

# APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013

**tonneson + co**

Certified Public Accountants & Consultants

APPALACHIAN MOUNTAIN CLUB

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF ACTIVITIES	3
CONSOLIDATED STATEMENTS OF CASH FLOWS	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	5 - 13

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Appalachian Mountain Club  
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Appalachian Mountain Club, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows 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.

### Auditors' 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 auditors' 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, 2014 and 2013, 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  
May 14, 2015

**tonneson + co**

Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 t. 781.245.9999 f. 781.245.8731 [www.tonneson.com](http://www.tonneson.com)

APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 8,484,585	\$ 5,494,609
Accounts Receivable, less allowance for doubtful accounts of \$17,084 in 2014 and \$19,205 in 2013	631,445	490,965
Pledges Receivable	1,006,828	704,225
Prepaid Expenses	384,537	250,554
Inventories	741,570	643,347
Note Receivable	-	11,065,000
Property and Equipment, net	41,328,992	40,867,322
Investments, at market	64,869,308	63,622,604
<b>Total Assets</b>	<u>\$ 117,447,265</u>	<u>\$ 123,138,626</u>
<b>Liabilities:</b>		
Accounts Payable	\$ 713,447	\$ 577,513
Accrued Expenses and Other Liabilities	1,689,147	1,227,108
Annuity Payments Liability	409,559	497,463
Deferred Revenue	1,210,671	1,136,939
Loan Payable	-	14,550,000
<b>Total Liabilities</b>	<u>4,022,824</u>	<u>17,989,023</u>
<b>Net Assets:</b>		
Unrestricted	93,771,216	87,901,870
Temporarily Restricted	15,962,619	13,637,944
Permanently Restricted	3,690,606	3,609,789
<b>Total Net Assets</b>	<u>113,424,441</u>	<u>105,149,603</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 117,447,265</u>	<u>\$ 123,138,626</u>

See Notes to Consolidated Financial Statements.

