

APPALACHIAN MOUNTAIN CLUB

**OFFICE OF MANAGEMENT AND BUDGET
UNIFORM GUIDANCE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2020**

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Certified Public Accountants & Consultants

APPALCHIAN MOUNTAIN CLUB

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INDEPENDENT AUDITOR’S REPORT

To the Executive Committee
Appalachian Mountain Club
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Appalachian Mountain Club and affiliates (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 Appalachian Mountain Club and affiliates’ preparation and fair presentation of the consolidated 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 Appalachian Mountain Club and affiliates’ 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Appalachian Mountain Club and affiliates as of December 31, 2020 and 2019, 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.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, presented on page 22, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2021 on our consideration of the Appalachian Mountain Club and affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Appalachian Mountain Club and affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appalachian Mountain Club and affiliates' internal control over financial reporting and compliance.

Tonnerson & Company PC

Wakefield, Massachusetts
October 15, 2021

APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and Cash Equivalents	\$ 12,797,982	\$ 12,710,965
Accounts Receivable, net	453,082	662,496
Pledges Receivable, net	2,940,092	3,812,246
Prepaid Expenses and Other Assets	587,280	480,604
Advanced Deposit on Future Land Purchase (See Note L)	12,454,000	10,000,000
Inventories	794,516	884,869
Notes Receivable, NMTC	8,660,730	8,660,730
Property and Equipment, net	67,582,262	68,502,880
Investments, at fair value	84,265,970	73,406,286
Total Assets	\$ <u>190,535,914</u>	\$ <u>179,121,076</u>
Liabilities:		
Accounts Payable	\$ 586,779	\$ 824,677
Accrued Expenses and Other Liabilities	1,364,242	1,110,937
Annuity Payments Liability	397,588	356,270
Deferred Revenue	3,052,717	2,914,289
Deferred Membership Revenue	634,489	738,759
Loans Payable, net	12,452,413	12,367,905
Total Liabilities	<u>18,488,228</u>	<u>18,312,837</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	16,626,646	12,641,987
Invested in Property and Equipment	67,582,262	68,502,880
Designated by Board for Endowment	60,823,932	52,847,063
	<u>145,032,840</u>	<u>133,991,930</u>
With Donor Restrictions	27,014,846	26,816,309
Total Net Assets	<u>172,047,686</u>	<u>160,808,239</u>
Total Liabilities and Net Assets	\$ <u>190,535,914</u>	\$ <u>179,121,076</u>

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Net Assets Without Donor Restrictions Operating	Other	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions Operating	Other	Net Assets With Donor Restrictions	Total
Revenues:								
Contributions and Grants	\$ 6,930,854	\$ 517,742	\$ 2,359,038	\$ 9,807,634	\$ 6,181,992	\$ 542,302	\$ 6,537,711	\$ 13,262,005
Membership	2,535,277	104,270	-	2,639,547	2,823,791	25,701	-	2,849,492
Outdoor Program Centers Programs	3,458,824	37,221	-	3,496,045	12,477,632	461,360	-	12,938,992
Merchandise & Publications	1,371,187	-	-	1,371,187	3,858,039	-	-	3,858,039
Rental, Interest, & Other	1,676,887	-	-	1,676,887	1,959,436	-	-	1,959,436
Gains/(Losses) from Investments, net	809,371	253,710	12,663	1,075,744	773,911	474,274	12,074	1,260,259
Endowment Spending Allocation	5,402	14,108,752	82,989	14,197,143	(5,399)	11,739,557	170,134	11,904,292
Special Project Funding	2,914,522	(2,914,522)	-	-	2,843,036	(2,843,036)	-	-
Extraordinary Grants	859,834	(859,834)	-	-	1,169,426	(1,169,426)	-	-
	4,281,600	-	-	4,281,600	-	-	-	-
Total Revenues	24,843,758	11,247,339	2,454,690	38,545,787	32,081,864	9,230,732	6,719,919	48,032,515
Expenses:								
Member Services	2,539,439	-	-	2,539,439	2,501,216	-	-	2,501,216
Outdoor Program Centers Programs	8,728,323	671,334	-	9,399,657	12,610,730	526,191	-	13,136,921
Merchandise & Publications	7,301,083	14,854	-	7,315,937	10,436,997	40,807	-	10,477,804
Rental, Interest, & Other	1,720,002	-	-	1,720,002	1,717,754	-	-	1,717,754
Administrative	718,186	835,255	-	1,553,441	758,125	559,717	-	1,317,842
Fundraising	2,379,128	367,415	-	2,746,543	2,303,061	274,224	-	2,577,285
	1,781,321	250,000	-	2,031,321	1,707,799	450,000	-	2,157,799
Total Expenses	25,167,482	2,138,858	-	27,306,340	32,035,682	1,850,939	-	33,886,621
Change in Net Assets Before Transfers and Releases	(323,724)	9,108,481	2,454,690	11,239,447	46,182	7,379,793	6,719,919	14,145,894
Transfers and Releases:								
Transfer of Operating Surplus	323,724	(323,724)	-	-	(46,182)	46,182	-	-
Releases of Restricted Net Assets	-	2,256,153	(2,256,153)	-	-	9,813,735	(9,813,735)	-
Total Change in Net Assets	-	11,040,910	198,537	11,239,447	-	17,239,710	(3,093,816)	14,145,894
Net Assets, Beginning of Year	-	133,991,930	26,816,309	160,808,239	-	116,752,220	29,910,125	146,662,345
Net Assets, End of Year	\$ -	\$ 145,032,840	\$ 27,014,846	\$ 172,047,686	\$ -	\$ 133,991,930	\$ 26,816,309	\$ 160,808,239

