



Financial Statements

for

**FOREST HISTORY SOCIETY, INC.**

Years Ended June 30, 2023 and 2022  
with Report of Independent Auditors

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## Report of Independent Auditors

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

### Opinion

We have audited the financial statements of Forest History Society, Inc. (the Society), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

*Dean Dotson Allen Ford, PLLC*

Raleigh, North Carolina  
October 6, 2023

**FOREST HISTORY SOCIETY, INC.**

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 609,559	\$ 678,261
Accounts receivable	63,768	32,406
Pledges receivable	21,670	77,370
Inventory	18,378	20,282
Prepaid expense and deposits	<u>46,562</u>	<u>40,834</u>
Total current assets	<b>759,937</b>	849,153
Land, building and equipment, net of depreciation	<b>5,717,372</b>	5,877,864
Investments	<u>7,926,028</u>	<u>7,491,615</u>
Total assets	<b><u>\$ 14,403,337</u></b>	<b><u>\$ 14,218,632</u></b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 21,509	\$ 22,997
Accrued expense and withholding	<u>50,641</u>	<u>48,833</u>
Total current liabilities	<b>72,150</b>	71,830
Net assets:		
Without donor restrictions:		
Undesignated	445,376	549,284
Land, building, and equipment	<u>5,760,188</u>	<u>5,931,389</u>
Total without donor restrictions	<b>6,205,564</b>	6,480,673
With donor restrictions:		
Operations	164,918	192,262
Endowment earnings	1,374,701	988,829
Endowment	<u>6,586,004</u>	<u>6,485,038</u>
Total with donor restrictions	<u>8,125,623</u>	<u>7,666,129</u>
Total net assets	<u>14,331,187</u>	<u>14,146,802</u>
Total liabilities and net assets	<b><u>\$ 14,403,337</u></b>	<b><u>\$ 14,218,632</u></b>

See accompanying notes.

**FOREST HISTORY SOCIETY, INC.**

Statement of Activities

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenue, and investment income:			
Support and revenue:			
Contributions and grants	\$ 629,375	\$ 139,046	\$ 768,421
Program income	2,202	-	2,202
Book sales	1,790	-	1,790
Royalties	1,765	-	1,765
Facility rental	7,950	-	7,950
Net assets released from restriction	<u>373,036</u>	<u>(373,036)</u>	<u>-</u>
Total support and revenue	<b>1,016,118</b>	<b>(233,990)</b>	<b>782,128</b>
Investment income (loss):			
Dividend and interest income	21,046	214,576	235,622
Net realized loss	(4,792)	(44,056)	(48,848)
Net unrealized gain	<u>78,568</u>	<u>522,964</u>	<u>601,532</u>
Total investment income	<u>94,822</u>	<u>693,484</u>	<u>788,306</u>
Total support, revenue, and investment income	<b>1,110,940</b>	<b>459,494</b>	<b>1,570,434</b>
Expenses:			
Program services	1,134,451	-	1,134,451
General administration	185,012	-	185,012
Development	<u>66,586</u>	<u>-</u>	<u>66,586</u>
Total expenses	<u>1,386,049</u>	<u>-</u>	<u>1,386,049</u>
Change in net assets	(275,109)	459,494	184,385
Net assets, beginning of year	<u>6,480,673</u>	<u>7,666,129</u>	<u>14,146,802</u>
Net assets, end of year	<u>\$ 6,205,564</u>	<u>\$ 8,125,623</u>	<u>\$ 14,331,187</u>

See accompanying notes.

**FOREST HISTORY SOCIETY, INC.**

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue, and investment income:			
Support and revenue:			
Contributions and grants	\$ 573,091	\$ 90,723	\$ 663,814
Program income	2,183	-	2,183
Book sales	2,135	-	2,135
Royalties	1,732	-	1,732
Facility rental	750	-	750
Net assets released from restriction	351,996	(351,996)	-
Total support and revenue	931,887	(261,273)	670,614
Investment income (loss):			
Dividend and interest income	22,161	137,870	160,031
Net realized gain	214,404	1,628,105	1,842,509
Net unrealized loss	(427,154)	(3,084,988)	(3,512,142)
Total investment loss	(190,589)	(1,319,013)	(1,509,602)
Total support, revenue, and investment income	741,298	(1,580,286)	(838,988)
Expenses:			
Program services	912,203	-	912,203
General administration	112,196	-	112,196
Development	64,978	-	64,978
Total expenses	1,089,377	-	1,089,377
Change in net assets	(348,079)	(1,580,286)	(1,928,365)
Net assets, beginning of year	6,828,752	9,246,415	16,075,167
Net assets, end of year	\$ 6,480,673	\$ 7,666,129	\$ 14,146,802

See accompanying notes.