**APPALACHIAN MOUNTAIN CLUB**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014						2013					
	Unrestricted		Temporarily Restricted		Permanently Restricted		Unrestricted		Temporarily Restricted		Permanently Restricted	
	Operating	Other	Temporarily Restricted	Other	Temporarily Restricted	Other	Operating	Other	Temporarily Restricted	Other	Temporarily Restricted	Total
<b>Revenues:</b>												
Contributions and Gifts	\$ 3,413,063	\$ 415,135	\$ 2,778,865	\$ 45,723	\$ 6,652,786	\$ 3,208,607	\$ 965,237	\$ 76,899	\$ 200,000	\$ 4,450,743		
Debt Forgiveness		3,024,827			3,024,827							
Membership	3,094,088				3,094,088	3,090,840				3,090,840		
Outdoor Program Centers	11,126,041				11,126,041	10,252,585				10,252,585		
Programs	3,906,361		1,436,184		5,342,545	3,584,760	58,361			3,643,121		
Publications	653,576				653,576	677,473				677,473		
Interest, Investment & Other Income	11,614	1,291,966	129,025		1,432,605	7,953	1,126,630	146,097		1,280,680		
Gains from Investments, net		2,485,558	661,822	35,094	3,182,474		5,515,715	1,472,640	105,833	7,094,188		
Endowment Spending Allocation	2,347,415	(2,347,415)			-	2,380,526	(2,380,526)			-		
Special Project Funding	863,577	(863,577)			-	792,608	(792,608)			-		
<b>Total Revenues</b>	<b>25,415,735</b>	<b>4,006,494</b>	<b>5,005,896</b>	<b>80,817</b>	<b>34,508,942</b>	<b>23,995,352</b>	<b>4,492,809</b>	<b>1,695,636</b>	<b>305,833</b>	<b>30,489,630</b>		
<b>Expenses:</b>												
Member Services	2,737,208				2,737,208	2,673,988				2,673,988		
Outdoor Program Centers	11,171,442	446,318			11,617,760	10,723,491	353,513			11,077,004		
Programs	7,456,364	34,696			7,491,060	6,594,794	11,153			6,605,947		
Publications	596,781				596,781	627,189				627,189		
Administrative	2,072,618	84,205			2,156,823	1,963,123	90,966			2,054,089		
Fundraising	1,229,878	376,780			1,606,658	1,260,643	229,146			1,489,789		
Interest Expense		27,814			27,814		211,501			211,501		
<b>Total Expenses</b>	<b>25,264,291</b>	<b>969,813</b>	<b>-</b>	<b>-</b>	<b>26,234,104</b>	<b>23,843,228</b>	<b>896,279</b>	<b>-</b>	<b>-</b>	<b>24,739,507</b>		
<b>Change in Net Assets Before Transfers and Releases</b>	<b>151,444</b>	<b>3,036,681</b>	<b>5,005,896</b>	<b>80,817</b>	<b>8,274,838</b>	<b>152,124</b>	<b>3,596,530</b>	<b>1,695,636</b>	<b>305,833</b>	<b>5,750,123</b>		
<b>Transfers and Releases:</b>												
Transfer of Operating Surplus	(151,444)	151,444			-	(152,124)	152,124			-		
Releases of Restricted Net Assets		2,681,221	(2,681,221)		-		729,048	(729,048)		-		
<b>Total Change in Net Assets</b>	<b>-</b>	<b>5,869,346</b>	<b>2,324,675</b>	<b>80,817</b>	<b>8,274,838</b>	<b>-</b>	<b>4,477,702</b>	<b>966,588</b>	<b>305,833</b>	<b>5,750,123</b>		
<b>Net Assets, Beginning of Year</b>	<b>-</b>	<b>87,901,870</b>	<b>13,637,944</b>	<b>3,609,789</b>	<b>105,149,603</b>	<b>-</b>	<b>83,424,168</b>	<b>12,671,356</b>	<b>3,303,956</b>	<b>99,399,480</b>		
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ 93,771,216</b>	<b>\$ 15,962,619</b>	<b>\$ 3,690,606</b>	<b>\$ 113,424,441</b>	<b>\$ -</b>	<b>\$ 87,901,870</b>	<b>\$ 13,637,944</b>	<b>\$ 3,609,789</b>	<b>\$ 105,149,603</b>		

**APPALACHIAN MOUNTAIN CLUB**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 8,274,838	\$ 5,750,123
Adjustments to Reconcile Change in Net Assets to net cash provided by Operating Activities:		
Depreciation	1,532,703	1,475,362
Investment Income and Realized Gains, net	(2,107,814)	(1,430,925)
Loss on Disposal of Property and Equipment	231,869	138,430
Net Unrealized Gains on Investments	(1,903,395)	(6,634,967)
Debt Forgiveness	(3,024,827)	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(140,480)	(128,864)
Pledges Receivable	(302,603)	392,824
Prepaid Expenses	(133,983)	55,397
Inventories	(98,223)	61,741
Accounts Payable	135,934	33,872
Accrued Expenses and Other Liabilities	462,039	205,779
Annuity Payments Liability	(87,904)	(71,571)
Deferred Revenue	73,732	257,526
Net cash provided by Operating Activities	<u>2,911,886</u>	<u>104,727</u>
<b>Cash Flows from Investing Activities:</b>		
Additions to Property and Equipment	(2,237,342)	(1,610,208)
Proceeds from Disposal of Property and Equipment	11,100	29,100
Purchases of Investments	(7,392,925)	(22,153,613)
Proceeds from Sale of Investments	10,157,430	23,933,679
Net cash provided by Investing Activities	<u>538,263</u>	<u>198,958</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Note Receivable	11,065,000	-
Repayment of Loan Payable	(11,525,173)	-
Net cash used in Financing Activities	<u>(460,173)</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,989,976	303,685
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,494,609</u>	<u>5,190,924</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ <u>8,484,585</u>	\$ <u>5,494,609</u>

**Supplemental Data:** Cash paid for interest during the years ended December 31, 2014 and 2013 amounted to \$27,814 and \$211,501, respectively.