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 11,239,447	\$ 14,145,894
Adjustments to Reconcile Change in Net Assets to net cash provided by Operating Activities:		
Depreciation and Amortization	2,542,876	2,469,930
Interest on Debt Issuance Costs	84,508	84,508
Investment Income and Realized Gains, net	(3,075,893)	(1,580,652)
Net Unrealized Gains on Investments	(10,996,016)	(10,582,109)
Loss on Disposal of Property and Equipment	124,635	250,788
Changes in Certain Assets and Liabilities:		
Accounts Receivable	209,414	(359,488)
Pledges Receivable	872,154	(808,777)
Prepaid Expenses and Other Assets	(106,676)	(95,790)
Inventories	90,353	56,936
Accounts Payable	(237,898)	(18,082)
Accrued Expenses and Other Liabilities	253,305	(38,514)
Annuity Payments Liability	41,318	56,931
Deferred Revenue	138,428	405,549
Deferred Membership Revenue	(104,270)	(25,702)
Net cash provided by Operating Activities	<u>1,075,685</u>	<u>3,961,422</u>
Cash Flows from Investing Activities:		
Additions to Property and Equipment	(1,824,643)	(3,612,270)
Proceeds from Sale of Property and Equipment	77,750	35,045
Purchases of Investments	(19,544,102)	(9,092,114)
Proceeds from Sale of Investments	22,756,327	12,047,119
Advanced Deposit on Future Land Purchase	(2,454,000)	(10,000,000)
Net cash used in Investing Activities	<u>(988,668)</u>	<u>(10,622,220)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,017	(6,660,798)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,710,965</u>	<u>19,371,763</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>12,797,982</u></u>	\$ <u><u>12,710,965</u></u>

Supplemental Data: Cash paid for interest during each of the years ended December 31, 2020 and 2019 amounted to \$126,118.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>					<u>Support Services</u>			<u>Total Expenses</u>	
	<u>Member Services</u>	<u>Outdoor Program Centers</u>	<u>Programs</u>	<u>Merchandise & Publications</u>	<u>Rental, Interest & Other</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Fundraising</u>		<u>Total Support Services</u>
Salaries	\$ 1,126,624	\$ 4,448,795	\$ 3,815,342	\$ 441,721	\$ -	\$ 9,832,482	\$ 1,138,901	\$ 1,063,274	\$ 2,202,175	\$ 12,034,657
Payroll Taxes and Fringe Benefits	246,445	1,048,889	982,158	106,347	-	2,383,839	453,367	291,728	745,095	3,128,934
Program and Volunteer Support	-	32,379	568,651	-	-	601,030	-	-	-	601,030
Depreciation and Amortization	15,305	1,652,140	298,643	13,114	183,074	2,162,276	347,742	32,858	380,600	2,542,876
Professional Fees	67,375	73,447	189,839	61,955	144,138	536,754	464,680	77,341	542,021	1,078,775
Office	585,129	385,324	207,543	39,809	-	1,217,805	11,823	208,520	220,343	1,438,148
Food and Beverage Supplies	-	501,469	19,306	-	-	520,775	-	-	-	520,775
Occupancy	88	497,209	290,020	44	285,382	1,072,743	13,931	199	14,130	1,086,873
Repairs and Maintenance	-	341,801	303,016	-	88,356	733,173	329	-	329	733,502
Cost of Goods Sold	-	4,750	26,463	644,641	-	675,854	-	-	-	675,854
Information Technology	74,755	41,145	160,799	36,967	-	313,666	81,220	110,429	191,649	505,315
Insurance	50,870	265,749	116,337	47,085	27,540	507,581	58,074	36,416	94,490	602,071
Printing and Publications	227,946	2,037	17,798	22,870	-	270,651	2,146	122,933	125,079	395,730
Vehicles	28	51,753	101,399	2,303	-	155,483	1,650	364	2,014	157,497
Travel	663	15,896	57,016	2,003	-	75,578	5,079	9,086	14,165	89,743
Conferences and Meetings	667	2,480	66,302	952	-	70,401	10,254	50,985	61,239	131,640
Marketing and Promotion	32,812	53,656	21,709	19,796	-	127,973	5,125	3,832	8,957	136,930
Interest	-	-	-	-	126,118	126,118	-	-	-	126,118
Other	110,732	(19,262)	73,596	280,395	698,833	1,144,294	152,222	23,356	175,578	1,319,872
Total Functional Expenses	\$ 2,539,439	\$ 9,399,657	\$ 7,315,937	\$ 1,720,002	\$ 1,553,441	\$ 22,528,476	\$ 2,746,543	\$ 2,031,321	\$ 4,777,864	\$ 27,306,340

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services					Support Services			Total Expenses	
	Member Services	Outdoor Program Centers	Programs	Merchandise & Publications	Rental, Interest & Other	Total Program Services	Administration	Fundraising		Total Support Services
Salaries	\$ 933,737	\$ 6,201,585	\$ 4,620,906	\$ 358,610	\$ -	\$ 12,114,838	\$ 1,283,655	\$ 1,126,344	\$ 2,409,999	\$ 14,524,837
Payroll Taxes and Fringe Benefits	249,678	1,309,662	1,108,587	95,417	-	2,763,344	345,961	303,634	649,595	3,412,939
Program and Volunteer Support	-	88,151	2,185,490	-	-	2,273,641	889	1,984	2,873	2,276,514
Depreciation and Amortization	9,613	1,620,177	228,838	9,371	254,416	2,122,415	319,404	28,111	347,515	2,469,930
Professional Fees	40,154	57,734	165,511	38,338	100,832	402,569	186,398	100,404	286,802	689,371
Office	658,063	462,219	320,594	41,264	-	1,482,140	24,311	213,942	238,253	1,720,393
Food and Beverage Supplies	-	1,328,592	39,399	-	-	1,367,991	-	-	-	1,367,991
Occupancy	228	801,609	309,962	152	304,610	1,416,561	16,048	760	16,808	1,433,369
Repairs and Maintenance	836	646,915	402,793	557	117,788	1,168,889	-	2,786	2,786	1,171,675
Cost of Goods Sold	-	30,369	12,382	814,768	-	857,519	-	-	-	857,519
Information Technology	77,641	45,025	324,966	29,500	-	477,132	52,208	68,334	120,542	597,674
Insurance	54,792	272,436	107,254	46,894	27,000	508,376	50,452	32,238	82,690	591,066
Printing and Publications	335,299	6,781	40,025	23,082	-	405,187	4,771	128,269	133,040	538,227
Vehicles	247	66,045	252,359	3,259	-	321,910	7,206	2,480	9,686	331,596
Travel	5,621	66,107	166,553	5,457	-	243,738	29,995	37,170	67,165	310,903
Conferences and Meetings	2,079	8,108	80,502	2,490	-	93,179	41,559	81,839	123,398	216,577
Marketing and Promotion	29,756	112,509	42,694	21,209	-	206,168	11,828	24,507	36,335	242,503
Interest	-	-	-	-	126,118	126,118	-	-	-	126,118
Other	103,472	12,897	68,989	227,386	387,078	799,822	202,600	4,997	207,597	1,007,419
Total Functional Expenses	\$ 2,501,216	\$ 13,136,921	\$ 10,477,804	\$ 1,717,754	\$ 1,317,842	\$ 29,151,537	\$ 2,577,285	\$ 2,157,799	\$ 4,735,084	\$ 33,886,621