**FOREST HISTORY SOCIETY, INC.**

Statement of Functional Expenses

Year ended June 30, 2023

	<u>Program Services</u>	<u>General Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 550,582	\$ 18,857	\$ 23,275	\$ 592,714
Payroll taxes and benefits	171,972	11,761	8,630	192,363
Professional fees and services	85,077	73,341	4,097	162,515
Travel and entertaining	19,077	6,768	18,821	44,666
Fellowships and awards	43,703	-	-	43,703
Repairs and maintenance	31,512	2,122	424	34,058
Committees and board	-	29,429	-	29,429
Telephone and utilities	27,865	239	568	28,672
Printing and graphics	19,186	1,883	1,796	22,865
Insurance	19,253	197	196	19,646
Supplies and duplicating	5,306	3,175	4,107	12,588
Postage and shipping	5,945	387	2,195	8,527
Equipment and rental	4,387	53	852	5,292
Sundry	228	4,877	-	5,105
Dues and subscriptions	2,679	1,648	-	4,327
Bad debt	354	1,400	1,600	3,354
Bank charges	<u>124</u>	<u>2,898</u>	<u>25</u>	<u>3,047</u>
 Total expenses before depreciation	 <b>987,250</b>	 <b>159,035</b>	 <b>66,586</b>	 <b>1,212,871</b>
Depreciation	<u>147,201</u>	<u>25,977</u>	<u>-</u>	<u>173,178</u>
 Total expenses	 <b><u>\$ 1,134,451</u></b>	 <b><u>\$ 185,012</u></b>	 <b><u>\$ 66,586</u></b>	 <b><u>\$ 1,386,049</u></b>

See accompanying notes.



**FOREST HISTORY SOCIETY, INC.**

Statement of Functional Expenses

Year ended June 30, 2022

	<u>Program Services</u>	<u>General Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 437,383	\$ 28,741	\$ 36,568	\$ 502,692
Payroll taxes and benefits	150,728	13,216	14,845	178,789
Professional fees and services	63,134	14,936	508	78,578
Travel and entertaining	8,029	1,595	3,208	12,832
Fellowships and awards	10,936	-	-	10,936
Repairs and maintenance	24,153	5,713	1,323	31,189
Committees and board	-	8,584	-	8,584
Telephone and utilities	24,458	1,086	1,442	26,986
Printing and graphics	172	-	1,385	1,557
Insurance	15,462	985	859	17,306
Supplies and duplicating	5,149	3,780	2,195	11,124
Postage and shipping	2,818	-	2,361	5,179
Equipment and rental	1,100	2,348	-	3,448
Sundry	325	295	-	620
Dues and subscriptions	16,801	1,350	259	18,410
Bank charges	255	2,867	25	3,147
Interest on debt	<u>3,421</u>	<u>604</u>	<u>-</u>	<u>4,025</u>
Total expenses before depreciation	764,324	86,100	64,978	915,402
Depreciation	<u>147,879</u>	<u>26,096</u>	<u>-</u>	<u>173,975</u>
Total expenses	<u>\$ 912,203</u>	<u>\$ 112,196</u>	<u>\$ 64,978</u>	<u>\$ 1,089,377</u>

See accompanying notes.

**FOREST HISTORY SOCIETY, INC.**

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 184,385	\$ (1,928,365)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	173,178	173,975
Realized loss (gain) on investments	48,848	(1,842,509)
Unrealized (gain) loss on investments	(601,532)	3,512,142
Contributions restricted for long-term investment	-	(10,440)
Increase (decrease) in cash due to change in:		
Accounts receivable	(31,362)	23,054
Pledges receivable	55,700	156,319
Inventory	1,904	1,773
Prepaid expenses and deposits	(5,728)	139
Accounts payable	(1,488)	(17,762)
Accrued expenses and withholding	<u>1,808</u>	<u>(5,707)</u>
Net cash (used in) provided by operating activities	<b>(174,287)</b>	62,619
<b>Cash flows from investing activities:</b>		
Sales of investments, net	118,271	210,611
Purchase of buildings and equipment	<u>(12,686)</u>	<u>(5,817)</u>
Net cash provided by investing activities	<b>105,585</b>	204,794
<b>Cash flows from financing activities:</b>		
Contributions restricted for long-term investment	-	10,440
Net proceeds from long term debt issuance	<u>-</u>	<u>(211,974)</u>
Net cash used in financing activities	-	(201,534)
Net (decrease) increase in cash and cash equivalents	<b>(68,702)</b>	65,879
Cash and cash equivalents, beginning of year	<u>678,261</u>	<u>612,382</u>
Cash and cash equivalents, end of year	<b>\$ <u>609,559</u></b>	<b>\$ <u>678,261</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 4,025</u>

See accompanying notes.

