

APPALACHIAN MOUNTAIN CLUB

**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

tonneson + co

Certified Public Accountants & Consultants

APPALACHIAN MOUNTAIN CLUB

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Appalachian Mountain Club
Boston, Massachusetts

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, 2019 and 2018, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Appalachian Mountain Club and affiliates as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Tonneson & Company, PC

Wakefield, Massachusetts
October 13, 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

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (As Restated)
Assets:		
Cash and Cash Equivalents	\$ 12,710,965	\$ 19,371,763
Accounts Receivable, net	662,496	303,008
Pledges Receivable, net	3,812,246	3,003,469
Prepaid Expenses and Other Assets	480,604	384,814
Advanced Deposit on Future Land Purchase (See Note K)	10,000,000	-
Inventories	884,869	941,805
Notes Receivable, NMTC	8,660,730	8,660,730
Property and Equipment, net	68,502,880	67,646,373
Investments, at fair value	73,406,286	64,198,530
Total Assets	\$ <u>179,121,076</u>	\$ <u>164,510,492</u>
Liabilities:		
Accounts Payable	\$ 845,627	\$ 863,709
Accrued Expenses and Other Liabilities	1,110,937	1,149,451
Annuity Payments Liability	356,270	299,339
Deferred Revenue	2,893,339	2,487,790
Deferred Membership Revenue	738,759	764,461
Loans Payable, net	12,367,905	12,283,397
Total Liabilities	<u>18,312,837</u>	<u>17,848,147</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	12,641,987	2,913,934
Invested in Property and Equipment	68,502,880	67,646,373
Designated by Board for Endowment	52,847,063	46,191,913
	<u>133,991,930</u>	<u>116,752,220</u>
With Donor Restrictions	<u>26,816,309</u>	<u>29,910,125</u>
Total Net Assets	<u>160,808,239</u>	<u>146,662,345</u>
Total Liabilities and Net Assets	\$ <u>179,121,076</u>	\$ <u>164,510,492</u>

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Total	(As Restated)			Total
	Operating	Other			Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Other	
Revenues:								
Contributions and Grants	\$ 6,171,273	\$ 542,302	\$ 6,537,711	\$ 13,251,286	\$ 5,890,010	\$ 454,279	\$ 12,453,524	\$ 18,797,813
Membership	2,864,776	-	-	2,864,776	2,988,964	-	-	2,988,964
Outdoor Program Centers	13,701,157	461,360	-	14,162,517	13,467,240	-	-	13,467,240
Programs	3,886,638	-	-	3,886,638	3,930,821	-	-	3,930,821
Publications	702,747	-	-	702,747	721,754	-	-	721,754
Rental, Interest, & Other	784,664	223,486	12,074	1,020,224	787,981	1,328,351	95,641	2,211,973
Gains/(Losses) from Investments, net	(5,399)	11,739,557	170,134	11,904,292	-	(2,703,135)	(827,787)	(3,530,922)
Endowment Spending Allocation	2,843,036	(2,843,036)	-	-	2,715,794	(2,715,794)	-	-
Special Project Funding	1,169,426	(1,169,426)	-	-	963,230	(963,230)	-	-
Total Revenues	32,118,318	8,954,243	6,719,919	47,792,480	31,465,794	(4,599,529)	11,721,378	38,587,643
Expenses:								
Member Services	2,889,949	-	-	2,889,949	2,784,118	-	-	2,784,118
Outdoor Program Centers	13,633,562	526,189	-	14,159,751	13,037,762	614,179	-	13,651,941
Programs	10,047,464	40,807	-	10,088,271	10,008,400	24,465	-	10,032,865
Publications	693,519	-	-	693,519	763,633	-	-	763,633
Rental, Interest, & Other	745,393	308,929	-	1,054,322	715,187	543,106	-	1,258,293
Administrative	2,319,980	274,226	-	2,594,206	2,446,442	86,643	-	2,533,085
Fundraising	1,716,568	450,000	-	2,166,568	1,617,479	493,579	-	2,111,058
Total Expenses	32,046,435	1,600,151	-	33,646,586	31,373,021	1,761,972	-	33,134,993
Change in Net Assets Before Transfers and Releases	71,883	7,354,092	6,719,919	14,145,894	92,773	(6,361,501)	11,721,378	5,452,650
Transfers and Releases:								
Transfer of Operating Surplus	(71,883)	71,883	-	-	(92,773)	92,773	-	-
Releases of Restricted Net Assets	-	9,813,735	(9,813,735)	-	-	2,978,236	(2,978,236)	-
Total Change in Net Assets	-	17,239,710	(3,093,816)	14,145,894	-	(3,290,492)	8,743,142	5,452,650
Net Assets, Beginning of Year, as Previously Reported	-	116,752,220	29,910,125	146,662,345	-	120,868,824	21,166,983	142,035,807
Adjustment for Change in Accounting Principle	-	-	-	-	-	(826,112)	-	(826,112)
Net Assets, End of Year, as Restated	\$ -	\$ 133,991,930	\$ 26,816,309	\$ 160,808,239	\$ -	\$ 116,752,220	\$ 29,910,125	\$ 146,662,345