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

A. Organization:

The Appalachian Mountain Club, together with its consolidated affiliates AMC Maine Woods Initiative, LLC and AMC Maine Woods Funding, LLC (collectively, the "AMC"), is a not-for-profit environmental conservation and recreation corporation with the mission of promoting the protection, enjoyment and understanding of the mountains, forest, waters, and trails of the Appalachian Region. In pursuit of this aim, the AMC provides educational and experiential opportunities to its membership and the general public in the belief that successful conservation depends on this experience. Campsite, shelter, and lodging facilities, trail maintenance programs, land stewardship, scientific research, environmental conservation, and local chapter activities together with the publication of guidebooks, maps, and other media further this mission.

B. Summary of Significant Accounting and Reporting Policies:

The significant accounting policies followed by the AMC are as follows:

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the AMC, its affiliates, and its volunteer-managed facilities and chapters. All significant intercompany accounts and transactions are eliminated in the consolidated financial statements.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities. Significant estimates for the AMC include the present value of future cash flows from pledges receivable, the allowance for doubtful accounts in connection with pledges receivable, allowances for inventory obsolescence, functional expense allocations, accrued liabilities, and the fair value of investments. Actual results could differ from those estimates.

Basis of Accounting

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles. These principles establish standards for external financial reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

Net assets without donor restrictions include net assets that are available for use in general operations and not subject to donor or grantor imposed stipulations. Activity in net assets without donor restrictions is shown in the Consolidated Statements of Activities classified as Operating and Other. Operating revenues consist of revenues, endowment spending allocations, and special project funding which support annual operating and program expenses of the organization. Operating expenses consist of annual operating expenses of the organization related to member services, outdoor program centers, other programs, merchandise and publications, administrative, and annual fundraising. Other revenues and expenses include revenues and expenses from rentals, capital fundraising campaigns, asset sales, income and gains (losses) from investments, interest expense and other financing costs, and an allocation of depreciation expense.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

B. Summary of Significant Accounting and Reporting Policies, Continued:

Basis of Accounting, Continued

Net assets with donor restrictions include both net assets with restrictions that are temporary in nature, which are subject to donor or grantor imposed stipulations that are expected to be met by actions of the AMC and/or the passage of time, and net assets with restriction by donors or grantors where such restrictions are perpetual in nature. Generally, the donors of permanently restricted net assets permit the AMC to use all of the income earned on related investments for general or specific purposes. Donor or grantor imposed temporary restrictions are released when the stipulated time has elapsed or the stipulated purpose for which the resource was restricted has been fulfilled, and the net assets are then reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Reclassification

Certain amounts in the December 31, 2019 financial statements have been reclassified to conform to the December 31, 2020 presentation format. These reclassifications impacted certain revenue and expense items, however, the reclassifications had no effect on the previously reported change in net assets for the year ended December 31, 2019. The most significant reclassification was grouping Merchandise with Publications in 2020 versus Outdoor Program Centers in 2019.

Functional Allocation of Expenses

The Consolidated Statements of Functional Expenses summarizes the AMC's cost of providing program services and the support services necessary to achieve the AMC's mission and goals. Certain costs are directly related to program and support services while other costs have been allocated using a variety of methods. Occupancy, depreciation and amortization costs have been allocated on a square footage basis, while other expenses have been allocated based upon an estimate of time and effort necessary to support each category of program services. The methods used to allocate indirect costs on a time and effort basis were based upon the principles used to allocate support services costs in the AMC's Form 990, which have been consistently applied.

Investments

Mutual funds are public investment vehicles valued using the net asset value ("NAV") provided by the administrator of the fund and calculated at the close of business on the NYSE. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in mutual funds are classified within Quoted Prices in Active Markets for Identical Assets. Alternative Investments are reported using the NAV per share, as reported by the investment managers, as a practical expedient for measuring fair value. The investment managers have various processes and controls in place to ensure that fair value is reasonably estimated. They perform due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. There have been no changes in the methodologies used at December 31, 2020 and 2019. Dividends, interest and net gains/losses on investments are reflected in the Consolidated Statements of Activities. Investment income from donor restricted assets that is earned and used in the current year for the restricted purpose is recorded as without donor restriction investment income.

Gift Annuity Fund and Pooled Life Income Fund

The AMC has planned giving agreements with donors consisting primarily of charitable gift annuities and pooled life income funds. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the agreements.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

B. Summary of Significant Accounting and Reporting Policies, Continued:

Gift Annuity Fund and Pooled Life Income Fund, Continued

Contribution revenue is recorded as donor restricted income when the agreements are executed, measured by the fair value of assets received net of the liabilities for future payments to donors. Investments are adjusted to fair value, and the liabilities for future annuity payments are adjusted based on donor life expectancies and on prevailing interest rates.