# APPALACHIAN MOUNTAIN CLUB

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2014 AND 2013

#### A. Organization:

The Appalachian Mountain Club, together with its consolidated affiliates (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 it provides educational and experiential opportunities to its membership and the general public in the belief that successful conservation depends on this experience. Backcountry 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 a variety of other publications 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 and accrued liabilities, and the fair value of investments. Actual results could differ from those estimates.

##### Basis of Accounting

The accompanying consolidated financial statements of the AMC for the years ended December 31, 2014 and 2013 are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. Restricted contributions that are received and expensed in the current year for the restricted purpose are recorded as unrestricted contributions.

# APPALACHIAN MOUNTAIN CLUB

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2014 AND 2013

#### Summary of Significant Accounting and Reporting Policies, Continued

##### Basis of Accounting, Continued

Net assets are reported by classification based on the existence or absence of donor imposed restrictions:

Unrestricted net assets include all resources which are not subject to donor-imposed restrictions. Activity in unrestricted net assets is shown in the Consolidated Statements of Activities classified as Operating and Other. Unrestricted-Operating revenues consist of revenues, endowment spending allocations, and special project funding which support annual operating and program expenses of the organization. Unrestricted-Operating expenses consist of annual operating expenses of the organization related to member services, outdoor program centers, other programs, publications, administrative, and annual fundraising. Unrestricted-Other revenues and expenses include unrestricted revenues and expenses from capital fundraising campaigns, income and gains (losses) from investments, interest expense and other financing costs, and allocation of a portion of depreciation expense reflecting asset acquisitions that are funded through donor contributions.

Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the AMC which fulfill the restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as use of restricted funds.

Temporarily restricted net assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Accumulated appreciation on permanently restricted net assets	\$ 4,903,371	\$ 4,732,699
Funds for future operations and programs	10,052,420	8,201,020
Donor pledges receivable	1,006,828	704,225
	<u>\$ 15,962,619</u>	<u>\$ 13,637,944</u>

Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently. Permanently restricted net assets consist of the original gift value of investments to be held indefinitely as endowment, the income of which is available to support certain operations of the AMC.

##### 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 reported by the investment managers. The investment managers have various processes and controls in place to insure 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. These investments are classified within Unobservable Inputs. There have been no changes in the methodologies used at December 31, 2014 and 2013. Dividends, interest and net gains/losses on investments are reflected in the Consolidated Statements of Activities. Investment income from restricted assets that is earned and used in the current year for the restricted purpose is recorded as unrestricted investment income.



# APPALACHIAN MOUNTAIN CLUB

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2014 AND 2013

#### Summary of Significant Accounting and Reporting Policies, Continued

##### Planned Giving Agreements

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.

Contribution revenue is recorded as 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 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 market.

##### 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.

##### 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, 2014 and 2013.

##### 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, 2014 AND 2013

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 short term 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 would have resulted from that risk amounted to approximately \$7,700,000 for the year ended December 31, 2014. The AMC places its cash in highly rated financial institutions. The AMC has not experienced any losses in such accounts and does not believe it is exposed to any 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, 2014, 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.

Subsequent Events

The date to which events occurring after December 31, 2014 have been evaluated for possible adjustment to the consolidated financial statements or disclosure is the date of the Independent Auditors' Report which is the date the consolidated financial statements were available to be issued.