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u> (As Restated)
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 14,145,894	\$ 5,452,650
Adjustments to Reconcile Change in Net Assets to net cash provided by (used in) Operating Activities:		
Depreciation and Amortization	2,469,930	2,364,599
Interest on Debt Issuance Costs	84,508	84,508
Investment Income and Realized Gains, net	(1,580,652)	(5,136,103)
Net Unrealized (Gains) Losses on Investments	(10,582,109)	7,121,228
(Gain) loss on Disposal of Property and Equipment	250,788	(32,450)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(359,488)	299,649
Pledges Receivable	(808,777)	406,166
Prepaid Expenses	(95,790)	(119,972)
Advanced Deposit on Future Land Purchase	(10,000,000)	-
Inventories	56,936	43,226
Accounts Payable	(18,082)	18,708
Accrued Expenses and Other Liabilities	(38,514)	34,141
Annuity Payments Liability	56,931	(98,402)
Deferred Revenue	405,549	372,255
Deferred Membership Revenue	(25,702)	(61,651)
Net cash provided by (used in) Operating Activities	<u>(6,038,578)</u>	<u>10,748,552</u>
Cash Flows from Investing Activities:		
Additions to Property and Equipment	(3,612,270)	(2,064,542)
Proceeds from Sale of Property and Equipment	35,045	32,450
Purchases of Investments	(9,092,114)	(18,044,634)
Proceeds from Sale of Investments	12,047,119	21,559,674
Net cash provided by (used in) Investing Activities	<u>(622,220)</u>	<u>1,482,948</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,660,798)	12,231,500
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,371,763</u>	<u>7,140,263</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,710,965</u>	<u>\$ 19,371,763</u>

Supplemental Data: Cash paid for interest during each of the years ended December 31, 2019 and 2018 amounted to \$126,118.

