

THE APPALACHIAN TRAIL CONSERVANCY

Harpers Ferry, West Virginia

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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50 S. Cameron St.
Winchester, VA 22601

540.662.3417

YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Appalachian Trail Conservancy
Harpers Ferry, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Appalachian Trail Conservancy (the "Conservancy"), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Conservancy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Appalachian Trail Conservancy as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purpose of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021, on our consideration of The Appalachian Trail Conservancy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Appalachian Trail Conservancy's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
May 7, 2021

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Financial Position
December 31, 2020

	General Fund	Land Acquisition Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Assets						
Current Assets						
Cash and cash equivalents	\$ 4,552,034	\$ --	\$ --	\$ --	\$ --	\$ 4,552,034
Accounts receivable, net	6,385,965	--	--	--	--	6,385,965
Other interfund receivables	--	691,543	--	549,876	--	1,241,419
Inventory	326,285	--	--	--	--	326,285
Prepaid expenses	107,949	--	--	--	--	107,949
Total current assets	<u>\$ 11,372,233</u>	<u>\$ 691,543</u>	<u>\$ --</u>	<u>\$ 549,876</u>	<u>\$ --</u>	<u>\$ 12,613,652</u>
Non-Current Assets						
Long-term investments	\$ --	\$ 931,779	\$ 258,559	\$ 12,748,350	\$ 828,075	\$ 14,766,763
Property and equipment, net	811,232	--	--	--	--	811,232
Other assets, deposits	7,004	--	--	--	--	7,004
Land held in conservancy	--	1,632,196	--	--	--	1,632,196
Total non-current assets	<u>\$ 818,236</u>	<u>\$ 2,563,975</u>	<u>\$ 258,559</u>	<u>\$ 12,748,350</u>	<u>\$ 828,075</u>	<u>\$ 17,217,195</u>
Total assets	<u>\$ 12,190,469</u>	<u>\$ 3,255,518</u>	<u>\$ 258,559</u>	<u>\$ 13,298,226</u>	<u>\$ 828,075</u>	<u>\$ 29,830,847</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 872,986	\$ --	\$ --	\$ 2,772	\$ --	\$ 875,758
Deferred revenue and refundable advances	6,992,188	--	--	--	--	6,992,188
Other interfund payables	1,231,778	--	9,641	--	--	1,241,419
Current maturities of annuities payable	--	--	--	--	37,833	37,833
Total current liabilities	<u>\$ 9,096,952</u>	<u>\$ --</u>	<u>\$ 9,641</u>	<u>\$ 2,772</u>	<u>\$ 37,833</u>	<u>\$ 9,147,198</u>
Non-Current Liabilities						
Annuities payable, less current maturities	--	--	--	--	183,719	183,719
Total non-current liabilities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 183,719</u>	<u>\$ 183,719</u>
Net Assets						
Net assets without donor restrictions	\$ 1,660,649	\$ --	\$ --	\$ 8,562,521	\$ 375,307	\$ 10,598,477
Net assets with donor restrictions	1,432,868	3,255,518	248,918	4,732,933	231,216	9,901,453
Total net assets	<u>\$ 3,093,517</u>	<u>\$ 3,255,518</u>	<u>\$ 248,918</u>	<u>\$ 13,295,454</u>	<u>\$ 606,523</u>	<u>\$ 20,499,930</u>
Total liabilities and net assets	<u>\$ 12,190,469</u>	<u>\$ 3,255,518</u>	<u>\$ 258,559</u>	<u>\$ 13,298,226</u>	<u>\$ 828,075</u>	<u>\$ 29,830,847</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Financial Position

December 31, 2019

	General Fund	Land Acquisition Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Assets						
Current Assets						
Cash and cash equivalents	\$ 939,190	\$ 1,792,876	\$ --	\$ 1,297,019	\$ --	\$ 4,029,085
Accounts receivable, net	3,946,005	--	--	--	--	3,946,005
Other interfund receivables	843,947	--	32,619	--	160,846	1,037,412
Construction loan interfund receivable	--	--	--	13,219	--	13,219
Inventory	381,344	--	--	--	--	381,344
Property held for sale	--	74,417	--	--	--	74,417
Prepaid expenses	95,298	--	--	--	--	95,298
Total current assets	<u>\$ 6,205,784</u>	<u>\$ 1,867,293</u>	<u>\$ 32,619</u>	<u>\$ 1,310,238</u>	<u>\$ 160,846</u>	<u>\$ 9,576,780</u>
Non-Current Assets						
Long-term investments	\$ --	\$ 895,270	\$ 232,234	\$ 8,866,471	\$ 764,789	\$ 10,758,764
Construction loan interfund receivable	--	--	--	76,196	--	76,196
Property and equipment, net	812,772	--	--	--	--	812,772
Other assets, deposits	7,004	--	--	--	--	7,004
Land held in conservancy	--	1,644,157	--	--	--	1,644,157
Total non-current assets	<u>\$ 819,776</u>	<u>\$ 2,539,427</u>	<u>\$ 232,234</u>	<u>\$ 8,942,667</u>	<u>\$ 764,789</u>	<u>\$ 13,298,893</u>
Total assets	<u>\$ 7,025,560</u>	<u>\$ 4,406,720</u>	<u>\$ 264,853</u>	<u>\$ 10,252,905</u>	<u>\$ 925,635</u>	<u>\$ 22,875,673</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	\$ 1,088,910	\$ --	\$ --	\$ --	\$ --	\$ 1,088,910
Deferred revenue	3,719,407	--	--	--	--	3,719,407
Other interfund payables	1,129	627,892	--	408,391	--	1,037,412
Construction loan interfund payable	13,219	--	--	--	--	13,219
Current maturities of annuities payable	--	--	--	--	37,833	37,833
Total current liabilities	<u>\$ 4,822,665</u>	<u>\$ 627,892</u>	<u>\$ --</u>	<u>\$ 408,391</u>	<u>\$ 37,833</u>	<u>\$ 5,896,781</u>
Non-Current Liabilities						
Construction loan interfund payable	\$ 76,196	\$ --	\$ --	\$ --	\$ --	\$ 76,196
Annuities payable, less current maturities	--	--	--	--	194,327	194,327
Total non-current liabilities	<u>\$ 76,196</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 194,327</u>	<u>\$ 270,523</u>
Net Assets						
Net assets without donor restrictions	\$ 1,167,045	\$ 13,064	\$ --	\$ 5,336,813	\$ 462,259	\$ 6,979,181
Net assets with donor restrictions	959,654	3,765,764	264,853	4,507,701	231,216	9,729,188
Total net assets	<u>\$ 2,126,699</u>	<u>\$ 3,778,828</u>	<u>\$ 264,853</u>	<u>\$ 9,844,514</u>	<u>\$ 693,475</u>	<u>\$ 16,708,369</u>
Total liabilities and net assets	<u>\$ 7,025,560</u>	<u>\$ 4,406,720</u>	<u>\$ 264,853</u>	<u>\$ 10,252,905</u>	<u>\$ 925,635</u>	<u>\$ 22,875,673</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities
For the Year Ended December 31, 2020