Cash Equivalents

Cash equivalents are comprised of highly liquid investments, with a maturity of less than three months at the time of investment. This may include money market deposits or other similar investments.

Pledges and Accounts Receivable

Pledges and accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for doubtful accounts is determined by applying a percentage against total receivables, based on management's judgment concerning the future collectability of the receivables. Amounts considered to be past due are charged against the allowance when the account is referred to a collection agency, or otherwise deemed uncollectible.

Inventories

Inventories, principally retail merchandise and books, are stated at the lower of cost (on an average cost method) or net realizable value.

Property and Equipment

Property and equipment are recorded at historical cost or fair value at date of gift or bequest. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred. Depreciation is determined using the straight-line method over the estimated useful lives. Estimated lives for building and improvements, land improvements, furniture, fixtures, and equipment range from 3 to 40 years.

Deferred Revenue

The AMC defers recognition of outdoor program center and program reservations revenues to the period in which the reservation occurs and the related expenses are incurred. Revenue from membership dues is deferred and recognized over the life of the membership, typically one year.

Revenue Recognition

The AMC has multiple revenue streams that are accounted for as reciprocal exchange transactions including Membership, Outdoor Program Centers and Program fees. Under FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), revenue is recognized when received, or when control of goods or services is transferred to the customer, in an amount that reflects the consideration the AMC expects to be entitled to in exchange for those goods and services. The AMC does not have any significant financing components as payment is generally received at or before the point of sale.

Revenues from performance obligations satisfied over time consist of Membership dues, Outdoor Program Center lodging and Program fees. These revenues are recognized using an output method on the basis of time elapsed divided by the period the membership or program service is provided. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Revenues from performance obligations satisfied over time amounted to \$7,349,777 and \$19,416,898 for the years ended December 31, 2020 and 2019, respectively.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

B. Summary of Significant Accounting and Reporting Policies, Continued:

Revenue Recognition, Continued

Membership dues, Outdoor Program Center and Program fees paid to the AMC in advance represent contract liabilities and are recorded as deferred revenue. Amounts billed but unpaid are contract assets and recorded as accounts receivables.

Revenues from performance obligations satisfied at a point in time consist of Merchandise and Publications and over the counter meals included in Outdoor Program Centers. Revenues are recognized when earned. Revenues from performance obligations satisfied at a point in time amounted to \$1,833,889 and \$2,189,055 for the years ended December 31, 2020 and 2019, respectively.

Conditional Grants

Grants that are conditional in nature are accounted for under ASC Topic 958-605, *Revenue Recognition*. Such grants are recognized as certain conditions of the grant are substantially met by the AMC or explicitly waived by the donor. The original grant is recorded as a refundable advance and the amounts are recognized and applied against the refundable advance as the conditions of release are substantially met.

Debt Issuance Costs

In accordance with FASB Codification Topic 835, *Interest*, the AMC presents unamortized debt issuance costs as a reduction of the carrying amount of the debt. Debt issuance costs are being amortized to interest expense using the straight-line method over the term of the related financing agreements.

Collections

Collection items are artifacts related to the historical programs of the AMC, which are catalogued and preserved for educational and research purposes. No collection items were capitalized as of December 31, 2020 and 2019.

Donated Services

The consolidated financial statements do not include amounts for donated services since an objective basis for measurement of the value of such services is not available, and these services are not specialized as defined by U.S. generally accepted accounting principles. However, substantial numbers of volunteers have donated significant amounts of their time and energy to the AMC.

In-Kind Contribution

During 2020, the AMC received a credit, primarily from the states of Massachusetts and New Hampshire, for 50% of the costs incurred to pay COVID-19 related unemployment claims as provided for in the Federal CARES Act. The credit amounted to approximately \$100,000 for the year ended December 31, 2020 and is allocated by department within revenues with a corresponding amount recorded in payroll taxes and fringe benefits expenses on the consolidated statement of activities.

Concentration of Credit Risk

Financial instruments which potentially subject the AMC to concentrations of credit risk consist principally of cash and cash equivalents and money market funds included with investments. The AMC maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The bank deposit accounts are insured through FDIC up to \$250,000. The maximum loss that could have resulted from that risk amounted to approximately \$8,800,000 as of December 31, 2020. The AMC places its cash in highly rated financial institutions, the majority of which is held at Citizens Bank. The AMC has not experienced any losses in such accounts and does not believe it is exposed to unusually significant credit risk on cash.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

B. Summary of Significant Accounting and Reporting Policies, Continued:

Tax Status

The AMC has been granted a tax exemption under Section 501(c)(3) of the Internal Revenue Code. In determining the recognition of uncertain tax positions, the AMC applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of December 31, 2020, the AMC has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The AMC is generally subject to potential examination by taxing jurisdictions for the prior three years.

Recently Issued Accounting Pronouncement - Not Yet Adopted

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the calendar year ending December 31, 2022. The AMC is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Subsequent Events

The date to which events occurring after December 31, 2020 have been evaluated for possible adjustment to the consolidated financial statements or disclosure is the date of the Independent Auditor's Report which is the date the consolidated financial statements were available to be issued.

C. Availability and Liquidity:

The AMC is substantially supported by restricted and unrestricted donor contributions. When a donor's restriction requires resources to be used in a particular manner or in a future period, the AMC maintains the resources necessary to meet the restricted purposes. Thus, financial assets equal to restricted amounts are not available for general expenditure. As part of its liquidity management, the AMC structures its financial assets to be available as general expenditures, liabilities, and other obligations come due for payment. The AMC's financial assets at December 31, 2020 that are available for general expenditure are \$21,875,646, which is approximately equal to 320 days of operating expenses. To ensure adequate liquidity, excess cash is invested primarily in cash and money market accounts. If needed to meet unforeseen obligations, the AMC also has available a \$5,000,000 line of credit (as further discussed in Note L). The AMC has board-designated endowment funds, which while allocated for annual operating support under an approved endowment spending policy, could potentially be made available with approval of the Board of Directors if necessary to meet obligations.