# FOREST HISTORY SOCIETY, INC.

## Notes to the Financial Statements

### 1. Organization and Summary of Significant Accounting Policies

#### 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.

#### Basis of Accounting

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

#### Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

#### 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.

Undesignated: These net assets represent the portion of expendable funds available for the operation of the Society.

Land, Building, and Equipment: These net assets represent cumulative resources expended or reserved for land, building, and equipment, less accumulated depreciation recorded.

*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.

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 1. Organization and Summary of Significant Accounting Policies, continued

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. The Society treats donor-restricted contributions whose restrictions are met in the same reporting period as support without donor 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.

#### Investments

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

#### Cash

For the purposes of the statements of cash flows, the Society considers all bank deposits to be cash.

#### 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. For the years ended June 30, 2023 and 2022 the Society had \$3,354 and \$0, respectively of bad debt expense.

#### Contributions

Contributions received are recorded as increases in net assets with or without donor restrictions, 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.

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 1. Organization and Summary of Significant Accounting Policies, continued

##### 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 and are due within one year.

##### Inventory

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

##### 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 furniture and fixtures, 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.

##### 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.

##### 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 net assets with donor restrictions 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.

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 1. Organization and Summary of Significant Accounting Policies, continued

##### 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.

##### Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Society are summarized on a functional basis in the accompanying statements of activities and functional expenses. Directly identifiable expenses are charged to the applicable program or supporting services. Certain expenses are not directly identifiable with any other specific function, but provide for the overall support and direction of the Society, and require allocation between functions on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll related expenses (such as payroll taxes, group insurance, and retirement plan expenses), facility expenses (such as telephone and utilities, repairs and maintenance, and depreciation), professional fees, travel, committees, printing, insurance, supplies, postage and shipping, equipment and rental, sundry, dues and subscriptions, and bank charges. Salaries are allocated based upon the time the respective individual dedicates to program activities, general administration, and fundraising. Payroll related expenses are allocated in accordance with the allocation of salaries. Facility expenses are allocated on a square footage basis. Other expenses are allocated in accordance with the allocation of salaries.

##### Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through October 6, 2023, which was the date at which the financial statements were available to be issued.

#### 2. Revenue Recognition

The Society recognizes revenue for contracts with customers in an amount that reflects the consideration that it expects to be entitled to in exchange for the provisions of goods or services. The following is a summary of the principal forms of the Society's services and how revenue is recognized for each.

##### Program Income/Book Sales

The Society sells books, DVDs, photos and various other items. Revenue related program income/book sales is recognized at a point in time when the materials are shipped.

##### Royalties

The Society receives royalties from the journal publisher. Royalty revenue is recognized at a point in time when the sales occur and the royalties are calculated.

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 2. Revenue Recognition, continued

##### Facility Rental

The Society rents space in its building to various outside organizations as meeting space. Revenue is recognized at a point in time when the event takes place.

##### Disaggregation of Revenue

All revenue recognized from contracts with customers is recognized at a point in time. The Society assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. Common factors ordinarily impacting the Society would be the demand for the Society's various forest related books and materials. These factors have been assessed and management feels they have limited impact on the performance of the Society.

##### Contract Balances

Contract assets are disclosed in the statements of financial position in accounts receivable and represent membership dues owed. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets.

Accounts receivable on July 1, 2021 was \$55,460.

##### Significant Judgments When Applying the Guidance

The Society assesses judgments and changes in judgments that significantly affect the determination and timing of revenue.

#### 3. Investments

Dividend and interest income for the years ended June 30, 2023 and 2022 was \$235,622 and \$160,031, respectively. Net realized and unrealized gains totaled \$552,684 for the year ended June 30, 2023 and net realized and unrealized losses totaled \$1,669,633 for the year ended June 30, 2022.

Investments are carried at fair value at June 30, 2023 and 2022 as follows:

	<u>Carrying Value</u>	<u>Cost</u>	<u>Unrealized Loss</u>
June 30, 2023:			
Vanguard-Mutual Funds	\$ <u>7,926,028</u>	\$ <u>9,240,114</u>	\$ <u>(1,314,086)</u>
June 30, 2022:			
Vanguard-Mutual Funds	\$ <u>7,491,615</u>	\$ <u>9,407,243</u>	\$ <u>(1,915,628)</u>

## FOREST HISTORY SOCIETY, INC.

Notes to the Financial Statements, continued

### 4. Disclosure about Fair Value of Investments

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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The following tables set forth the financial assets and liabilities as of June 30, 2023 and 2022 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, 2023	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
Mutual Funds	<u>\$ 7,926,028</u>	<u>\$ 7,926,028</u>	<u>\$ -</u>	<u>\$ -</u>

	Balance at June 30, 2022	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
Mutual Funds	<u>\$ 7,491,615</u>	<u>\$ 7,491,615</u>	<u>\$ -</u>	<u>\$ -</u>



## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 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 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 Society 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.

