APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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Certified Public Accountants & Consultants

APPALACHIAN MOUNTAIN CLUB

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Appalachian Mountain Club
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Appalachian Mountain Club, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Mountain Club and affiliates as of December 31, 2017 and 2016, 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
June 7, 2018

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APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
Assets:		
Cash and Cash Equivalents	$ 7,140,263	$ 6,986,558
Accounts Receivable, net of allowance for doubtful accounts of $10,607 in 2017 and $11,550 in 2016	602,657	548,821
Pledges Receivable	3,409,635	2,557,188
Prepaid Expenses and Other Assets	264,842	295,019
Inventories	985,031	733,272
Notes Receivable, NMTC	8,660,730	8,660,730
Note Receivable, Property	-	4,000,000
Property and Equipment, net	67,946,430	64,205,248
Investments, at market	69,698,695	62,759,279
Total Assets	$ 158,708,283	$ 150,746,115
Liabilities:		
Accounts Payable	$ 845,001	$ 1,398,903
Accrued Expenses and Other Liabilities	1,115,310	1,117,346
Annuity Payments Liability	397,741	430,834
Deferred Revenue	2,115,535	1,806,659
Loans Payable, net	12,198,889	12,114,381
Total Liabilities	16,672,476	16,868,123
Net Assets:		
Unrestricted	120,868,824	114,637,337
Temporarily Restricted	17,258,817	15,574,256
Permanently Restricted	3,908,166	3,666,399
Total Net Assets	142,035,807	133,877,992
Total Liabilities and Net Assets	$ 158,708,283	$ 150,746,115

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017					2016				
	Unrestricted		Temporarily	Permanently		Unrestricted		Temporarily	Permanently	
	Operating	Other	Restricted	Restricted	Total	Operating	Other	Restricted	Restricted	Total
Revenues:										
Contributions and Gifts	$ 3,766,447	$ 733,468	$ 4,311,409	$ 241,767	$ 9,053,091	$ 3,619,486	$ 4,142,583	$ 2,638,504	$ 1,000	$ 10,401,573
Membership	3,093,731				3,093,731	3,109,446				3,109,446
Outdoor Program Centers	13,039,692				13,039,692	12,378,606				12,378,606
Programs	5,584,064				5,584,064	5,066,295				5,066,295
Publications	765,818				765,818	817,470				817,470
Rental, Interest, & Other	863,694	235,836	81,523		1,181,053	82,047	783,446	81,877		947,370
Gains from Investments, net		6,817,724	2,024,458		8,842,182		2,346,907	681,943		3,028,850
Gain on Sale of Property		-			-		14,731,417			14,731,417
Endowment Spending Allocation	2,628,089	(2,628,089)			-	2,555,503	(2,555,503)			-
Special Project Funding	2,208,869	(2,208,869)			-	1,007,421	(1,007,421)			-
Total Revenues	31,950,404	2,950,070	6,417,390	241,767	41,559,631	28,636,274	18,441,429	3,402,324	1,000	50,481,027
Expenses:										
Member Services	3,293,597				3,293,597	2,918,040				2,918,040
Outdoor Program Centers	12,528,085	497,133			13,025,218	11,737,911	237,988			11,975,899
Programs	10,717,827	80,514			10,798,341	9,402,265	87,945			9,490,210
Publications	767,446				767,446	662,067				662,067
Administrative	2,461,147	293,379			2,754,526	2,413,150	81,401			2,494,551
Fundraising	1,512,408	397,486			1,909,894	1,333,180	422,628			1,755,808
Rental, Interest, & Other	643,418	209,376			852,794	31,392	211,457			242,849
Reduction in Land Carrying Value		-			-		1,540,476			1,540,476
Total Expenses	31,923,928	1,477,888	-	-	33,401,816	28,498,005	2,581,895	-	-	31,079,900
Change in Net Assets Before Transfers and Releases	26,476	1,472,182	6,417,390	241,767	8,157,815	138,269	15,859,534	3,402,324	1,000	19,401,127
Transfers and Releases:										
Transfer of Operating Surplus	(26,476)	26,476			-	(138,269)	138,269			-
Releases of Restricted Net Assets		4,732,829	(4,732,829)		-		5,518,591	(5,518,591)		-
Total Change in Net Assets	-	6,231,487	1,684,561	241,767	8,157,815	-	21,516,394	(2,116,267)	1,000	19,401,127
Net Assets, Beginning of Year	-	114,637,337	15,574,256	3,666,399	133,877,992	-	93,120,943	17,690,523	3,665,399	114,476,865
Net Assets, End of Year	$ -	$ 120,868,824	$ 17,258,817	$ 3,908,166	$ 142,035,807	$ -	$ 114,637,337	$ 15,574,256	$ 3,666,399	$ 133,877,992