The following table represents the AMC's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date. Amounts not available include net assets with donor restrictions as well as endowment related net assets subject to long-term investment.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

C. Availability and Liquidity, Continued:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-end:		
Cash and Cash Equivalents	\$ 12,797,982	\$ 12,710,965
Accounts Receivable	453,082	662,496
Pledges Receivable	2,940,092	3,812,246
Investments	84,265,970	73,406,286
Total Financial Assets	<u>100,457,126</u>	<u>90,591,993</u>
Less Amounts not Available to be Used Within One Year:		
Restricted by Donor with Time or Purpose Restrictions	1,461,421	2,104,301
Subject to Endowment Spending Policy and Appropriation	77,120,059	66,861,582
	<u>78,581,480</u>	<u>68,965,883</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 21,875,646</u>	<u>\$ 21,626,110</u>

D. Investments:

In accordance with ASC Subtopic 820-10, *Fair Value Measurements*, certain investments that are measured at fair value using the net asset value (“NAV”) per share (or its equivalent) as a practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the consolidated statements of financial position.

The following table summarizes the AMC’s financial assets measured at fair value as of December 31, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Quoted Prices in Active Markets for Identical Assets (Level 1):		
Uninvested Cash and Cash Equivalents Pending Investment	\$ 2,083,230	\$ 3,653,905
Mutual Funds:		
U.S. Equity	21,345,516	19,835,501
Non-U.S. Equity	22,713,927	16,820,200
U.S. Fixed Income	8,553,317	8,906,511
Blended	1,298,031	1,216,862
Split Interest Agreements:		
Gift Annuity Fund	701,045	615,906
Pooled Life Income Fund	51,608	44,121
Subtotal	<u>56,746,674</u>	<u>51,093,006</u>
Alternative Investments Measured at Net Asset Value	<u>27,519,296</u>	<u>22,313,280</u>
Total Investments, at Fair Value	<u>\$ 84,265,970</u>	<u>\$ 73,406,286</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

D. Investments, Continued:

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Amounts held as alternative investments represent hedge funds and private equity partnerships for which quoted market prices or valuations are not readily available and are carried at net asset values provided by investment managers. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility.

The AMC uses NAV to determine the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The types of investments that qualify for this treatment are included in the following tables at December 31, 2020 and 2019:

December 31, 2020:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Marketable Alternatives (a)	\$ 7,638,489	\$ -	Varies from Monthly to Every 2 Years	Varies from 20 to 90 days
Private Equity/Venture Capital (b)	\$ <u>19,880,807</u>	6,438,515	Not Permitted	N/A
	<u>\$ 27,519,296</u>			

December 31, 2019:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Marketable Alternatives (a)	\$ 10,110,931	\$ -	Varies from Monthly to Every 3 Years	Varies from 20 to 90 days
Private Equity/Venture Capital (b)	\$ <u>12,202,349</u>	6,740,191	Not Permitted	N/A
	<u>\$ 22,313,280</u>			

- (a) This class includes investments in hedge funds that invest in long and short positions using U.S. and Non-U.S. common stocks with some credit exposure. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, from a net long position to a net short position, and pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.
- (b) This class includes investments in funds that invest in private U.S. and internationally based companies either through direct investments or through other private investment funds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Unfunded commitments represent future capital calls.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

D. Investments, Continued:

The components of gains (losses) from investments for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Realized gains, net	\$ 3,288,188	\$ 1,410,507
Unrealized gains (losses), net	10,996,016	10,582,109
Change in value of planned giving agreements	<u>(87,061)</u>	<u>(88,324)</u>
Total gains, net	<u>\$ 14,197,143</u>	<u>\$ 11,904,292</u>

E. Pledges Receivable:

Pledges receivable of \$2,940,092 and \$3,812,246 are recorded in the consolidated financial statements as of December 31, 2020 and 2019, respectively. Pledges are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a risk free-rate of return (0.38% at December 31, 2020 and 1.72% at December 31, 2019). The resulting discount amounted to \$13,868 at December 31, 2020 and \$107,455 at December 31, 2019. An allowance has been made for potentially unfulfilled pledges of \$326,677 at December 31, 2020 and \$423,583 at December 31, 2019.

Pledges, net of discounts and allowances, are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
In one year or less	\$ 1,433,831	\$ 1,664,790
Between one and five years	1,488,734	2,138,779
Greater than five years	<u>17,527</u>	<u>8,677</u>
Total Pledges Receivable	<u>\$ 2,940,092</u>	<u>\$ 3,812,246</u>

F. Endowment:

The AMC's endowment consists of approximately 100 individual funds established for a variety of purposes. It includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, 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.

The AMC interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the 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, the AMC 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.

In accordance with UPMIFA, when making a determination to appropriate or accumulate donor-restricted endowment funds, the AMC considers factors which include: the duration and preservation of the fund; the purposes of the AMC and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the AMC; and the investment policies of the AMC.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

F. Endowment, Continued:

The changes in endowment net assets by fund as of December 31, 2020 and 2019, are as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 52,847,063	\$ 16,857,555	\$ 69,704,618
Net assets released from restriction	777,414	(777,414)	-
Investment gains(losses), net	10,090,977	3,090,833	13,181,810
Contributions and transfers	23,000	39,675	62,675
Endowment spending allocation	(2,914,522)	-	(2,914,522)
Endowment Net Assets, End of Year	<u>\$ 60,823,932</u>	<u>\$ 19,210,649</u>	<u>\$ 80,034,581</u>

	2019		
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 46,191,913	\$ 14,671,694	\$ 60,863,607
Net assets released from restriction	614,767	(614,767)	-
Investment gains(losses), net	8,871,919	2,754,885	11,626,804
Contributions and transfers	11,500	45,743	57,243
Endowment spending allocation	(2,843,036)	-	(2,843,036)
Endowment Net Assets, End of Year	<u>\$ 52,847,063</u>	<u>\$ 16,857,555</u>	<u>\$ 69,704,618</u>

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or the UPMIFA requires the AMC to retain as a fund for perpetual duration. There were no deficiencies reported in net assets as of December 31, 2020 and 2019.