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

	<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>Publications</u>	<u>Rental, Interest & Other</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Fundraising</u>		<u>Total Support Services</u>
Salaries	\$ 1,139,980	\$ 6,377,957	\$ 4,414,663	\$ 182,238	\$ -	\$ 12,114,838	\$ 1,283,655	\$ 1,126,344	\$ 2,409,999	\$ 14,524,837
Payroll Taxes and Fringe Benefits	302,540	1,355,905	1,055,725	49,174	-	2,763,344	345,961	303,634	649,595	3,412,939
Program and Volunteer Support	4,341	88,151	2,183,133	-	-	2,275,625	889	-	889	2,276,514
Depreciation and Amortization	14,299	1,624,863	224,153	4,685	254,416	2,122,416	319,403	28,111	347,514	2,469,930
Professional Fees	50,890	61,577	154,775	34,495	100,832	402,569	186,398	100,404	286,802	689,371
Office	667,018	458,561	322,436	35,400	-	1,483,415	24,311	213,942	238,253	1,721,668
Food and Beverage Supplies	-	1,335,855	32,137	-	-	1,367,992	-	-	-	1,367,992
Occupancy	20,192	801,609	289,998	152	304,610	1,416,561	16,048	760	16,808	1,433,369
Repairs and Maintenance	1,114	645,801	403,628	557	117,788	1,168,888	-	2,786	2,786	1,171,674
Cost of Goods Sold	-	677,720	12,382	167,416	-	857,518	-	-	-	857,518
Information Technology	91,500	51,525	311,106	23,000	-	477,131	52,208	68,334	120,542	597,673
Insurance	66,276	303,165	95,770	16,166	27,000	508,377	50,452	32,238	82,690	591,067
Printing and Publications	335,323	7,150	40,000	22,713	-	405,186	4,771	128,269	133,040	538,226
Vehicles	411	76,112	245,222	164	-	321,909	7,206	2,480	9,686	331,595
Travel	15,743	70,246	156,431	1,318	-	243,738	29,995	37,170	67,165	310,903
Conferences and Meetings	45,597	9,235	36,984	985	-	92,801	41,559	81,839	123,398	216,199
Marketing and Promotion	30,154	127,787	42,296	5,931	-	206,168	11,828	24,507	36,335	242,503
Interest	-	-	-	-	126,118	126,118	-	-	-	126,118
Other	104,571	86,532	67,432	149,125	123,558	531,218	219,522	15,750	235,272	766,490
Total Functional Expenses	\$ 2,889,949	\$ 14,159,751	\$ 10,088,271	\$ 693,519	\$ 1,054,322	\$ 28,885,812	\$ 2,594,206	\$ 2,166,568	\$ 4,760,774	\$ 33,646,586

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services					Support Services			Total Expenses	
	Member Services	Outdoor Program Centers	Programs	Publications	Rental, Interest & Other	Total Program Services	Administration	Fundraising		Total Support Services
Salaries	\$ 1,058,657	\$ 5,964,974	\$ 4,431,651	\$ 173,053	\$ -	\$ 11,628,335	\$ 1,197,812	\$ 1,023,726	\$ 2,221,538	\$ 13,849,873
Payroll Taxes and Fringe Benefits	298,623	1,337,522	1,103,841	49,413	-	2,789,399	341,174	292,458	633,632	3,423,031
Program and Volunteer Support	2,274	81,489	2,061,780	-	-	2,145,543	-	143,015	143,015	2,288,558
Depreciation and Amortization	25,803	1,665,440	136,224	5,159	405,322	2,237,948	95,698	30,957	126,655	2,364,603
Professional Fees	134,465	102,412	191,671	41,996	106,976	577,520	470,205	68,301	538,506	1,116,026
Office	683,540	462,215	325,854	42,238	-	1,513,847	14,488	175,208	189,696	1,703,543
Food and Beverage Supplies	-	1,241,220	46,978	-	-	1,288,198	-	-	-	1,288,198
Occupancy	22,197	716,288	285,607	170	287,084	1,311,346	10,973	848	11,821	1,323,167
Repairs and Maintenance	1,490	541,294	405,458	373	185,408	1,134,023	2,156	1,863	4,019	1,138,042
Cost of Goods Sold	-	709,885	13,376	210,246	-	933,507	-	-	-	933,507
Information Technology	102,632	34,445	261,161	27,570	-	425,808	34,743	71,714	106,457	532,265
Insurance	65,260	286,773	94,626	18,200	25,752	490,611	55,619	28,903	84,522	575,133
Printing and Publications	278,421	15,662	48,788	32,130	-	375,001	525	135,497	136,022	511,023
Vehicles	181	74,635	266,909	40	-	341,765	2,671	1,825	4,496	346,261
Travel	14,652	66,417	122,332	508	-	203,909	24,762	35,798	60,560	264,469
Conferences and Meetings	46,076	8,511	62,746	591	-	117,924	50,299	80,260	130,559	248,483
Marketing and Promotion	28,213	110,160	46,743	5,166	-	190,282	7,233	15,302	22,535	212,817
Interest	-	-	-	-	126,118	126,118	-	-	-	126,118
Other	21,634	232,599	127,120	156,780	121,633	659,766	224,727	5,383	230,110	889,876
Total Functional Expenses	\$ 2,784,118	\$ 13,651,941	\$ 10,032,865	\$ 763,633	\$ 1,258,293	\$ 28,490,850	\$ 2,533,085	\$ 2,111,058	\$ 4,644,143	\$ 33,134,993