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2017	2016
Cash Flows from Operating Activities:		
Change in Net Assets	$ 8,157,815	$ 19,401,127
Adjustments to Reconcile Change in Net Assets to net cash provided by (used in) Operating Activities:		
Depreciation	1,982,599	1,592,441
Interest on Debt Issuance Costs	84,508	84,020
Reduction in Land Carrying Value	-	1,540,476
Investment Income and Realized Gains, net	(2,772,823)	(867,703)
Gain on Disposal of Property and Equipment	(4,057)	(14,746,277)
Net Unrealized Gains on Investments	(6,655,369)	(3,023,458)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(53,836)	299,225
Pledges Receivable	(852,447)	(184,683)
Prepaid Expenses	30,177	(15,502)
Inventories	(251,759)	(43,694)
Accounts Payable	(553,902)	702,743
Accrued Expenses and Other Liabilities	(2,036)	46,121
Annuity Payments Liability	(33,093)	(16,687)
Deferred Revenue	308,876	(11,525)
Net cash provided by (used in) Operating Activities	(615,347)	4,756,624
Cash Flows from Investing Activities:		
Additions to Property and Equipment	(5,743,174)	(24,096,227)
Proceeds from Sale of Property and Equipment	23,450	10,947,687
Purchases of Investments	(11,584,982)	(15,097,156)
Proceeds from Sale of Investments	14,073,758	17,562,097
Net cash used in Investing Activities	(3,230,948)	(10,683,599)
Cash Flows from Financing Activities:		
Proceeds from Note Receivable, Property	4,000,000	-
Net cash provided by Financing Activities	4,000,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,705	(5,926,975)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,986,558	12,913,533
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,140,263	$ 6,986,558

Supplemental Data: Cash paid for interest during the years ended December 31, 2017 and 2016 amounted to $124,868 and $127,437, respectively.

Supplemental schedule of non-cash investing and financing activities: Refer to Note G for notes receivable agreement in the amount of $4,000,000 entered into in 2016.

See Notes to Consolidated Financial Statements.

APPALACHIAN MOUNTAIN CLUB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

A. Organization:

The Appalachian Mountain Club, together with its consolidated affiliates AMC Maine Woods Initiative, LLC and AMC Maine Woods Funding, LLC (collectively, the "AMC"), is a not-for-profit environmental conservation and recreation corporation with the mission of promoting the protection, enjoyment and understanding of the mountains, forest, waters, and trails of the Appalachian Region. In pursuit of this aim, AMC provides educational and experiential opportunities to its membership and the general public in the belief that successful conservation depends on this experience. Campsite, shelter, and lodging facilities, trail maintenance programs, land stewardship, scientific research, environmental conservation, and local chapter activities together with the publication of guidebooks, maps, and 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, 2017 and 2016 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.

B. 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, 2017 and 2016:

	2017	2016
Accumulated appreciation on permanently restricted net assets	$ 5,502,155	$ 4,522,556
Funds for future operations, programs, and property and equipment	8,347,027	8,494,512
Donor pledges receivable	3,409,635	2,557,188
	$ 17,258,817	$ 15,574,256

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, as reported by the investment managers, as a practical expedient for measuring fair value. The investment managers have various processes and controls in place to 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. There have been no changes in the methodologies used at December 31, 2017 and 2016. 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.

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

Gift Annuity Fund and Pooled Life Income Fund

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

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 annuity payments are adjusted based on donor life expectancies and on prevailing interest rates.

Cash Equivalents

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

Pledges and Accounts Receivable

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

Inventories

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

Deferred Revenue

The AMC defers recognition of outdoor program center reservations revenues to the period in which the related reservation occurs and the related expenses are incurred.