	General Fund	Land Acquisition Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Changes in net assets without donor restrictions:						
Revenue, gains, (losses) and other support						
Contributions	\$ 8,398,160	\$ --	\$ --	\$ 2,688,619	\$ --	\$ 11,086,779
Donated equipment and services	189,060	--	--	--	--	189,060
Membership	1,131,648	--	--	--	--	1,131,648
Contractual services	1,656,625	--	--	--	--	1,656,625
Sales, less cost of good sold of \$240,789	304,045	--	--	--	--	304,045
Paycheck Protection Program grant	875,783	--	--	--	--	875,783
Other income	81,137	13,709	--	--	--	94,846
Investment return, net	5,277	--	--	1,085,514	101,118	1,191,909
Total revenue, gains, (losses) and other support, before net asset releases	<u>\$ 12,641,735</u>	<u>\$ 13,709</u>	<u>\$ --</u>	<u>\$ 3,774,133</u>	<u>\$ 101,118</u>	<u>\$ 16,530,695</u>
Net assets released from restrictions:						
Release of investment return, net	\$ --	\$ 39,660	\$ 9,565	\$ 110,935	\$ --	\$ 160,160
Satisfaction of program restrictions	866,371	520,567	35,886	--	--	1,422,824
Total net assets released from restrictions	<u>\$ 866,371</u>	<u>\$ 560,227</u>	<u>\$ 45,451</u>	<u>\$ 110,935</u>	<u>\$ --</u>	<u>\$ 1,582,984</u>
Total revenue, gains, (losses) and other support without donor restrictions	<u>\$ 13,508,106</u>	<u>\$ 573,936</u>	<u>\$ 45,451</u>	<u>\$ 3,885,068</u>	<u>\$ 101,118</u>	<u>\$ 18,113,679</u>
Expenses						
Program Services:						
Conservation and Land Trust	\$ 10,057,628	\$ 514,081	\$ --	\$ --	\$ --	\$ 10,571,709
Membership services	546,478	--	--	--	--	546,478
Publications	459,998	--	--	--	--	459,998
Communications	825,599	--	--	--	--	825,599
Total program services	<u>\$ 11,889,703</u>	<u>\$ 514,081</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,403,784</u>
Supporting Services:						
Management and general	\$ 1,544,647	\$ --	\$ --	\$ --	\$ --	\$ 1,544,647
Fundraising	518,727	--	--	--	--	518,727
Total supporting services	<u>\$ 2,063,374</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,063,374</u>
Total expenses	<u>\$ 13,953,077</u>	<u>\$ 514,081</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,467,158</u>
Other Changes in Net Assets without Donor Restrictions						
Transfer of investment return, net to general fund	\$ 708,585	\$ (39,660)	\$ (9,565)	\$ (659,360)	\$ --	\$ --
Interfund forgiveness	229,990	(33,259)	(35,886)	--	(160,845)	--
Annuity actuarial adjustment	--	--	--	--	(27,225)	(27,225)
Total other changes in net assets without donor restrictions	<u>\$ 938,575</u>	<u>\$ (72,919)</u>	<u>\$ (45,451)</u>	<u>\$ (659,360)</u>	<u>\$ (188,070)</u>	<u>\$ (27,225)</u>
Total changes in net assets without donor restrictions	<u>\$ 493,604</u>	<u>\$ (13,064)</u>	<u>\$ --</u>	<u>\$ 3,225,708</u>	<u>\$ (86,952)</u>	<u>\$ 3,619,296</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities (continued)
For the Year Ended December 31, 2020

	General Fund	Land Acquisition Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Changes in net assets with donor restrictions:						
Contributions	\$ 1,339,585	\$ 250	\$ --	\$ 1,025	\$ --	\$ 1,340,860
Investment return, net	--	49,731	29,516	335,142	--	414,389
Release of investment return, net to general fund	--	(39,660)	(9,565)	(110,935)	--	(160,160)
Net assets released from restrictions	(866,371)	(520,567)	(35,886)	--	--	(1,422,824)
Total changes in net assets with donor restrictions	<u>\$ 473,214</u>	<u>\$ (510,246)</u>	<u>\$ (15,935)</u>	<u>\$ 225,232</u>	<u>\$ --</u>	<u>\$ 172,265</u>
Changes in net assets	\$ 966,818	\$ (523,310)	\$ (15,935)	\$ 3,450,940	\$ (86,952)	\$ 3,791,561
Net assets, beginning of year	<u>2,126,699</u>	<u>3,778,828</u>	<u>264,853</u>	<u>9,844,514</u>	<u>693,475</u>	<u>16,708,369</u>
Net assets, end of year	<u>\$ 3,093,517</u>	<u>\$ 3,255,518</u>	<u>\$ 248,918</u>	<u>\$ 13,295,454</u>	<u>\$ 606,523</u>	<u>\$ 20,499,930</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities
For the Year Ended December 31, 2019