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 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, publications, administrative, and annual fundraising. Other revenues and expenses include revenues and expenses from 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, 2019 AND 2018

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 Organization 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, 2018 financial statements have been reclassified to conform to the December 31, 2019 presentation format. These reclassifications had no effect on the previously reported change in net assets for the year ended December 31, 2018.

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, 2019 and 2018. 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, 2019 AND 2018

B. Summary of Significant Accounting and Reporting Policies, 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.

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, 2019 and 2018.

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.

APPALACHIAN MOUNTAIN CLUB
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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 \$9,700,000 as of December 31, 2019. 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, 2019, 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.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods of nonpublic entities beginning after December 15, 2018, with deferral allowed until years beginning after December 15, 2019 in certain circumstances. The AMC adopted ASC 606 effective January 1, 2019.

The AMC applied ASC 606 using the full retrospective method, which requires recognition of the cumulative effect of initially applying the new guidance as an adjustment, if any, to the opening balance of net assets for the earliest period presented in the financial statements. Therefore, the comparative financial information for 2018 has been restated in accordance with the requirements of ASC 606. The details of the significant changes and quantitative impact of the change are discussed below.

The adoption resulted in a decrease in beginning net assets as of January 1, 2018 of \$826,112 for the cumulative effect on prior years of having adopted the new standard, recognition of a deferred membership revenue liability of \$764,461 and \$738,759 as of December 31, 2018 and 2019, respectively, and an increase in membership revenue of \$61,651 and \$25,701 for the years ended December 31, 2018 and 2019, respectively.

The AMC derives its revenue primarily from contributions, grants, membership dues, facility and program reservations, merchandise, publications and rental income. 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

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

Revenues from performance obligations satisfied over time consist of membership dues. These revenues are recognized on the basis of time elapsed divided by the total contract term of the membership. Revenue from performance obligations satisfied over time amounted to \$2,864,777 and \$2,988,964 for the years ended December 31, 2019 and 2018, respectively.

Revenues from performance obligations satisfied at a point in time consist of contributions, grants, facility stays and programs participation, merchandise, publications and rental income. Revenue from contributions is recorded when the contributions or written promises to give are received. Revenues from outdoor programs, rental income and publications are recognized when earned. Revenues from performance obligations satisfied at a point in time amounted to \$44,956,750 and \$35,598,679 for the years ended December 31, 2019 and 2018, respectively.

Recently Issues 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 financial statements.

Subsequent Events

The date to which events occurring after December 31, 2019 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, 2019 that are available for general expenditure are \$21,626,109, which is approximately equal to 250 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 K). 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, 2019 and 2018, 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, 2019 AND 2018

C. Availability and Liquidity, Continued:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year-end:		
Cash and Cash Equivalents	\$ 12,710,965	\$ 19,371,763
Accounts Receivable	662,496	303,008
Pledges Receivable	3,812,246	3,003,469
Investments	73,406,286	64,198,530
Total Financial Assets	90,591,993	86,876,770
Less Amounts not Available to be Used Within One Year:		
Restricted by Donor with Time or Purpose Restrictions	2,104,301	12,973,969
Subject to Endowment Spending Policy and Appropriation	66,861,583	58,147,813
	68,965,884	71,121,782
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 21,626,109	\$ 15,754,988

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, 2019 and December 31, 2018:

