

APPALACHIAN MOUNTAIN CLUB

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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Certified Public Accountants & Consultants

APPALACHIAN MOUNTAIN CLUB

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6 - 7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 22

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Appalachian Mountain Club
Boston, Massachusetts

Opinion

We have audited the accompanying consolidated financial statements of Appalachian Mountain Club and affiliates, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Mountain Club and affiliates as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Appalachian Mountain Club 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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In performing an audit in accordance with generally accepted auditing standards, 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 consolidated 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 Appalachian Mountain Club'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Appalachian Mountain Club'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.

Tonneson & Company, PC

Wakefield, Massachusetts
July 28, 2022

APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and Cash Equivalents	\$ 16,153,740	\$ 12,797,982
Accounts Receivable, net	757,474	453,082
Pledges Receivable, net	1,565,451	2,940,092
Prepaid Expenses and Other Assets	833,584	587,280
Advanced Deposit on Future Land Purchase (See Note L)	16,154,000	12,454,000
Inventories	850,010	794,516
Notes Receivable, NMTC	8,660,730	8,660,730
Property and Equipment, net	66,313,439	67,582,262
Investments, at fair value	<u>100,731,862</u>	<u>84,265,970</u>
Total Assets	<u>\$ 212,020,290</u>	<u>\$ 190,535,914</u>
Liabilities:		
Accounts Payable	\$ 1,071,813	\$ 586,779
Accrued Expenses and Other Liabilities	1,068,872	1,364,242
Annuity Payments Liability	216,389	397,588
Deferred Revenue	4,030,122	3,052,717
Deferred Membership Revenue	583,273	634,489
Loans Payable, net	<u>12,536,921</u>	<u>12,452,413</u>
Total Liabilities	<u>19,507,390</u>	<u>18,488,228</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	21,660,325	16,626,646
Invested in Property and Equipment	66,313,439	67,582,262
Designated by Board for Endowment	<u>73,120,598</u>	<u>60,823,932</u>
	161,094,362	145,032,840
With Donor Restrictions	<u>31,418,538</u>	<u>27,014,846</u>
Total Net Assets	<u>192,512,900</u>	<u>172,047,686</u>
Total Liabilities and Net Assets	<u>\$ 212,020,290</u>	<u>\$ 190,535,914</u>

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	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	\$ 7,799,316	\$ 93,432	\$ 6,226,431	\$ 14,119,179	\$ 6,930,854	\$ 517,742	\$ 2,359,038	\$ 9,807,634
Membership	2,669,262	51,216	-	2,720,478	2,535,277	104,270	-	2,639,547
Outdoor Program Centers Programs	7,906,539	6,424	-	7,912,963	3,458,824	37,221	-	3,496,045
Merchandise & Publications	1,604,360	260,215	-	1,864,575	1,371,187	-	-	1,371,187
Rental, Interest, & Other	2,306,478	-	-	2,306,478	1,676,887	-	-	1,676,887
Gains/(Losses) from Investments, net	516,450	473,451	12,567	1,002,468	809,371	253,710	12,663	1,075,744
Endowment Spending Allocation	(9,441)	19,296,878	55,769	19,343,206	5,402	14,108,752	82,989	14,197,143
Special Project Funding	2,993,047	(2,993,047)	-	-	2,914,522	(2,914,522)	-	-
Extraordinary Grants	615,442	(615,442)	-	-	859,834	(859,834)	-	-
	2,000,000	-	-	2,000,000	4,281,600	-	-	4,281,600
Total Revenues	28,401,453	16,573,127	6,294,767	51,269,347	24,843,758	11,247,339	2,454,690	38,545,787
Expenses:								
Member Services	2,529,184	-	-	2,529,184	2,539,439	-	-	2,539,439
Outdoor Program Centers Programs	10,623,880	572,708	-	11,196,588	8,728,323	671,334	-	9,399,657
Merchandise & Publications	7,517,661	208,166	-	7,725,827	7,301,083	14,854	-	7,315,937
Rental, Interest, & Other	2,359,154	945	-	2,360,099	1,720,002	-	-	1,720,002
Administrative	671,536	1,544,459	-	2,215,995	718,186	1,121,858	-	1,840,044
Fundraising	2,224,280	384,414	-	2,608,694	2,379,128	80,812	-	2,459,940
	1,993,807	173,939	-	2,167,746	1,781,321	250,000	-	2,031,321
Total Expenses	27,919,502	2,884,631	-	30,804,133	25,167,482	2,138,858	-	27,306,340
Change in Net Assets Before Transfers and Releases	481,951	13,688,496	6,294,767	20,465,214	(323,724)	9,108,481	2,454,690	11,239,447
Transfers and Releases:								
Transfer of Operating Surplus	(481,951)	481,951	-	-	323,724	(323,724)	-	-
Releases of Restricted Net Assets	-	1,891,075	(1,891,075)	-	-	2,256,153	(2,256,153)	-
Total Change in Net Assets	-	16,061,522	4,403,692	20,465,214	-	11,040,910	198,537	11,239,447
Net Assets, Beginning of Year	-	145,032,840	27,014,846	172,047,686	-	133,991,930	26,816,309	160,808,239
Net Assets, End of Year	\$ -	\$ 161,094,362	\$ 31,418,538	\$ 192,512,900	\$ -	\$ 145,032,840	\$ 27,014,846	\$ 172,047,686