The AMC's investment goal for the Endowment Fund is to provide a current spendable return consistent with the long-term preservation of assets in real terms. Endowment fund investments are exposed to various risks such as interest rate, credit, and overall market volatility. Accordingly, the AMC has established an asset allocation policy, investment guidelines and performance standards for the investment of the Fund's assets, in order to control risks and monitor investment performance. However, experience has shown that market performance will vary and that the portfolio's investment objectives may not be achievable during short-term periods. The annual endowment spending made available for the operations of the AMC is an amount equal to a weighted average calculation consisting of a seventy percent (70%) weight of the prior year's spending amount, adjusted for inflation, and thirty percent (30%) weight of 4.5% of the average of the four prior quarters endowment balances.

G. Notes Receivable, NMTC:

Notes receivable consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Notes Receivable due 2044; Interest receivable ranges from 1.43% to 1.451%; to be received on the earlier of 2044 or the settlement of AMC's loans payable due 2049	\$ <u>8,660,730</u>	\$ <u>8,660,730</u>
Total Notes Receivable	<u>\$ 8,660,730</u>	<u>\$ 8,660,730</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

G. Notes Receivable, NMTC, Continued:

The above referenced notes are part of a financing structured under the New Markets Tax Credit (“NMTC”) program of the U.S. Treasury Department and will be paid concurrent with the settlement of the corresponding Loans Payable (see Note J). In connection with these notes, AMC and an outside organization made contributions to AMC Maine Woods Funding, LLC, treated as a partnership under tax law, resulting in a 5% minority ownership by the outside organization.

H. Property and Equipment:

Property and equipment consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 28,825,293	\$ 28,555,502
Buildings and improvements	55,995,242	54,855,969
Furniture, fixtures and equipment	7,679,216	9,709,153
Construction in progress	381,206	2,094,898
	<u>92,880,957</u>	<u>95,215,522</u>
Accumulated depreciation	<u>(25,298,695)</u>	<u>(26,712,642)</u>
Property and equipment, net	<u>\$ 67,582,262</u>	<u>\$ 68,502,880</u>

Depreciation and amortization expense for 2020 totaled \$2,542,876 and \$2,469,930 for 2019.

The AMC has permits with Federal, State and municipal agencies to operate and maintain facilities and campsites within the boundaries controlled by the various governmental entities. These permits range in term from one to forty years, and have expiration dates from 2022 to 2047.

I. Deferred Unemployment Claims and Payroll Taxes:

During the year ended December 31, 2020, the AMC deferred the deposit and payment of the employer’s portion of Social Security taxes as provided for in the Federal CARES Act. This amounted to \$456,584 as of December 31, 2020 and is recorded in accrued expenses and other liabilities on the consolidated statement of financial position. The payment of the deferrals are due in equal installments of \$228,292 on December 31, 2021 and December 31, 2022.

During the year ended December 31, 2020, the AMC deferred the deposit and payment of the costs incurred to pay COVID-19 related unemployment claims primarily to the states of Massachusetts and New Hampshire as provided for in the Federal CARES Act. This amounted to approximately \$100,000 as of December 31, 2020 and is recorded in accrued expenses and other current liabilities on the consolidated statement of financial position.

J. Loans Payable:

Loans payable consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Secured borrowings due 2049 (subject to put & call agreement); interest payable at 1%	\$ 12,611,804	\$ 12,611,804
Less unamortized debt issuance costs	<u>(159,391)</u>	<u>(243,899)</u>
Total Loans Payable, Net	<u>\$ 12,452,413</u>	<u>\$ 12,367,905</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

J. Loans Payable, Continued:

The above referenced loans are part of a financing structure under the NMTC program of the U.S. Treasury Department (see also Note G). Loan proceeds are used for specified project expenses in Piscataquis County, Maine by the AMC's wholly owned subsidiary AMC Maine Woods Initiative, LLC. The loans are secured by AMC Maine Woods Initiative, LLC assets, and interest expense for these loans for 2020 was \$126,118 and 2019 was \$126,118. The loans and related agreements specify debt forgiveness provisions at maturity, and require the AMC to comply with certain covenants. At December 31, 2020, management is not aware of any violations of the covenants. In conjunction with the Loans Payable, single purpose lending entities were established by the lenders whose sole activities are the loans to the AMC Maine Woods Initiative, LLC. The AMC has entered into a put and call agreement with the lenders whereby the AMC may acquire the lending entities from the bank in 2022 or thereafter. It is expected that the AMC will acquire the entities in 2022 and will repay all amounts outstanding, less debt forgiveness amounts, at that time.

K. Net Assets with Donor Restrictions:

At December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Capital Expenditures at Outdoor Program Centers, Huts & Shelters	\$ 11,800	\$ -
Capital Campaign Projects	3,606,616	5,106,384
Maine Woods Initiative, LLC projects	47,088	52,088
Grants for Specified Program Purposes	813,497	661,996
Other	30,039	22,283
	<u>4,509,040</u>	<u>5,842,751</u>
Subject to Passage of Time:		
Pledges Receivable	2,940,092	3,812,246
Gift Annuities and Pooled Life Income Funds	355,065	303,757
	<u>3,295,157</u>	<u>4,116,003</u>
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Conservation	2,445,933	2,102,227
Education	4,626,649	3,865,230
White Mountain Huts and Trails	5,477,029	4,564,791
Volunteer Managed Activities	1,231,888	1,049,484
Library and Archives	417,711	362,913
General and Other	1,088,690	990,161
Restricted in Perpetuity	3,922,749	3,922,749
	<u>19,210,649</u>	<u>16,857,555</u>
Total Net Assets with Donor Restrictions	<u>\$ 27,014,846</u>	<u>\$ 26,816,309</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

L. Commitments:

Line of Credit

The AMC has a line of credit agreement with a commercial bank which expires in August 2023, secured by certain mutual fund investments with a carrying value of \$4,636,495. The maximum borrowings available under the agreement are \$5,000,000, limited to 70% of pledged mutual funds. The agreement provides that any borrowings are due on or before the expiration date of the agreement and bear interest at LIBOR plus 1.45%. There were no outstanding borrowings under the agreement at December 31, 2020 and 2019.