	General Fund	Land Acquisition Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Changes in net assets without donor restrictions:						
Revenue, gains, (losses) and other support						
Contributions	\$ 2,003,814	\$ 200	\$ --	\$ 1,301,077	\$ --	\$ 3,305,091
Donated equipment and services	327,470	--	--	--	--	327,470
Membership	1,192,971	--	--	--	--	1,192,971
Contractual services	2,511,228	--	--	--	--	2,511,228
Sales, less cost of good sold of \$359,865	464,728	--	--	--	--	464,728
Other income	185,637	4,222	--	--	2,616	192,475
Investment return, net	47,949	--	--	1,108,668	138,445	1,295,062
Total revenue, gains, (losses) and other support, before net asset releases	<u>\$ 6,733,797</u>	<u>\$ 4,422</u>	<u>\$ --</u>	<u>\$ 2,409,745</u>	<u>\$ 141,061</u>	<u>\$ 9,289,025</u>
Net assets released from restrictions:						
Release of investment return, net	\$ --	\$ 43,605	\$ 8,981	\$ 104,116	\$ --	\$ 156,702
Satisfaction of program restrictions	1,162,591	576,616	--	--	--	1,739,207
Total net assets released from restrictions	<u>\$ 1,162,591</u>	<u>\$ 620,221</u>	<u>\$ 8,981</u>	<u>\$ 104,116</u>	<u>\$ --</u>	<u>\$ 1,895,909</u>
Total revenue, gains, (losses) and other support without donor restrictions	<u>\$ 7,896,388</u>	<u>\$ 624,643</u>	<u>\$ 8,981</u>	<u>\$ 2,513,861</u>	<u>\$ 141,061</u>	<u>\$ 11,184,934</u>
Expenses						
Program Services:						
Conservation and Land Trust	\$ 5,072,056	\$ 576,616	\$ --	\$ --	\$ --	\$ 5,648,672
Membership services	724,750	--	--	--	--	724,750
Publications	478,720	--	--	--	--	478,720
Communications	745,940	--	--	--	--	745,940
Total program services	<u>\$ 7,021,466</u>	<u>\$ 576,616</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,598,082</u>
Supporting Services:						
Management and general	\$ 2,107,559	\$ --	\$ --	\$ --	\$ --	\$ 2,107,559
Fundraising	811,524	--	--	--	--	811,524
Total supporting services	<u>\$ 2,919,083</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,919,083</u>
Total expenses	<u>\$ 9,940,549</u>	<u>\$ 576,616</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 10,517,165</u>
Other Changes in Net Assets without Donor Restrictions						
Transfer of investment return, net to general fund	\$ 2,727,028	\$ (43,605)	\$ (8,981)	\$ (2,674,442)	\$ --	\$ --
Annuity actuarial adjustment	--	--	--	--	(38,100)	(38,100)
Total other changes in net assets without donor restrictions	<u>\$ 2,727,028</u>	<u>\$ (43,605)</u>	<u>\$ (8,981)</u>	<u>\$ (2,674,442)</u>	<u>\$ (38,100)</u>	<u>\$ (38,100)</u>
Total changes in net assets without donor restrictions	<u>\$ 682,867</u>	<u>\$ 4,422</u>	<u>\$ --</u>	<u>\$ (160,581)</u>	<u>\$ 102,961</u>	<u>\$ 629,669</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities (continued)
For the Year Ended December 31, 2019

	General Fund	Land Acquisition Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Changes in net assets with donor restrictions:						
Contributions	\$ 745,688	\$ --	\$ --	\$ 249,589	\$ --	\$ 995,277
Membership	--	--	--	28,000	--	28,000
Investment return, net	--	97,919	37,398	435,168	--	570,485
Release of investment return, net to general fund	--	(43,605)	(8,981)	(104,116)	--	(156,702)
Net assets released from restrictions	(668,311)	(576,616)	--	(494,280)	--	(1,739,207)
Total changes in net assets with donor restrictions	<u>\$ 77,377</u>	<u>\$ (522,302)</u>	<u>\$ 28,417</u>	<u>\$ 114,361</u>	<u>\$ --</u>	<u>\$ (302,147)</u>
Changes in net assets	\$ 760,244	\$ (517,880)	\$ 28,417	\$ (46,220)	\$ 102,961	\$ 327,522
Net assets, beginning of year	<u>1,366,455</u>	<u>4,296,708</u>	<u>236,436</u>	<u>9,890,734</u>	<u>590,514</u>	<u>16,380,847</u>
Net assets, end of year	<u>\$ 2,126,699</u>	<u>\$ 3,778,828</u>	<u>\$ 264,853</u>	<u>\$ 9,844,514</u>	<u>\$ 693,475</u>	<u>\$ 16,708,369</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 3,791,561	\$ 327,522
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	207,055	197,095
Net realized and unrealized (gain) on investments	(1,452,300)	(1,681,988)
Net realized and unrealized (gain) loss on property held for sale	(13,709)	5,000
Paycheck Protection Program grant	(875,783)	- -
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	(2,439,960)	363,950
Decrease (increase) in inventory	55,059	(7,986)
(Increase) decrease in prepaid expenses	(12,651)	8,536
(Increase) in other assets, deposits	- -	(140)
(Decrease) increase in accounts payable and accrued expenses	(213,152)	314,264
(Decrease) in annuities payable	(10,608)	(21,689)
Increase in deferred revenue and refundable advances	3,272,781	273,664
Net cash provided by (used in) operating activities	<u>\$ 2,308,293</u>	<u>\$ (221,772)</u>
Cash Flows from Investing Activities		
Proceeds from property held for sale	\$ 88,126	\$ - -
Purchases of property and equipment	(205,515)	(77,712)
Purchases of long-term investments	(8,477,367)	(7,935,792)
Proceeds from sale of long-term investments	5,921,668	9,687,817
Transfer of land held in conservancy	11,961	- -
Net cash (used in) provided by investing activities	<u>\$ (2,661,127)</u>	<u>\$ 1,674,313</u>
Cash Flows from Financing Activities,		
proceeds from the Paycheck Protection Program	\$ 875,783	\$ - -
Net cash provided by financing activities	<u>\$ 875,783</u>	<u>\$ - -</u>
Change in cash and cash equivalents	\$ 522,949	\$ 1,452,541
Cash and Cash Equivalents		
Beginning	4,029,085	2,576,544
Ending	<u>\$ 4,552,034</u>	<u>\$ 4,029,085</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Stock donations	<u>\$ 211,239</u>	<u>\$ 155,695</u>
Donated equipment and services	<u>\$ 189,060</u>	<u>\$ 327,470</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Appalachian Trail Conservancy (the Conservancy) is a nonprofit, volunteer-centered corporation organized in 1925 and incorporated in 1936 under the laws of the District of Columbia. The Conservancy was organized to promote, construct and manage the Appalachian Trail and its associated lands in the public interest for hiking and other recreation on foot and for the study of nature along the ridgelines of the Appalachian Mountains through 14 states from northern Georgia to central Maine. Beginning in the 1920s, Conservancy volunteers conceived, blazed and maintained the Appalachian Trail, which is approximately 2,200 miles long.