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 20,465,214	\$ 11,239,447
Adjustments to Reconcile Change in Net Assets to net cash provided by Operating Activities:		
Depreciation and Amortization	2,580,911	2,542,876
Interest on Debt Issuance Costs	84,508	84,508
Investment Income and Realized Gains, net	(7,289,644)	(3,075,893)
Net Unrealized Gains on Investments	(11,532,921)	(10,996,016)
Loss (Gain) on Disposal of Property and Equipment	(32,308)	124,635
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(304,392)	209,414
Pledges Receivable	1,374,641	872,154
Prepaid Expenses and Other Assets	(246,304)	(106,676)
Inventories	(55,494)	90,353
Accounts Payable	485,034	(237,898)
Accrued Expenses and Other Liabilities	(295,370)	253,305
Annuity Payments Liability	(181,199)	41,318
Deferred Revenue	977,405	138,428
Deferred Membership Revenue	(51,216)	(104,270)
Net cash provided by Operating Activities	<u>5,978,865</u>	<u>1,075,685</u>
Cash Flows from Investing Activities:		
Additions to Property and Equipment	(1,315,415)	(1,824,643)
Proceeds from Sale of Property and Equipment	35,635	77,750
Purchases of Investments	(17,018,200)	(19,544,102)
Proceeds from Sale of Investments	19,374,873	22,756,327
Advanced Deposit on Future Land Purchase	(3,700,000)	(2,454,000)
Net cash used in Investing Activities	<u>(2,623,107)</u>	<u>(988,668)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,355,758	87,017
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,797,982</u>	<u>12,710,965</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>16,153,740</u></u>	\$ <u><u>12,797,982</u></u>

Supplemental Data: Cash paid for interest during each of the years ended December 31, 2021 and 2020 amounted to \$126,118.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<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	\$ 883,418	\$ 5,001,305	\$ 4,000,358	\$ 646,872	\$ -	\$ 10,531,953	\$ 1,176,765	\$ 1,076,335	\$ 2,253,100	\$ 12,785,053
Payroll Taxes and Fringe Benefits	222,012	1,013,774	903,590	156,674	-	2,296,050	289,585	272,395	561,980	2,858,030
Program and Volunteer Support	423	104,508	502,462	209	-	607,602	117	1,248	1,365	608,967
Depreciation and Amortization	50,655	1,619,957	358,126	16,288	492,694	2,537,720	19,832	23,359	43,191	2,580,911
Professional Fees	321,429	103,111	181,861	59,284	66,504	732,189	474,586	167,362	641,948	1,374,137
Office	352,959	507,919	264,928	44,606	1,911	1,172,323	10,531	142,077	152,608	1,324,931
Food and Beverage Supplies	357	896,573	47,503	18,719	-	963,152	193	368	561	963,713
Occupancy	241	866,259	274,742	13,794	332,339	1,487,375	221	1,212	1,433	1,488,808
Repairs and Maintenance	71	449,857	532,824	1,604	131,136	1,115,492	-	356	356	1,115,848
Cost of Goods Sold	-	9,987	-	919,957	-	929,944	-	-	-	929,944
Information Technology	212,929	92,250	144,418	72,591	-	522,188	166,536	87,937	254,473	776,661
Insurance	47,227	272,865	94,919	57,410	28,091	500,512	66,687	44,693	111,380	611,892
Printing and Publications	230,090	6,206	30,623	11,022	-	277,941	-	85,980	85,980	363,921
Vehicles	168	62,379	143,093	5,882	-	211,522	2,160	5,213	7,373	218,895
Travel	1,212	16,725	55,907	3,397	-	77,241	3,243	10,155	13,398	90,639
Conferences and Meetings	18	1,350	7,133	165	-	8,666	803	8,549	9,352	18,018
Marketing and Promotion	45,837	61,809	11,448	24,022	-	143,116	2,170	7,479	9,649	152,765
Interest	-	-	-	-	126,118	126,118	-	-	-	126,118
Other	160,138	109,754	171,892	307,603	1,037,202	1,786,589	395,265	233,028	628,293	2,414,882
Total Functional Expenses	\$ 2,529,184	\$ 11,196,588	\$ 7,725,827	\$ 2,360,099	\$ 2,215,995	\$ 26,027,693	\$ 2,608,694	\$ 2,167,746	\$ 4,776,440	\$ 30,804,133