Real Estate Rental Income

As of December 31, 2020 the AMC had five long-term, non-cancelable lease agreements to lease commercial office space and retail space to tenants in its 10 City Square headquarters building in Boston. The agreements provide for fixed minimum monthly rental income ranging from approximately \$2,500 to \$25,000 and expire at various times through February 2027. Rental income amounted to approximately \$682,000 and \$762,000 for the years ended December 31, 2020 and 2019, respectively.

Subsequent to December 31, 2020, the AMC signed a sixth long-term, non-cancelable lease agreement to lease commercial office space to a tenant in its 10 City Square headquarters building in Boston. The agreement provides for fixed minimum monthly rental income amounting to approximately \$7,000 and expires in November 2024.

The future minimum rental income receivable, by year, under the six non-cancelable lease agreements are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 413,000
2022	352,000
2023	335,000
2024	289,000
2025	149,000
Thereafter	<u>123,000</u>
	<u>\$ 1,661,000</u>

Lease Commitments

The AMC has various long-term, non-cancelable lease agreements to lease office spaces for its staff and operations in the northeastern U.S. In addition, the AMC has an agreement to lease parking spaces in a location near its 10 City Square headquarters in Boston. These agreements provide for fixed minimum monthly rental payments ranging from approximately \$1,000 to \$8,700 and expire at various times through 2025. Rental expense amounted to approximately \$170,000 and \$178,000 for the years ended December 31, 2020 and 2019, respectively.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

L. Commitments, Continued:

Lease Commitments, Continued

The future minimum annual rental payments required under the long-term non-cancelable lease agreements as of December 31, 2020 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 123,000
2022	69,000
2023	18,000
2024	18,000
2025	4,000
	<u>\$ 232,000</u>

Advanced Deposit on Future Land Purchase

In December 2018, the AMC received a leadership gift of \$10 million from the Richard King Mellon Foundation supporting the planned purchase of 26,740 acres of working forestland in Maine for conservation and sustainable forestry purposes. Partnering with The Conservation Fund (“TCF”), a nationally recognized nonprofit, a purchase and sale agreement was executed in January 2019 that provides for the AMC to purchase the land from TCF on or before December 30, 2022. In February 2019 TCF closed on the land purchase with the seller for \$18.5 million and the AMC paid TCF \$10 million as an advance payment under the AMC-TCF purchase and sale agreement. A 70 acre parcel valued at \$46,000 was transferred to AMC and recorded as land. In December 2020, the AMC paid TCF an additional \$2.5 million as an advance payment under the AMC-TCF purchase and sale agreement. The amounts are included in advanced deposit on future land purchase on the consolidated statements of financial position. During the holding period prior to the AMC’s purchase, TCF will own the property now known as the Pleasant River Headwaters Forest. The AMC’s purchase price will be TCF’s net purchase price from the seller plus closing, interest, carrying and other costs incurred by TCF, less sustainable forestry net proceeds during the period of TCF’s ownership. The AMC has undertaken a campaign to raise \$25 million, including the \$10 million contribution received in 2018, to fund the purchase of the Pleasant River Headwaters Forest and provide for long-term stewardship of AMC’s Maine Woods Initiative, LLC land holdings that will total more than 100,000 acres with this purchase.

M. Retirement Plans:

The AMC has a defined contribution plan which covers substantially all of its full-time employees. Contributions are determined as a percent of each covered employee’s gross salary. The percentage rate is based on an employee’s years of completed service. Employees who entered the plan prior to December 31, 2011 are immediately vested in all contributions. The plan was amended effective January 1, 2012, and all employees who enter the plan after that date are subject to a five year gradual vesting schedule for their employer matching contributions. The expense related to the plan was \$520,784 for 2020 and \$591,564 for 2019. The AMC also sponsors a voluntary deferred compensation plan in which all eligible employees may participate. The AMC makes no contribution to this plan.

Effective January 1, 2019, AMC amended the plan to exclude seasonal employees from participating in the defined contribution plan in which AMC matches employee contributions. Seasonal employees remain eligible to participate in the voluntary deferred compensation plan and can make tax deferred contributions to this plan without an employer match.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

M. Retirement Plans, Continued:

Although it has not expressed any intent to do so, the AMC has the right under the plans to discontinue its contributions at any time and to terminate the plans subject to the provisions of the Employee Retirement Income Security Act of 1974. However, no such action may deprive any participant or beneficiary under the plans of any vested right. In the event of a plan termination, participants remain vested in their accounts.

N. Extraordinary Grants:

Conditional Grant

During April 2020, the AMC received a conditional grant from Primary Bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") in the amount of \$3,281,600. The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve full or partial forgiveness of the loan, the AMC was required to spend the funding for specific purposes and also generally maintain its full-time equivalent level of staffing and wage related conditions over a defined time period. The AMC has elected to account for the PPP loan as a conditional grant in accordance with ASC Topic 958-605, *Revenue Recognition*. During the year ended December 31, 2020 management believes the AMC has met the substantial requirements for full forgiveness of the loan and as such, has recorded a grant in the amount of \$3,281,600. Management deems the forgiveness application and approval process to be an administrative matter and not a significant condition to the recognition of the grant. Final determination with regards to forgiveness of the conditional grant will be made by the SBA with any unallowed amounts required to be repaid. Subsequent to December 31, 2020, the AMC applied for, and received, full forgiveness of the \$3,281,600 of funds received through the SBA's Paycheck Protection Program.