C. Investments:

The following table summarizes the AMC's financial assets measured at fair value as of December 31, 2014 and December 31, 2013:

	2014		2013	
	Quoted Prices in Active Markets for Identical Assets	Unobservable Inputs	Quoted Prices in Active Markets for Identical Assets	Unobservable Inputs
Uninvested Cash and Cash				
Equivalents Pending Investment	\$ 1,378,621	\$	\$ 1,010,073	\$
Mutual Funds:				
U.S. Equity	26,535,042		22,067,417	
Non-U.S. Equity	13,854,739		14,032,325	
U.S. Fixed Income	7,580,371		9,494,532	
Non-U.S. Fixed Income	1,763,403		4,019,372	
Blended	1,071,141		1,027,511	
Alternative Investments:				
Marketable Alternatives		8,348,733		8,188,025
Private Equity/Venture Capital		3,524,934		2,896,255
Split Interest Agreements:				
Gift Annuity Fund	568,743		639,683	
Pooled Life Income Fund	243,581		247,411	
	\$ 52,995,641	\$ 11,873,667	\$ 52,538,324	\$ 11,084,280

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 estimated fair values provided by investment managers. The following are the changes in alternative investments measured at fair value for the years ended December 31, 2014 and December 31, 2013:

	Fair Value Measurements Using Significant Unobservable Inputs	
	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 11,084,280	\$ 9,640,859
Total gains (realized/unrealized)	705,275	1,596,337
Total investment income (loss), net	(129,069)	(35,468)
Purchases and capital calls	882,547	416,916
Sales and distributions	<u>(669,366)</u>	<u>(534,364)</u>
Ending balance	<u>\$ 11,873,667</u>	<u>\$ 11,084,280</u>

The components of gains (losses) from investments for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Realized gains, net	\$ 1,301,324	\$ 485,925
Unrealized gains, net	1,903,395	6,634,967
Change in value of planned giving agreements	<u>(22,245)</u>	<u>(26,704)</u>
Total gains, net	<u>\$ 3,182,474</u>	<u>\$ 7,094,188</u>

D. Pledges Receivable:

Pledges receivable of \$1,006,828 and \$704,225 are recorded in the consolidated financial statements as of December 31, 2014 and December 31, 2013, 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 (2.0% at December 31, 2014 and 2013). The resulting discount amounted to \$39,238 at December 31, 2014 and \$17,907 at December 31, 2013. An allowance of \$111,870 has been made for potentially unfulfilled pledges at December 31, 2014 and \$78,247 at December 31, 2013.

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

	<u>2014</u>	<u>2013</u>
In one year or less	\$ 421,142	\$ 348,778
Between one and five years	<u>585,686</u>	<u>355,447</u>
Total Pledges Receivable	<u>\$ 1,006,828</u>	<u>\$ 704,225</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

E. Endowment:

The AMC's endowment consists of approximately 94 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. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the AMC.

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

The endowment net assets composition by type of fund as of December 31, 2014 and 2013 is as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$	\$ 10,895,146	\$ 3,690,606	\$ 14,585,752
Board designated endowment funds	<u>47,343,831</u>			<u>47,343,831</u>
Endowment Net Assets, End of Year	<u>\$ 47,343,831</u>	<u>\$ 10,895,146</u>	<u>\$ 3,690,606</u>	<u>\$ 61,929,583</u>

  

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$	\$ 10,458,531	\$ 3,609,789	\$ 14,068,320
Board designated endowment funds	<u>46,437,038</u>			<u>46,437,038</u>
Endowment Net Assets, End of Year	<u>\$ 46,437,038</u>	<u>\$ 10,458,531</u>	<u>\$ 3,609,789</u>	<u>\$ 60,505,358</u>

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Endowment, Continued

The changes in endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 46,437,038	\$ 10,458,531	\$ 3,609,789	\$ 60,505,358
Net assets released from restriction	480,843	(480,843)		-
Investment income and gains, net	2,993,658	778,858	35,094	3,807,610
Contributions and transfers	(190,817)	138,600	45,723	(6,494)
Appropriations of cumulative gains	(2,376,891)			(2,376,891)
Endowment Net Assets, End of Year	\$ <u>47,343,831</u>	\$ <u>10,895,146</u>	\$ <u>3,690,606</u>	\$ <u>61,929,583</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 42,157,790	\$ 9,302,516	\$ 3,303,956	\$ 54,764,262
Net assets released from restriction	431,253	(431,253)		-
Investment income and gains, net	6,050,436	1,586,018	105,833	7,742,287
Contributions and transfers	178,085	1,250	200,000	379,335
Appropriations of cumulative gains	(2,380,526)			(2,380,526)
Endowment Net Assets, End of Year	\$ <u>46,437,038</u>	\$ <u>10,458,531</u>	\$ <u>3,609,789</u>	\$ <u>60,505,358</u>

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or the UPMIFA requires the AMC to retain as a fund for perpetual duration. There were no deficiencies reported in unrestricted net assets as of December 31, 2014 and 2013.