See Notes to Consolidated Financial Statements.

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	469,677	2,448,879	61,139	32,858	93,997	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	\$ 1,840,044	\$ 22,815,079	\$ 2,459,940	\$ 2,031,321	\$ 4,491,261	\$ 27,306,340

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 and reported amounts of revenues and expenses during the reporting period. 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, 2021 AND 2020

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. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met or expires in the reporting period. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

Reclassification

Depreciation expense of \$286,603 in the December 31, 2020 financial statements has been reclassified from administrative expenses to rental, interest and other expenses to conform to the December 31, 2021 presentation format. The reclassification had no effect on the previously reported change in net assets for the year ended December 31, 2020.

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, 2021 and 2020. 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, 2021 AND 2020

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.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Revenue Recognition, Continued

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 \$12,309,691 and \$7,349,777 for the years ended December 31, 2021 and 2020, respectively.

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 receivable.

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 \$2,494,804 and \$1,833,889 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

Donated Services

In accordance with U.S. generally accepted accounting principles, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services requiring specialized knowledge have been recorded at their estimated fair value of \$19,843 in 2021 and are included in the accompanying consolidated financial statements. There were no donated services requiring specialized knowledge recorded in 2020. Substantial numbers of volunteers have also donated significant amounts of their time and energy to the AMC. No amounts have been recognized in the accompanying consolidated financial statements for those services since they do not meet the criteria for recognition under U.S. generally accepted accounting principles.

APPALACHIAN MOUNTAIN CLUB
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 \$16,000,000 as of December 31, 2021. 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.

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, 2021, 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 consolidated 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 consolidated 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, 2021 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.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 that are available for general expenditure are \$25,559,312, which is approximately equal to 330 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, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-end:		
Cash and Cash Equivalents	\$ 16,153,740	\$ 12,797,982
Accounts Receivable	757,474	453,082
Pledges Receivable	1,565,451	2,940,092
Investments	100,731,862	84,265,970
Total Financial Assets	<u>119,208,527</u>	<u>100,457,126</u>
Less Amounts not Available to be Used Within One Year:		
Restricted by Donor with Time or Purpose Restrictions	422,813	1,461,421
Subject to Endowment Spending Policy and Appropriation	93,226,402	77,120,059
	<u>93,649,215</u>	<u>78,581,480</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 25,559,312</u>	<u>\$ 21,875,646</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.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

D. Investments, Continued:

The following table summarizes the AMC's financial assets measured at fair value as of December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Quoted Prices in Active Markets for Identical Assets (Level 1):		
Uninvested Cash and Cash Equivalents Pending Investment	\$ 5,155,064	\$ 2,083,230
Mutual Funds:		
U.S. Equity	17,390,906	21,345,516
Non-U.S. Equity	26,004,288	22,713,927
U.S. Fixed Income	8,449,688	8,553,317
Blended	1,481,690	1,298,031
Split Interest Agreements:		
Gift Annuity Fund	446,725	701,045
Pooled Life Income Fund	51,645	51,608
Subtotal	58,980,006	56,746,674
Alternative Investments Measured at Net Asset Value	41,751,856	27,519,296
Total Investments, at Fair Value	\$ 100,731,862	\$ 84,265,970