The Conservancy works closely with 31 autonomous local member clubs along the Appalachian Trail in a coordinated effort to carry out the Conservancy's missions. Under a series of agreements, dating back to the 1930s, with the U.S. Department of the Interior, the U.S. Department of Agriculture Forest Service, and various state agencies, these clubs, in coordination with the Conservancy, help to maintain the footpath and its facilities (shelters, bridges, signs, etc.) and manage approximately 108,841 acres of National Park Service land that has been acquired specifically to protect the footpath from incompatible uses and development.

Additionally, the work of the Conservancy extends beyond resource management and into the realm of public information and education. The Conservancy has an extensive publications program that includes guidebooks, maps, newsletters, and other books about the Appalachian Trail and its resources. The Conservancy's communications extend to our visitor's center, which plays host to almost 30,000 people annually. The Conservancy's information staff addresses almost 10,000 mail and e-mail inquiries each year, and the Conservancy's website averages 107,000 visits each month.

The Conservancy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of state statutes.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens taken significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

A summary of the significant accounting policies is as follows:

Financial Reporting

The Conservancy's financial statements are presented on the accrual basis of accounting, in accordance with generally accepted accounting principles (U.S. GAAP).

Notes to Financial Statements

The Conservancy reports information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated among two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consists of net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Conservancy. These net assets may be used at the discretion of the Conservancy's management and Board of Directors. Net assets with donor restrictions consist of net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Conservancy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Fund Accounting

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Conservancy, its accounts are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Fund balances are classified on the statement of financial position as net assets without donor restrictions and net assets with donor restrictions based on the absence or existence of donor-imposed restrictions.

Net Assets without Donor Restrictions

The General Fund represents funds that are derived primarily from support and revenues in the form of contributions, governmental contracts, membership dues, and sales of publications. Resources are used to help meet the costs of providing the Conservancy's programs and supporting services, and plant and equipment, both purchased and donated.

Net Assets with Donor Restrictions

Donor restricted funds are used to record the Conservancy's activities that are supported by resources whose use is limited by external parties to specific purposes. The principal sources of restricted funds are contributions from donors; contracts and grants; and other sources where resource providers have stipulated the specific purposes for which the resources are to be used.

The Monitoring Fund is a donor-restricted fund representing contributions received that have been restricted for use in the maintenance and protection of specified lands on or near various portions of the Appalachian Trail.

The Annuity Fund is used by the Conservancy to account for resources provided by donors under various kinds of agreements in which the Conservancy has a beneficial interest in the resources but may not be the sole beneficiary.

Notes to Financial Statements

There are two types of endowment funds: board designated endowment funds and donor-restricted endowment funds. The Conservancy's endowment funds contain a combination of the two described above. The investment return received on the Land Acquisition, Life Membership, Monitoring and David N. Startzell Stewardship Funds is transferred in accordance with the Conservancy's investment and spending policy which establishes a spending limit of up to 4.5 percent of the portfolio's market value as measured on the last day of the past twelve (12) quarters.

The Land Acquisition Fund consists of assets restricted for the purposes of acquiring land and interests in land along the Appalachian Trail. Proceeds from the sale of such lands to various Federal and state agencies, as well as individual conservation buyers, are deposited in this fund for future acquisitions. The principal of the Land Acquisition Fund is donor restricted; investment return held by the Land Acquisition Fund is transferred to the General Fund in accordance with the Conservancy's investment and spending policy.

The David N. Startzell Stewardship Fund, formerly reported as the Stewardship Fund, consists of endowment funds intended to offset the costs associated with trail construction, maintenance, and land management activities. Additionally, effective January 1, 2019, as a result of a Board Resolution, the David N. Startzell Stewardship Fund contains a sub-fund, formally reported separately as the Life Membership Fund, consisting of receipts from full Conservancy Life Members or time payments on Conservancy Life Memberships. Part of the principal of the David N. Startzell Stewardship Fund, including all of the principal of the Life Membership sub-fund, is donor restricted. Investment return held by the David N. Startzell Stewardship Fund is transferred to the General Fund in accordance with the Conservancy's investment and spending policy.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Conservancy considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Inventories

Inventories consist of materials held for sale by the Conservancy and are stated at the lower of cost (first-in, first-out method) or market.

Investments

The Conservancy records investments at fair market value in the statement of financial position. Investment return is reflected in the statement of activities, net of any fees. Investments that are received as gifts are recorded at their market value at the date of the gift, which then becomes the cost basis.

Notes to Financial Statements

Land Held in Conservancy

Lands held in conservancy are recorded at cost or, if donated, at the estimated fair market value of the land on the date of the donation. Because the Conservancy intends to hold the lands held in conservancy indefinitely, write-downs for permanent impairments in the value of the lands are not recorded.

The Conservancy, at times, sells assets at less than fair market value to individual landowners in exchange for conservation restrictions placed upon the landowner's lands. The Conservancy records such transactions as expenditures in the period incurred.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated assets at the date of the gift is similarly capitalized. Depreciation and amortization is computed by the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. Depreciation and amortization expense was \$207,055 and \$197,095 for the years ended December 31, 2020 and 2019, respectively.

Resources restricted by donors for plant replacement and expansion are added to net assets without donor restrictions to the extent expended within the period.

Donated Goods, Services and Facilities

Donated materials, equipment and other assets are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of the gift. The Conservancy recognizes contribution revenue for services requiring specialized skills received at the fair value of those services. During the years ended December 31, 2020 and 2019, the Conservancy received donated services of \$168,848 and \$138,636 and donated goods of \$20,212 and \$188,834, respectively. In addition, 3,562 and 5,867 volunteers donated 111,565 and 210,923 hours, for the years ended December 31, 2020 and 2019, respectively, to the Conservancy's programs, fund-raising campaigns and management for which no amounts have been recognized in the financial statements since no objective basis is available to measure the value of such services.

Contributions

The Conservancy's management has adopted the standard that requires revenues to be recognized for all unconditional promises to give, including those with donor-imposed restrictions, at the time of receipt of the promise. The standard also requires certain disclosures for receipts of contributed services and promises to give.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Notes to Financial Statements

Gifts of land, buildings and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Conservancy reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Conservancy's activities).