	<u>2019</u>	<u>2018</u>
Quoted Prices in Active Markets for Identical Assets (Level 1):		
Uninvested Cash and Cash Equivalents Pending Investment	\$ 3,653,905	\$ 2,636,583
Mutual Funds:		
U.S. Equity	19,835,501	16,695,348
Non-U.S. Equity	16,820,200	16,682,069
U.S. Fixed Income	8,906,511	7,303,804
Blended	1,216,862	1,052,874
Split Interest Agreements:		
Gift Annuity Fund	615,906	501,944
Pooled Life Income Fund	44,121	36,302
Subtotal	51,093,006	44,908,924
Alternative Investments Measured at Net Asset Value	22,313,280	19,289,606
Total Investments, at Fair Value	\$ 73,406,286	\$ 64,198,530

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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, 2019 and 2018:

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)	12,202,349	6,740,191	Not Permitted	N/A
	<u>\$ 22,313,280</u>			

December 31, 2018:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Marketable Alternatives (a)	\$ 11,087,105	\$ -	Varies from Monthly to Every 3 Years	Varies from 20 to 90 days
Private Equity/Venture Capital (b)	8,202,501	5,948,741	Not Permitted	N/A
	<u>\$ 19,289,606</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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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D. Investments, Continued:

The components of gains (losses) from investments for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Realized gains, net	\$ 1,410,507	\$ 3,622,263
Unrealized gains (losses), net	10,582,109	(7,121,228)
Change in value of planned giving agreements	<u>(88,324)</u>	<u>(31,957)</u>
Total gains, net	<u>\$ 11,904,292</u>	<u>\$ (3,530,922)</u>

E. Pledges Receivable:

Pledges receivable of \$3,812,246 and \$3,003,469 are recorded in the consolidated financial statements as of December 31, 2019 and 2018, 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 (1.72% at December 31, 2019 and 2.60% at December 31, 2018). The resulting discount amounted to \$107,455 at December 31, 2019 and \$109,351 at December 31, 2018. An allowance has been made for potentially unfulfilled pledges of \$423,583 at December 31, 2019 and \$305,941 at December 31, 2018.

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

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 1,664,790	\$ 1,554,278
Between one and five years	2,138,779	1,440,930
Greater than five years	<u>8,677</u>	<u>8,261</u>
Total Pledges Receivable	<u>\$ 3,812,246</u>	<u>\$ 3,003,469</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, 2019 AND 2018

F. Endowment, Continued:

The changes in endowment net assets by fund as of December 31, 2019 and 2018, are as follows:

	2019		
	Without Donor Restrictions	Donor Restricted	Total
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	2,754,886	11,626,805
Contributions and transfers	11,500	45,743	57,243
Endowment spending allocation	(2,843,036)	-	(2,843,036)
Endowment Net Assets, End of Year	\$ 52,847,063	\$ 16,857,556	\$ 69,704,619
	2018		
	Without Donor Restrictions	Donor Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 50,409,501	\$ 16,023,530	\$ 66,433,031
Net assets released from restriction	563,574	(563,574)	-
Investment gains(losses), net	(2,062,560)	(732,146)	(2,794,706)
Contributions and transfers	(2,808)	(56,116)	(58,924)
Endowment spending allocation	(2,715,794)	-	(2,715,794)
Endowment Net Assets, End of Year	\$ 46,191,913	\$ 14,671,694	\$ 60,863,607

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, 2019 and 2018.

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, 2019 and 2018:

	2019	2018
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	\$ 8,660,730	\$ 8,660,730

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 I). 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 28,555,502	\$ 28,375,491
Buildings and improvements	54,855,969	53,926,322
Furniture, fixtures and equipment	9,709,153	9,529,572
Construction in progress	2,094,898	951,843
	<u>95,215,522</u>	<u>92,783,228</u>
Accumulated depreciation	<u>(26,712,642)</u>	<u>(25,136,855)</u>
Property and equipment, net	<u>\$ 68,502,880</u>	<u>\$ 67,646,373</u>

Depreciation and amortization expense for 2019 totaled \$2,469,930 and \$2,364,599 for 2018.