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 consolidated 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, 2021 and 2020:

December 31, 2021:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Marketable Alternatives (a)	\$ 10,242,345	\$ -	Varies from Monthly to Annually	Varies from 20 to 75 days
Private Equity/Venture Capital (b)	31,509,511	7,875,554	Not Permitted	N/A
	\$ 41,751,856			

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

D. Investments, Continued:

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)	19,880,807	6,438,515	Not Permitted	N/A
	<u>\$ 27,519,296</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.

The components of gains (losses) from investments for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Realized gains, net	\$ 8,010,064	\$ 3,288,188
Unrealized gains (losses), net	11,532,921	10,996,016
Change in value of planned giving agreements	<u>(199,779)</u>	<u>(87,061)</u>
Total gains, net	<u>\$ 19,343,206</u>	<u>\$ 14,197,143</u>

E. Pledges Receivable:

Pledges receivable of \$1,565,451 and \$2,940,092 are recorded in the consolidated financial statements as of December 31, 2021 and 2020, 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 (1.27% at December 31, 2021 and 0.38% at December 31, 2020). The resulting discount amounted to \$15,491 at December 31, 2021 and \$13,868 at December 31, 2020. An allowance has been made for potentially unfulfilled pledges of \$173,939 at December 31, 2021 and \$326,677 at December 31, 2020.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

E. Pledges Receivable, Continued:

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

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 1,142,638	\$ 1,433,831
Between one and five years	422,813	1,488,734
Greater than five years	-	17,527
Total Pledges Receivable	<u>\$ 1,565,451</u>	<u>\$ 2,940,092</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.

The changes in endowment net assets by fund as of December 31, 2021 and 2020, are as follows:

	2021		
	Without Donor Restrictions	Donor Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 60,823,932	\$ 19,210,649	\$ 80,034,581
Net assets released from restriction	772,519	(772,519)	-
Investment gains(losses), net	13,511,762	4,258,672	17,770,434
Contributions and transfers	1,005,432	402,049	1,407,481
Endowment spending allocation	(2,993,047)	-	(2,993,047)
Endowment Net Assets, End of Year	<u>\$ 73,120,598</u>	<u>\$ 23,098,851</u>	<u>\$ 96,219,449</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

F. Endowment, Continued:

	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>

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, 2021 and 2020.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</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	\$ 8,660,730	\$ 8,660,730
Total Notes Receivable	<u>\$ 8,660,730</u>	<u>\$ 8,660,730</u>

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.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

H. Property and Equipment:

Property and equipment consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 28,925,534	\$ 28,825,293
Buildings and improvements	56,606,432	55,995,242
Furniture, fixtures and equipment	7,884,756	7,679,216
Construction in progress	606,119	381,206
	<u>94,022,841</u>	<u>92,880,957</u>
Accumulated depreciation	<u>(27,709,402)</u>	<u>(25,298,695)</u>
Property and equipment, net	<u>\$ 66,313,439</u>	<u>\$ 67,582,262</u>

Depreciation and amortization expense for 2021 totaled \$2,580,911 and \$2,542,876 for 2020.

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. During the year ended December 31, 2021, the AMC paid \$204,678 of the deferred payroll taxes. The remaining amount of \$251,906 is due December 31, 2022 and is recorded in accrued expenses and other liabilities on the consolidated statement of financial position at December 31, 2021.

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. The AMC paid all deferred unemployment claims during the year ended December 31, 2021.

J. Loans Payable:

Loans payable consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</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>(74,883)</u>	<u>(159,391)</u>
Total Loans Payable, Net	<u>\$ 12,536,921</u>	<u>\$ 12,452,413</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 2021 was \$126,118 and 2020 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, 2021, 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 any debt forgiveness amounts, at that time.