##### 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.

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 5. Endowment, continued

##### 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 with donor restrictions were \$1,377,349 and \$1,716,377 as of June 30, 2023 and 2022, 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 Society 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 the Financial Statements, continued

**5. Endowment, continued**

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ (94,227)	\$ 7,473,867	\$ 7,379,640
Investment return:			
Investment income	16,163	123,226	139,389
Net appreciation (realized and unrealized)	75,333	570,258	645,591
Total investment return	91,496	693,484	784,980
Contributions	-	100,966	100,966
Appropriation of endowment for expenditure	(40,417)	(307,607)	(348,024)
Endowment net assets, end of year	\$ (43,148)	\$ 7,960,710	\$ 7,917,562

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 121,345	\$ 9,106,270	\$ 9,227,615
Investment return:			
Investment income	18,080	137,870	155,950
Net depreciation (realized and unrealized)	(190,988)	(1,455,632)	(1,646,620)
Total investment return	(172,908)	(1,317,762)	(1,490,670)
Contributions	-	10,000	10,000
Appropriation of endowment for expenditure	(42,664)	(324,641)	(367,305)
Endowment net assets, end of year	\$ (94,227)	\$ 7,473,867	\$ 7,379,640

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 6. Capital Assets

A summary of capital assets is as follows:

	Cost	Accumulated Depreciation	Net Book Value
June 30, 2023:			
Land	\$ 421,025	\$ -	\$ 421,025
Building and improvements	5,796,318	598,348	5,197,970
Furniture and fixtures	118,589	59,940	58,649
Computer equipment and software	<u>173,632</u>	<u>133,904</u>	<u>39,728</u>
	<u>\$ 6,509,564</u>	<u>\$ 792,192</u>	<u>\$ 5,717,372</u>
June 30, 2022:			
Land	\$ 421,025	\$ -	\$ 421,025
Building and improvements	5,787,003	449,872	5,337,131
Furniture and fixtures	117,364	49,056	68,308
Computer equipment and software	<u>171,485</u>	<u>120,085</u>	<u>51,400</u>
	<u>\$ 6,496,877</u>	<u>\$ 619,013</u>	<u>\$ 5,877,864</u>

#### 7. 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 \$52,927 and \$49,705 for the years ended June 30, 2023 and 2022, respectively.

#### 8. 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, 2023 and 2022, the amounts that exceeded the FDIC limit were \$238,922 and \$329,345, 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.

**FOREST HISTORY SOCIETY, INC.**

Notes to the Financial Statements, continued

**9. Net Assets with Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose or period:		
Operations	\$ 164,918	\$ 192,262
Library	248,743	188,920
Service and outreach	56,687	45,135
Awards and fellowships	225,212	170,919
Education	77,411	63,608
Research and publications	280,841	82,834
Archives	474,873	430,250
Maintenance	<u>10,934</u>	<u>7,163</u>
Total subject to expenditure for specified purpose or period	<b>1,539,619</b>	1,181,091
Endowments subject to the Society's spending policy and appropriation:		
Undesignated	950,187	950,187
Library	826,960	806,960
Service and outreach	150,786	150,786
Research and publications	2,243,921	2,243,921
Archives	1,438,620	1,357,653
Awards and fellowships	750,005	750,004
Education	170,527	170,527
New facility endowment	<u>55,000</u>	<u>55,000</u>
Total endowments subject to the Society's spending policy and appropriation	<b><u>6,586,006</u></b>	<b><u>6,485,038</u></b>
Total net assets with donor restrictions	<b><u>\$ 8,125,625</u></b>	<b><u>\$ 7,666,129</u></b>

## FOREST HISTORY SOCIETY, INC.

### Notes to the Financial Statements, continued

#### 10. 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:

	<u>2023</u>	<u>2022</u>
Operations	\$ 2,835	\$ 2,857
Library	44,047	46,517
Service and outreach	9,253	9,773
Awards and fellowships	41,615	43,948
Education	11,058	11,679
Research and publications	165,613	155,699
Archives	<u>98,610</u>	<u>81,523</u>
 Total net assets released from restrictions	 <u>\$ 373,031</u>	 <u>\$ 351,996</u>

#### 11. 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, 2023 and 2022 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 609,559	\$ 678,261
Accounts receivable	63,768	32,406
Pledges receivable	21,670	77,370
Inventory	18,378	20,282
Investments	<u>7,926,028</u>	<u>7,491,615</u>
 Financial assets available within one year	 8,639,403	 8,299,934
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	1,539,619	1,181,091
Investments held in perpetuity	<u>6,586,004</u>	<u>6,485,038</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 513,780</u>	 <u>\$ 633,805</u>