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 of the prior year's spending amount, adjusted for inflation, and 4.5% of the previous year's invested endowment balance.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

F. Note Receivable:

Note receivable consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Note Receivable due 2034; Interest receivable at 1%; to be received on the earlier of 2034 or the settlement of AMC's loan payable due 2039	\$ -	\$ 11,065,000
Total Note Receivable	\$ -	\$ 11,065,000

The above referenced note is part of a financing structured under the New Markets Tax Credit ("NMTC") program of the U.S. Treasury Department and in February 2014 was settled along with the corresponding Loan Payable (see Note H).

G. Property and Equipment:

Property and equipment consists of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 19,732,655	\$ 19,900,576
Buildings and improvements	33,228,630	32,203,348
Furniture, fixtures and equipment	7,649,142	7,203,404
Construction in progress	943,104	387,149
	<u>61,553,531</u>	<u>59,694,477</u>
Accumulated depreciation	<u>(20,224,539)</u>	<u>(18,827,155)</u>
Property and equipment, net	\$ <u>41,328,992</u>	\$ <u>40,867,322</u>

Depreciation expense for 2014 totaled \$1,532,703 and \$1,475,362 for 2013. The AMC has a permit with the U.S.D.A Forest Service to operate and maintain huts within the boundaries of the White Mountain National Forest that expires on May 14, 2029.

H. Loan Payable:

Loan payable consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Secured borrowing due 2039 (subject to put & call agreement); interest payable at 1.4337%	\$ -	\$ 14,550,000
Total Loan Payable	\$ -	\$ 14,550,000

# APPALACHIAN MOUNTAIN CLUB

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2014 AND 2013

#### Loan Payable, Continued

The above referenced loan was part of a financing structure under the NMTC program of the U.S. Treasury Department (see Note F). Loan proceeds were used for the AMC's Maine Woods Initiative project. Interest expense for this loan was \$27,814 for 2014 and \$211,501 for 2013. The loan agreement specified certain debt forgiveness provisions at maturity. In conjunction with the Loan Payable, a single purpose lending entity was established by a commercial bank whose sole activity was the loan to the AMC. The AMC had entered into a put and call agreement with the bank whereby the AMC may acquire the lending entity from the bank in 2014 or thereafter.

On February 18, 2014, the AMC acquired the entity and settled the loan and note payable. The Loan Payable of \$14,550,000 and the corresponding Note Receivable of \$11,065,000 were fully satisfied, and after payment of certain costs of satisfaction, AMC recorded debt forgiveness of \$3,024,827 as revenue.

#### I. Commitments:

The AMC has a line of credit agreement with a commercial bank which expires in July 2019, secured by certain mutual funds. The maximum borrowings available under the agreement are \$5,000,000. 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, 2014 and 2013.

#### J. 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 vesting schedule for their employer matching contributions. The expense related to the plan was \$575,671 for 2014 and \$523,007 for 2013. The AMC also sponsors a deferred compensation plan in which all eligible employees may participate. The AMC makes no contribution to this plan.

Although it has not expressed any intent to do so, the AMC has the right under the plan to discontinue its contributions at any time and to terminate the plan 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 plan of any vested right. In the event of plan termination, participants remain vested in their accounts.

#### K. Subsequent Events:

During January 2015, the AMC purchased 4,311 acres of land in Maine on Baker Mountain, abutting AMC's Katahdin Iron Works property, for approximately \$2,200,000, supported by contributions. In connection with this purchase, a conservation easement was placed on a significant portion of the land.