K. Net Assets with Donor Restrictions:

At December 31, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Capital Expenditures at Outdoor Program Centers, Huts & Shelters	\$ 122,900	\$ 11,800
Capital Campaign Projects	5,029,347	3,606,616
Maine Woods Initiative, LLC projects	172,188	47,088
Grants for Specified Program Purposes	847,273	813,497
Other	300,547	30,039
	<u>6,472,255</u>	<u>4,509,040</u>
Subject to Passage of Time:		
Pledges Receivable	1,565,451	2,940,092
Gift Annuities and Pooled Life Income Funds	281,981	355,065
	<u>1,847,432</u>	<u>3,295,157</u>
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Conservation	2,971,771	2,445,933
Education	5,680,726	4,626,649
White Mountain Huts and Trails	6,829,098	5,477,029
Volunteer Managed Activities	1,497,397	1,231,888
Library and Archives	493,576	417,711
General and Other	1,692,035	1,088,690
Restricted in Perpetuity	3,934,248	3,922,749
	<u>23,098,851</u>	<u>19,210,649</u>
Total Net Assets with Donor Restrictions	<u>\$ 31,418,538</u>	<u>\$ 27,014,846</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 \$3,535,966. 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, 2021 and 2020.

Real Estate Rental Income

As of December 31, 2021 the AMC had various 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 \$4,000 to \$13,500 and expire at various times through March 2027. Rental income amounted to approximately \$420,000 and \$682,000 for the years ended December 31, 2021 and 2020, respectively.

Subsequent to December 31, 2021, the AMC entered into two additional long-term, non-cancelable lease agreements to tenants in its 10 City Square headquarters building in Boston. The first agreement provides for fixed minimum monthly rental income amounting to approximately \$17,000 and expires in August 2027 and the second agreement provides for fixed minimum monthly rental income amounting to approximately \$4,000 and expires in June 2027.

The future minimum rental income receivable, by year, under the various non-cancelable lease agreements, including the lease agreements entered into subsequent to December 31, 2021, are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2022	\$ 456,000
2023	629,000
2024	613,000
2025	485,000
2026	460,000
Thereafter	213,000
	<u>\$ 2,856,000</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 \$7,500 and expire at various times through 2025. Rental expense amounted to approximately \$123,000 and \$170,000 for the years ended December 31, 2021 and 2020, respectively.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2022	\$ 120,000
2023	89,000
2024	23,000
2025	4,000
	<u> </u>
	\$ <u>236,000</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. In September and December 2021, the AMC paid TCF an additional \$1.2 million and \$2.5 million, respectively, as advance payments 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 owns 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. The AMC expects to complete the purchase on or before December 30, 2022.

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 \$440,977 for 2021 and \$520,784 for 2020. The AMC also sponsors a voluntary deferred compensation plan in which all eligible employees may participate. The AMC makes no contribution to this plan.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

M. Retirement Plans, Continued:

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.

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. During March 2021, the AMC received a second conditional grant from Primary Bank through the SBA Paycheck Protection Program in the amount of \$2,000,000. 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 funds received over a defined time period on specific staff, benefits and other costs, to account for its full-time equivalent level of staffing and wage related conditions, and meet other terms and conditions. The AMC elected to account for the PPP loans as conditional grants in accordance with ASC Topic 958-605, *Revenue Recognition*. During the year ended December 31, 2020 management believed the AMC met the substantial requirements for full forgiveness of the first loan and as such, recorded a grant in the amount of \$3,281,600. During the year ended December 31, 2021 management believes the AMC has met the substantial requirements for full forgiveness of the second loan and as such, has recorded a grant in the amount of \$2,000,000. Management deemed the forgiveness application and approval process to be an administrative matter and not a significant condition to the recognition of the grants. Final determination with regards to forgiveness of the conditional grants was to be made by the SBA with any unallowed amounts required to be repaid. In July 2021, the AMC received full forgiveness of the \$3,281,600 of initial grant funds received through the PPP. Subsequent to December 31, 2021, the AMC applied for, and received, full forgiveness of the \$2,000,000 of funds received through the second PPP grant.

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 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 had a significant impact on AMC's operations during the year ended December 31, 2020 and, to a lesser extent, the year ended December 31, 2021. The consolidated financial statements reflect that impact, most notably in the reduced levels of Outdoor Program Centers and Programs revenues and expenses for 2020 and increased levels in these areas for 2021. The extent and duration of any future impacts of COVID-19 on operations cannot be predicted at this time.