u>1,863,257</u>	<u>1,860,562</u>
Endowments subject to the Society's spending policy and appropriation:		
Undesignated	950,187	950,187
Library	795,960	795,910
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	50,000	49,935
Total endowments subject to the Society's spending policy and appropriation	<u>6,469,038</u>	<u>6,468,923</u>
Total net assets with donor restrictions	<u>\$ 8,332,295</u>	<u>\$ 8,329,485</u>

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	June 30	
	2019	2018
Operations	\$ 9,764	\$ 12,456
Library	51,410	49,782
Service and outreach	10,491	10,458
Awards and fellowships	49,174	48,870
Education	12,536	12,493
Research and publications	133,024	131,510
Archives	87,093	86,731
Total net assets released from restrictions	<u>\$ 353,492</u>	<u>\$ 352,300</u>

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2019 and 2018

12. Liquidity and Availability

The Society manages its liquid resources by focusing on fundraising efforts to ensure the Society has adequate contributions and grants to cover the programs that are being conducted.

The Society's financial assets as of June 30, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	2019	2018
Cash	\$ 784,357	\$ 1,165,283
Accounts Receivable	107,632	13,155
Pledges Receivable	614,267	986,420
Inventory	18,629	19,786
Investments	<u>8,236,870</u>	<u>8,329,650</u>
Financial assets available within one year	9,761,755	10,514,294
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	1,863,257	1,860,562
Investments held in perpetuity	<u>6,469,038</u>	<u>6,468,923</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,429,460</u>	<u>\$ 2,184,809</u>

13. Subsequent Events

Management of Forest History Society evaluated subsequent events through September 10, 2019, 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.