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 2020 to 2055.

I. Loans Payable:

Loans payable consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</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>(243,899)</u>	<u>(328,407)</u>
Total Loans Payable, Net	<u>\$ 12,367,905</u>	<u>\$ 12,283,397</u>

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 certain assets, and interest expense for these loans for 2019 was \$126,118 and 2018 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, 2019, 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.

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J. Net Assets with Donor Restrictions:

At December 31, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Grant for Future Land Purchases (See Note K)	\$ -	\$ 10,000,000
Capital Expenditures at Outdoor Program Centers, Huts & Shelters	-	37,563
Capital Campaign Projects	5,106,384	1,133,302
Maine Woods Initiative, LLC projects	52,088	57,088
Grants for Specified Program Purposes	661,996	757,397
Other	22,283	10,705
	<u>5,842,751</u>	<u>11,996,055</u>
Subject to Passage of Time:		
Pledges Receivable	3,812,246	3,003,469
Gift Annuities and Pooled Life Income Funds	303,757	238,907
	<u>4,116,003</u>	<u>3,242,376</u>
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Conservation	2,102,227	1,821,011
Education	3,865,230	3,242,286
White Mountain Huts and Trails	4,564,791	3,828,359
Volunteer Managed Activities	1,049,484	884,102
Library and Archives	362,913	318,078
General and Other	990,161	668,692
Restricted in Perpetuity	3,922,749	3,909,166
	<u>16,857,555</u>	<u>14,671,694</u>
Total Net Assets with Donor Restrictions	<u>\$ 26,816,309</u>	<u>\$ 29,910,125</u>

K. 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. 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, 2019 and 2018.

Real Estate Rental Income

The AMC has six 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 \$762,000 and \$774,000 for the years ended December 31, 2019 and 2018, respectively.

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K. Commitments, Continued:

The future minimum rental income receivable, by year, under the non-cancelable lease agreements as of December 31, 2019 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2020	\$ 795,000
2021	635,000
2022	510,000
2023	501,000
2024	290,000
Thereafter	<u>248,000</u>
	<u>\$ 2,979,000</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 \$900 to \$7,300 and expire at various times through 2025. Rental expense amounted to approximately \$178,000 and \$189,000 for the years ended December 31, 2019 and 2018, respectively.

The future minimum annual rental payments required under the long-term non-cancelable lease agreements as of December 31, 2019 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2020	\$ 173,000
2021	145,000
2022	91,000
2023	40,000
2024	41,000
Thereafter	<u>9,000</u>
	<u>\$ 499,000</u>

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K. Commitments, Continued:

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 and is included in advance 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.

L. 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 \$591,564 for 2019 and \$560,916 for 2018. 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.

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.

M. Subsequent Events:

The COVID-19 outbreak in 2020 has caused significant business disruption due to the mandated reduced operations at our facilities and in our programs and activities, resulting in lower net revenue. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the reduced operations. The AMC expects this matter to negatively impact its operating results in 2020. The related financial impact and duration cannot be reasonably estimated at this time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

M. Subsequent Events, Continued:

Subsequent to the year ended December 31, 2019, the AMC applied for a Paycheck Protection Program Loan as provided for in the Federal CARES Act and subsequent amendments. The AMC was approved and funded for a \$3,281,600 loan through Primary Bank under this Program. AMC expects part, or all, of the \$3,281,600 to be forgiven as provided for in the legislation, based upon certain performance and results related to employee retention, payroll, and other costs in the twenty-four weeks following loan funding on April 17, 2020. Any amount that is not forgiven will be treated as a loan, bearing interest at 1%, payable over two years, with six months of deferred payments.

The AMC also applied for and received a \$1,000,000 grant award under the New Hampshire Emergency Relief Fund for nonprofit organizations, subject to final accounting for expenditures and losses covered under the grant terms.