Revenue Recognition

The Conservancy has various sources of revenue including contributions, membership dues, contractual services revenue, sales income and other income.

Contributions and unconditional promises to give are recognized when received.

Membership dues are recognized as revenue on a pro-rata basis over the period to which the dues relate, for only the portion of the dues for which the member receives goods or services. The remaining contribution portion of the dues is recognized as revenue in the year the dues are received.

Contractual services revenue is recognized when the related costs are incurred. Deferred revenue is recorded for funds that the Conservancy has been awarded and/or has received but for which it has not incurred related expenses. Refundable advances are recorded when funds have been received but the related conditions have not yet been met.

Sales income is recognized at the time of purchase. All other income is recognized when received.

Allocation Methodology for the Schedules of Functional Expenses

The costs of providing program and other activities are summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program, management and general and fundraising. Such allocations have been made by management on an equitable basis.

Notes to Financial Statements

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, wages and payroll taxes	Direct Allocation and Time and Effort
Employee benefits	Direct Allocation
Contract services	Direct Allocation
Supplies	Direct Allocation
Postage	Direct Allocation
Printing	Direct Allocation
Personnel development	Direct Allocation
Promotional	Direct Allocation
Travel, meetings and conferences	Direct Allocation
Licenses and fees	Direct Allocation
Grants	Direct Allocation
Organization infrastructure	Direct Allocation
Depreciation	Direct Allocation
Other expenses	Direct Allocation

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Notes to Financial Statements

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the years ended December 31, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of assets restricted for long-term purposes is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1).

Property Held for Sale

Property held for sale is valued at estimated fair market value (Level 3). During 2020, property held for sale was transferred and an easement was recorded by the buyer.

The carrying amounts of the Conservancy's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conservancy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Interfund Forgiveness

During calendar year 2020, the Conservancy wrote off \$229,990 in interfund receivables and payables. There was no effect on net assets as a result of the write offs.

Notes to Financial Statements

Note 2. Cash Concentrations

The Conservancy may from time to time have deposits with commercial financial institutions in excess of the federally insured limit during the year. The Conservancy has not experienced any losses on its accounts.

Note 3. Liquidity and Availability of Resources

The Conservancy has the following financial assets available for general expenditure within one year of the statement of financial position date to meet cash needs for general expenditure. The Conservancy has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average approximately \$1,600,000. The Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Conservancy has a board-designated endowment. Although the Conservancy does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 4,552,034	\$ 4,029,085
Accounts receivable, net	6,385,965	3,946,005
Long-term investments	<u>14,766,763</u>	<u>10,758,764</u>
Total financial assets	<u>\$ 25,704,762</u>	<u>\$ 18,733,854</u>
Less those unavailable for general expenditure within one year, due to:		
Board designations	\$ 8,562,521	\$ 5,336,813
Donor- restricted	9,901,453	9,729,188
(Less) amounts available for spending within one year, in accordance with spending policy	(467,561)	(445,221)
(Less) amounts available for spending within one year, as approved by the Board	<u>(2,134,500)</u>	<u>(558,103)</u>
Financial assets not available to be used within one year	<u>\$ 15,861,913</u>	<u>\$ 14,062,677</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,842,849</u>	<u>\$ 4,671,177</u>

Notes to Financial Statements

Note 4. Investments

The Conservancy carries investments at fair market value based on quoted prices in active markets. Investments consisted of the following as of December 31, 2020 and 2019:

	2020		
	Cost	Fair Market Value	Unrealized Gain
Cash or cash equivalents	\$ 790,325	\$ 790,325	\$ - -
Stocks	5,366,673	8,846,709	3,480,036
Fixed income securities	4,911,004	5,129,729	218,725
Total	<u>\$ 11,068,002</u>	<u>\$ 14,766,763</u>	<u>\$ 3,698,761</u>

	2019		
	Cost	Fair Market Value	Unrealized Gain
Cash or cash equivalents	\$ 926,121	\$ 926,121	\$ - -
Stocks	4,316,386	5,851,139	1,534,753
Fixed income securities	3,251,133	3,981,504	730,371
Total	<u>\$ 8,493,640</u>	<u>\$ 10,758,764</u>	<u>\$ 2,265,124</u>

The Conservancy uses a spending-rate formula to determine how much of its investment return, net of fees is available to support current operations from restricted funds. Investment return, net of fees was released to support general operations in accordance with Conservancy's spending policy as follows:

	2020	2019
Land Acquisition Fund	\$ 39,660	\$ 43,605
Monitoring Fund	9,565	8,981
Life Membership Fund	110,935	104,116
	<u>\$ 160,160</u>	<u>\$ 156,702</u>

Investment return, net consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 242,043	\$ 268,644
Realized and unrealized gain, net	1,452,300	1,681,988
Investment fees	(88,045)	(85,085)
	<u>\$ 1,606,298</u>	<u>\$ 1,865,547</u>

Notes to Financial Statements

Note 5. Accounts Receivable

Accounts receivable at December 31, 2020 and 2019, consisted primarily of amounts due from the National Park Service. Net accounts receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Federal	\$ 6,066,927	\$ 3,535,721
State	37,127	236,000
Trade	28,775	48,895
Other	263,048	155,600
Allowance for doubtful accounts	<u>(9,912)</u>	<u>(30,211)</u>
	<u>\$ 6,385,965</u>	<u>\$ 3,946,005</u>

Note 6. Property and Equipment

A summary of property and equipment as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 20,000	\$ 20,000
Building and improvements	1,076,112	1,015,408
Furniture and equipment	593,179	572,109
Computer software	975,475	975,475
Construction in progress	<u>152,344</u>	<u>53,690</u>
	\$ 2,817,110	\$ 2,636,682
Less accumulated depreciation and amortization	<u>(2,005,878)</u>	<u>(1,823,910)</u>
	<u>\$ 811,232</u>	<u>\$ 812,772</u>

Note 7. Land Held in Conservancy

The Conservancy holds title to various parcels of real estate located along the Appalachian Trail. Such lands are classified by the Conservancy as land held in conservancy. The Conservancy is not in the development or real estate business but a guardian of the lands adjacent to the trail. Land held in conservancy at December 31, 2020 and 2019 amounted to \$1,632,196 and \$1,644,157, respectively, and represents real estate held by the Conservancy that it intends to hold indefinitely or sell to a Federal or State agency that governs the portion of the Appalachian Trail in which the real estate lies, or to conservation-minded individuals interested in acquiring land with significant restrictions designed to protect the trail.