New Hampshire Nonprofit Emergency Relief Fund Grant

During September 2020, the AMC received a grant from the State of New Hampshire Governor's Office of Emergency Relief and Recovery through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$1,000,000. During the year ended December 31, 2020 the AMC has recorded grant revenue in the amount of \$1,000,000, which is included in revenues on the accompanying consolidated statement of activities.

O. COVID-19:

The COVID-19 outbreak in the United States, which began affecting the operations of the AMC in March 2020, continues to cause business disruption throughout the world. The consolidated financial statements reflect decreases in certain balances and results from 2019 levels because of the response to COVID-19, most significantly in Outdoor Program Centers and Programs operating revenues and expenses. The financial impact and duration cannot be reasonably estimated at this time; however, the AMC expects this to continue to negatively impact the operating results of these balances in 2021.

P. Subsequent Event:

In March 2021, the AMC obtained a second Paycheck Protection Program loan from Primary Bank in the amount of \$2,000,000 pursuant to the Federal Consolidated Appropriations Act signed in December 2020. The unsecured loan, which is guaranteed by the U.S. Small Business Administration ("SBA"), will be forgiven if certain conditions are met. In order to qualify for forgiveness, funds from the loan may only be used for eligible payroll costs, employee benefits, rent, utilities, and certain other covered expenses as defined in the Act, and certain wage and employment levels need to be maintained. The AMC expects to meet the conditions for a majority of the loan amount in the elected "covered period" following the loan. However, final determination of any forgiveness will be determined by the SBA. Any amounts not forgiven by the SBA will then be required to be repaid in principal installments plus 1% interest per annum over the term of the loan ending March 2026.

APPALACHIAN MOUNTAIN CLUB

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Contract Number	Grant Award Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Research and Development Cluster</u>					
Department of the Interior					
Assistance to State Water Resources Research Institutes		University of New			
Determining the Effectiveness of the Clean Air Act	15.805	Hampshire, G18AP00030	L0096	\$ -	\$ 10,664
United States Department of Agriculture					
Agriculture and Food Research Initiative (AFRI)		University of Maine			
Youth Aspirations and Labor Market Transitions in Rural Communities	10.310	Orono, 2017-67023-26240	UMS-1117	-	14,056
Total Research and Development Cluster				-	24,720
<u>Other Programs</u>					
Department of the Interior					
North American Wetlands Conservation Fund					
North American Wetlands Conservation Act (NAWCA) Large Grant Program	15.623		F20AP10224-00	134,007	134,007
National Trails System Projects					
National Trails System Projects: AMC Cooperative Agreement	15.935		P15AC00491	-	67,439
Total Department of the Interior				134,007	201,446
National Endowment for the Humanities					
Promotion of the Humanities Division of Preservation and Access					
Moving Mountains: Rehousing the Appalachian Mountain Club's Historic Outdoor Recreation and Conservation Archives	45.149		PG-266620-19	-	4,073
Promotion of the Humanities Division of Preservation and Access	45.149		PB-275425.20	-	27,385
Total National Endowment for the Humanities				-	31,458
Department of the Treasury					
Coronavirus Relief Fund					
Non-Profit Relief Fund Beneficiary Award (NERF)	21.019	State of New Hampshire		-	1,000,000
New Hampshire Empower Youth Program	21.019	State of New Hampshire		-	30,000
Total Department of the Treasury				-	1,030,000
United States Department of Agriculture					
Rural Business Development Grant		New Hampshire Northern			
2020 Economic Infrastructure Development	10.351	Border Regional Commission	NBR20GUSDANH02	-	535
Total Other Programs				134,007	1,263,439
Total Expenditures of Federal Awards				\$ 134,007	\$ 1,288,159

APPALACHIAN MOUNTAIN CLUB

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Appalachian Mountain Club and affiliates under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Appalachian Mountain Club and affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Appalachian Mountain Club and affiliates.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Appalachian Mountain Club and affiliates has elected to use the 10 percent de minimis indirect cost rate as allowed under Section 200.414 of the Uniform Guidance.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Appalachian Mountain Club
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Appalachian Mountain Club and affiliates (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Appalachian Mountain Club and affiliates’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Appalachian Mountain Club and affiliates’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Appalachian Mountain Club and affiliates’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Appalachian Mountain Club and affiliates consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Certified Public Accountants & Consultants

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Appalachian Mountain Club and affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appalachian Mountain Club and affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tonneson & Company, PC

Wakefield, Massachusetts
October 15, 2021

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Appalachian Mountain Club
Boston, Massachusetts

Report on Compliance for Major Federal Program

We have audited the Appalachian Mountain Club and affiliates’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Appalachian Mountain Club and affiliates’ major federal program for the year ended December 31, 2020. The Appalachian Mountain Club and affiliates’ major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Appalachian Mountain Club and affiliates’ major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contain in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Appalachian Mountain Club and affiliates’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Appalachian Mountain Club and affiliates’ major federal program. However, our audit does not provide a legal determination of the Appalachian Mountain Club and affiliates’ compliance.

Opinion on Major Federal Program

In our opinion, the Appalachian Mountain Club and affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

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Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 t. 781.245.9999 f. 781.245.8731 www.tonneson.com

Report on Internal Control Over Compliance

Management of the Appalachian Mountain Club and affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Appalachian Mountain Club and affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Appalachian Mountain Club and affiliates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tonneson & Company, PC

Wakefield, Massachusetts
October 15, 2021

APPALACHIAN MOUNTAIN CLUB

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ X	none reported
Significant deficiency(ies) identified?	_____ yes	_____ X	none reported

Noncompliance material to financial statements noted?	_____ yes	_____ X	no
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Federal Awards

Internal control over major federal program:

Material weakness(es) identified?	_____ yes	_____ X	none reported
Significant deficiency(ies) identified?	_____ yes	_____ X	none reported

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	_____ X	no
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Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	_____ yes	_____ X	no
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Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

APPALACHIAN MOUNTAIN CLUB
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

Not applicable.