Notes to Financial Statements

Note 8. Revenue Concentration

The Conservancy receives a significant amount of its support and revenue from cooperative agreements and cost-share agreements with the National Park Service, the United States Forest Service and various state agencies. These amounts are included in contractual services revenue on the statement of activities. Support received from these agencies was \$1,656,625 and \$2,511,228 during the years ended December 31, 2020 and 2019, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Conservancy's programs and activities.

The Conservancy also receives a significant amount of its support and revenue from major contributors. For the year ended December 31, 2020, the Conservancy received 74% of its contributions support from two contributors. For the year ended December 31, 2019, the Conservancy received 14% of its contributions support from one contributor.

Note 9. Pension Plan

The Conservancy has an IRC 403(b) Employer Contributory Tax Deferral Annuity Plan (a defined contribution plan). Employees can contribute to the plan effective immediately upon date of hire. To be eligible for employer contributions, the employee must have worked a minimum of 1,000 hours within a twelve-month consecutive period, be an employee of the Conservancy for a twelve-month consecutive period and be an enrolled, contributing participant in the pension plan.

The pension plan covers all of the Conservancy's employees who meet the requirements stated above. Members' rights to contributions vest immediately. Contributions to the pension plan by the Conservancy are based on the eligible employees' compensation and range from 3% to 7% based on each participating employee's salary deferral percentage. In 2019, the Conservancy increased the matching contribution from up to 3% to up to 7% to encourage participation. Total contributions to the pension plan by the Conservancy were \$213,245 and \$135,884 for the years ended December 31, 2020 and 2019, respectively.

Note 10. Lease Commitments and Total Rental Expense

The Conservancy leases facilities to house its regional offices and various equipment under arrangements that are classified as operating leases. The leases generally require the Conservancy to pay for all normal maintenance, utilities and liability insurance costs. Rental expense for the years ended December 31, 2020 and 2019 was \$175,301 and \$203,973, respectively.

The future minimum lease payments under non-cancellable operating leases are as follows for the years ended December 31:

2021	\$ 21,556
2022	<u>13,659</u>
	<u>\$ 35,215</u>

Notes to Financial Statements

Note 11. Related-Party Transactions

Among the Conservancy's Board members and officers are volunteers from the financial, legal and environmental community who provide valuable assistance to the Conservancy in the development of policies and programs and in the evaluation of awards and grants. Under the Conservancy's conflict of interest disclosure policy, the Executive Director reviews all transactions with related parties. Based on their review, significant transactions are submitted to the Board of Directors for approval. For the years ended December 31, 2020 and 2019, substantially all awards and grants, which amounted to \$112,457 and \$149,742, respectively, were disbursed to groups with which one or more Board members were associated as volunteers. These groups maintain the Appalachian Trail in their local areas.

Note 12. Annuities Payable

The Conservancy administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Conservancy's use. The portion of the trust attributable to the present value of the future benefits to be received by the Conservancy is recorded in the Statement of Activities as net assets with donor restrictions in the period the trust is established. When necessary, the Conservancy revalues the liability to the designated beneficiaries.

Assets held in charitable remainder trusts and in fulfillment of charitable gift annuity contracts totaled \$828,075 and \$764,789 at December 31, 2020 and 2019, respectively, and are reported at fair market value in the Conservancy's Statement of Financial Position. The present value of the estimated future payments for remainder trusts is calculated using discount rates determined at the inception of the trust and applicable mortality tables.

A charitable gift annuity is an arrangement between a donor and the Conservancy in which the donor contributes assets to the organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. The assets received are held as general assets of the Conservancy, and the annuity liability is a general obligation of the Conservancy; however, they are maintained in the Annuity Fund.

Adjustments to the annuity liability were made to reflect amortization of the discount and changes in life expectancies. For the years ended December 31, 2020 and 2019, the annuity actuarial adjustment amounted to \$27,225 and \$38,100, respectively. Total liability under split-interest agreements totaled \$221,552 and \$232,160 at December 31, 2020 and 2019, respectively.

Notes to Financial Statements

Note 13. Board Designated Net Assets

Net assets without donor restrictions are often designated by the Board of Directors for particular purposes and programs. Board designations in effect at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
David N. Startzell Stewardship Fund – amounts designated in accordance with contributions policy	<u>\$ 8,562,521</u>	<u>\$ 5,336,813</u>

Note 14. Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred memberships	\$ 47,390	\$ 51,962
Deferred - National Park Service (NPS)	5,952,931	3,185,523
Deferred - other	741,867	481,922
Refundable advance	<u>250,000</u>	<u>--</u>
	<u>\$ 6,992,188</u>	<u>\$ 3,719,407</u>

Note 15. Net Assets Released from Restrictions

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors were as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
General Fund:		
Pledges, time restriction	\$ --	\$ 150,095
Conservation projects	866,371	518,216
Construction, maintenance and land management activities	<u>--</u>	<u>494,280</u>
	<u>\$ 866,371</u>	<u>\$ 1,162,591</u>
Land Acquisition Fund:		
Acquisition expenditures	<u>\$ 520,567</u>	<u>\$ 576,616</u>
Monitoring Fund:		
Monitoring expenses	<u>\$ 35,886</u>	<u>\$ --</u>
Total net assets released from restrictions	<u>\$ 1,422,824</u>	<u>\$ 1,739,207</u>

If a restriction is fulfilled in the same period in which the contribution is received, the Conservancy reports the support as net assets without donor restrictions. The Conservancy received \$114,120 and \$94,614 in contributions during 2020 and 2019, respectively, where the restrictions were fulfilled by year-end.

Notes to Financial Statements

Note 16. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
General Fund, conservation projects	\$ 1,432,868	\$ 959,654
Land Acquisition Fund		
Acquisition of land/interests along the Appalachian Trail	2,699,217	3,209,463
Amounts in perpetuity	<u>556,301</u>	<u>556,301</u>
Total Land Acquisition Fund	<u>\$ 3,255,518</u>	<u>\$ 3,765,764</u>
Monitoring Fund, monitoring of AT Conference Lands	<u>\$ 248,918</u>	<u>\$ 264,853</u>
Annuity Fund, annuity trust agreements	<u>\$ 231,216</u>	<u>\$ 231,216</u>
David N. Startzell Stewardship Fund		
Life Membership Fund		
Amounts in perpetuity	\$ 1,818,866	\$ 1,818,866
Income to support ATC general and program expenditures	1,216,044	991,837
Purpose restrictions	767,091	767,091
Investments in perpetuity, the income from which may be expended for trail construction and maintenance and trail-land management activities	187,728	187,728
Sperling Memorial Shelter - Improvement Fund	6,372	6,372
Michael Bequaert - Andrew Kingery Shelter Memorial Fund	71,950	70,925
Smart Family Foundation	12,775	12,775
The George Ebenstein and Ernest Wallach Fund	14,939	14,939
The Ilus and Dr. Bernard Grünstein Fund	14,939	14,939
The William T. Foot Memorial Endowment Bridge Fund	15,937	15,937
The Ingram Fund	12,668	12,668
The Janelle C. Maurer Fund	24,631	24,631
The Michael L. Howell Memorial Fund	<u>568,993</u>	<u>568,993</u>
Total David N. Startzell Stewardship Fund	<u>\$ 4,732,933</u>	<u>\$ 4,507,701</u>
Total net assets with donor restrictions	<u>\$ 9,901,453</u>	<u>\$ 9,729,188</u>

Notes to Financial Statements

Note 17. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Cash or cash equivalents	\$ 790,325	\$ --	\$ --	\$ 790,325
Stocks	8,846,709	--	--	8,846,709
Fixed income securities	5,129,729	--	--	5,129,729
	<u>\$ 14,766,763</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,766,763</u>

	2019			
	Level 1	Level 2	Level 3	Total
Cash or cash equivalents	\$ 926,121	\$ --	\$ --	\$ 926,121
Stocks	5,851,139	--	--	5,851,139
Fixed income securities	3,981,504	--	--	3,981,504
Property held for sale	--	--	74,417	74,417
	<u>\$ 10,758,764</u>	<u>\$ --</u>	<u>\$ 74,417</u>	<u>\$ 10,833,181</u>

Note 18. Endowment Funds

The Conservancy's endowment consists of three funds established for land acquisition, life membership and stewardship. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by 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 Conservancy has adopted an investment policy to provide current income to support programs of the Conservancy and to achieve such growth of principal and income over time that purchasing power will be preserved or increased. The Conservancy will invest in index mutual funds or exchange-traded funds using historical data to achieve target returns (inflation adjusted) while minimizing risk as measured by expected volatility. The investment committee will review the portfolio periodically and make modifications as it deems appropriate to reflect market history and changing long-term market conditions.

Underwater Endowment Funds

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Conservancy to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2020 and 2019 in the Conservancy's funds.

Notes to Financial Statements

Spending Policy

The Conservancy has adopted a spending policy for distribution each year which allows distribution up to 4.5 percent of the portfolio's market value as measured on the last day of the past twelve (12) quarters. If the Conservancy's endowment were to fall below the level that the donor or UPMIFA requires the Conservancy to retain, the Conservancy would elect not to continue spending from their funds.

Changes in endowment net assets for the years ending December 31, 2020 and 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	\$ 5,497,394	\$ 3,937,859	\$ 9,435,253
Investment return, net	1,108,668	435,168	1,543,836
Contributions	1,301,077	28,000	1,329,077
Appropriation of endowment assets for expenditure	<u>(2,570,326)</u>	<u>(104,116)</u>	<u>(2,674,442)</u>
Endowment net assets, December 31, 2019	\$ 5,336,813	\$ 4,296,911	\$ 9,633,724
Investment return, net	1,085,514	335,142	1,420,656
Contributions	2,688,619	1,025	2,689,644
Appropriation of endowment assets for expenditure	<u>(548,425)</u>	<u>(110,935)</u>	<u>(659,360)</u>
Endowment net assets, December 31, 2020	<u>\$ 8,562,521</u>	<u>\$ 4,522,143</u>	<u>\$ 13,084,664</u>

Note 19. Subsequent Events

The Conservancy has evaluated all subsequent events through May 7, 2021, the date the financial statements were available to be issued. The Conservancy has determined there are no subsequent events that require recognition or disclosure.

Note 20. Paycheck Protection Program

On March 27, 2020, and as a result of COVID-19, the Coronavirus Aid, Relief and Economic Security Act (or CARES Act) became part of U.S. Law. One of the provisions of the CARES Act is the Paycheck Protection Program, which is intended to provide economic relief to small businesses in order for them to maintain payroll and cover other qualifying overhead costs. During 2020, the Conservancy received an uncollateralized loan in the amount of \$875,783 through the Paycheck Protection Program. Interest rate on the loan was 1%. Monthly payments were deferred for six months. The loan was set to mature in May of 2025. Upon meeting certain requirements of the Program, the Conservancy qualified for full loan forgiveness. As such, the grant is reflected in the statement of activities for the year ended December 31, 2020.

Notes to Financial Statements

Note 21. Upcoming Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Conservancy in calendar year 2022. Early adoption is permitted. The Conservancy is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

Note 22. New Accounting Pronouncement

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 became effective for contributions made by the Conservancy in calendar year 2020. Analysis of the standard resulted in no significant changes in the way the Conservancy recognizes contributions made.

Notes to Financial Statements

Note 23. Schedules of Functional Expenses

The schedules of functional expenses were as follows for the years ended December 31, 2020 and 2019:

2020	Trail Management and Protection		User and Supporter Services				Program Services Total	Management and General	Fundraising	Total Expenses
	Conservation and Land Trust	Membership Services	Publications	Communications						
Salaries, wages and payroll taxes	\$ 2,288,150	\$ 196,987	\$ 192,795	\$ 518,250	\$ 3,196,182	\$ 488,938	\$ 137,789	\$ 3,822,909		
Employee benefits	321,347	4,490	21,292	43,917	391,046	85,573	32,742	509,361		
Contract services	520,635	140,721	31,780	113,259	806,395	378,172	190,220	1,374,787		
Supplies	118,872	412	14,589	4,598	138,471	22,404	6,505	167,380		
Postage	2,978	187,272	75,451	44,955	310,656	4,866	73,001	388,523		
Printing	2,416	7,846	157	76,020	86,439	628	30,996	118,063		
Personnel development	8,883	--	--	10,809	19,692	14,537	5,417	39,646		
Promotional	--	375	24	8,708	9,107	--	1,891	10,998		
Travel, meetings and conferences	81,670	--	4,605	4,300	90,575	13,743	1,247	105,565		
Licenses and fees	2,091	8,375	25,604	7	36,077	34,271	14,842	85,190		
Grants	7,092,058	--	--	--	7,092,058	--	--	7,092,058		
Organization infrastructure	123,704	--	87,972	--	211,676	113,705	--	325,381		
Depreciation and amortization	--	--	--	--	--	207,055	--	207,055		
Other expenses	8,905	--	5,729	776	15,410	180,755	24,077	220,242		
Total expenses	\$ 10,571,709	\$ 546,478	\$ 459,998	\$ 825,599	\$ 12,403,784	\$ 1,544,647	\$ 518,727	\$ 14,467,158		

2019	Trail Management and Protection		User and Supporter Services				Program Services Total	Management and General	Fundraising	Total Expenses
	Conservation and Land Trust	Membership Services	Publications	Communications						
Salaries, wages and payroll taxes	\$ 2,363,241	\$ 106,331	\$ 197,002	\$ 370,398	\$ 3,036,972	\$ 665,322	\$ 337,000	\$ 4,039,294		
Employee benefits	295,653	11,606	25,516	42,046	374,821	88,637	22,943	486,401		
Contract services	1,352,903	226,912	7,143	151,279	1,738,237	670,355	91,246	2,499,838		
Supplies	134,701	3,954	21,993	4,749	165,397	20,142	2,628	188,167		
Postage	4,377	192,916	92,554	46,702	336,549	1,606	56,937	395,092		
Printing	9,540	168,942	3,323	92,940	274,745	1,121	42,564	318,430		
Personnel development	9,784	--	500	13,383	23,667	16,765	395	40,827		
Promotional	--	2,606	1,032	7,878	11,516	--	--	11,516		
Travel, meetings and conferences	263,602	320	9,616	10,301	283,839	115,174	33,412	432,425		
Licenses and fees	2,250	7,463	23,949	342	34,004	18,475	41,547	94,026		
Grants	967,197	--	--	--	967,197	--	--	967,197		
Organization infrastructure	169,701	--	87,887	747	258,335	124,185	376	382,896		
Depreciation and amortization	--	--	--	--	--	197,095	--	197,095		
Other expenses	75,723	3,700	8,205	5,175	92,803	188,682	182,476	463,961		
Total expenses	\$ 5,648,672	\$ 724,750	\$ 478,720	\$ 745,940	\$ 7,598,082	\$ 2,107,559	\$ 811,524	\$ 10,517,165		



50 S. Cameron St.
Winchester, VA 22601

540.662.3417

YHBcpa.com

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

To the Board of Directors
The Appalachian Trail Conservancy
Harpers Ferry, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of The Appalachian Trail Conservancy (the "Conservancy"), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of the expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

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

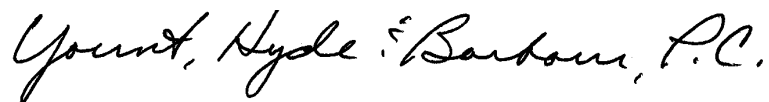
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Gount, Hyde & Barbour, P.C." in a cursive script.

Winchester, Virginia
May 7, 2021



50 S. Cameron St.
Winchester, VA 22601
540.662.3417
YHBcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
The Appalachian Trail Conservancy
Harpers Ferry, West Virginia

Report on Compliance for Each Major Federal Program

We have audited The Appalachian Trail Conservancy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Appalachian Trail Conservancy's major federal programs for the year ended December 31, 2020. The Appalachian Trail Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Appalachian Trail Conservancy's compliance.

Opinion on the Conservancy's U.S. Department of Interior Program

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

Report on Internal Control Over Compliance

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

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

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

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

Yount, Hyde & Barbours, P.C.

Winchester, Virginia
May 7, 2021

APPALACHIAN TRAIL CONSERVANCY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Interior				
Passed through the National Park Service				
(Contract Number H0500000002)				
Base	15.935	P14AC00659	\$ --	\$ 68,101
Repair Rehab	15.935	P14AC00659	--	216,804
Cyclic	15.935	P14AC00659	--	385,759
SUP	15.935	P14AC00659	--	13,466
Other NPS accounts	15.935	P14AC00659	--	291,516
Total U.S. Department of the Interior			<u>\$ --</u>	<u>\$ 975,646</u>
U.S. Department of Agriculture				
		15-CS-11080300-020; 15-PA-11080822-008 Mod 004; 20-		
Passed through National Resources Conservation Service	10.U00	CS-11092200-019	\$ --	\$ 26,998
Total U.S. Department of Agriculture				
Total Expenditures of Federal Awards			<u>\$ --</u>	<u>\$ 1,002,644</u>

See notes to the schedule of expenditures of federal awards.

THE APPALACHIAN TRAIL CONSERVANCY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Conservancy has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal program revenue per Schedule of Expenditures of Federal Awards	\$ 1,002,644
Nonfederal program revenue	<u>653,981</u>
Total contractual services revenue	<u><u>\$ 1,656,625</u></u>

THE APPALACHIAN TRAIL CONSERVANCY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------|----------------------------|
| • Material weakness(es) identified? | _____ Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | _____ Yes | <u> X </u> None Reported |

Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No
---	-----------	-----------------

Federal Awards

Internal control over major programs:

- | | | |
|---|-----------|----------------------------|
| • Material weakness(es) identified? | _____ Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | _____ Yes | <u> X </u> None Reported |

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

- | | | |
|---|-----------|-----------------|
| • Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) | _____ Yes | <u> X </u> No |
|---|-----------|-----------------|

Identification of major programs: CFDA Number: 15.935; U.S. Department of Interior Passed through the National Park Service under contract Number H0500000002

Dollar threshold used to distinguish between type A and type B programs	<u> \$750,000 </u>
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Auditee qualified as low-risk auditee?	_____ Yes	<u> X </u> No
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THE APPALACHIAN TRAIL CONSERVANCY

Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2020

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

IV. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.