Debt Issuance Costs

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

Collections

Collection items are artifacts related to the historical programs of the AMC, which are catalogued and preserved for educational and research purposes. No collection items were capitalized as of December 31, 2017 and 2016.

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

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.

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 could have resulted from that risk amounted to approximately $6,200,000 as of December 31, 2017. 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 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, 2017, the AMC has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The AMC is generally subject to potential examination by taxing jurisdictions for the prior three years.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent).* The provisions of ASU 2015-07 remove the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, *Fair Value Measurement.* In addition, disclosures about investments in certain entities that calculate net asset value per share are limited to those investments for which the entity has elected to estimate the fair value using the net asset value practical expedient. The provisions of ASU 2015-07 are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Management has elected to adopt this accounting standard during the year ended December 31, 2017. The financial statement note presentation has been changed retrospectively to reflect such adoption.

Subsequent Events

The date to which events occurring after December 31, 2017 have been evaluated for possible adjustment to the consolidated financial statements or disclosure is the date of the Independent Auditor's Report which is the date the consolidated financial statements were available to be issued.

C. Investments:

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

The following table summarizes the AMC's financial assets measured at fair value as of December 31, 2017 and December 31, 2016:

	2017	2016
Quoted Prices in Active Markets for Identical Assets:		
Uninvested Cash and Cash Equivalents Pending Investment	$ 1,378,700	$ 4,192,690
Mutual Funds:		
U.S. Equity	25,720,631	23,980,625
Non-U.S. Equity	18,987,104	11,393,078
U.S. Fixed Income	7,996,635	6,475,085
Non-U.S. Fixed Income	-	2,008,222
Blended	1,175,913	1,036,245
Split Interest Agreements:		
Gift Annuity Fund	606,770	565,804
Pooled Life Income Fund	94,786	96,428
Subtotal	55,960,539	49,748,177
Alternative Investments Measured at Net Asset Value	13,738,156	13,011,102
Total Investments, at Market	$ 69,698,695	$ 62,759,279

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

The AMC uses NAV to determine the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The types of investments that qualify for this treatment are included in the following tables at December 31, 2017 and 2016:

C. Investments, Continued:

December 31, 2017:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Marketable Alternatives (a)	$ 8,052,517	$ -	Varies from Monthly to Every 3 Years	Varies from 20 to 90 days
Private Equity/Venture Capital (b)	5,685,639	3,634,039	Not Permitted	N/A
	$ 13,738,156			

December 31, 2016:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Marketable Alternatives (a)	$ 8,214,455	$ -	Varies from Monthly to Every 3 Years	Varies from 20 to 90 days
Private Equity/Venture Capital (b)	4,796,647	3,644,046	Not Permitted	N/A
	$ 13,011,102			

(a) This class includes investments in hedge funds that invest in long and short positions using U.S. and Non-U.S. common stocks with some credit exposure. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, from a net long position to a net short position, and pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

(b) This class includes investments in funds that invest in private U.S. and internationally based companies either through direct investments or through other private investment funds. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Unfunded commitments represent future capital calls.

The components of gains (losses) from investments for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Realized gains, net	$ 2,196,989	$ 24,433
Unrealized gains, net	6,655,369	3,023,458
Change in value of planned giving agreements	(10,176)	(19,041)
Total gains, net	$ 8,842,182	$ 3,028,850

D. Pledges Receivable:

Pledges receivable of $3,409,635 and $2,557,188 are recorded in the consolidated financial statements as of December 31, 2017 and 2016, 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 (2.23% at December 31, 2017 and 1.8% at December 31, 2016). The resulting discount amounted to $133,572 at December 31, 2017 and $73,297 at December 31, 2016. An allowance has been made for potentially unfulfilled pledges of $378,848 at December 31, 2017 and $284,132 at December 31, 2016.

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

	2017	2016
In one year or less	$ 1,599,966	$ 1,082,254
Between one and five years	1,800,665	1,474,934
Greater than five years	9,004	-
Total Pledges Receivable	$ 3,409,635	$ 2,557,188

E. Endowment:

The AMC's endowment consists of approximately 100 individual funds established for a variety of purposes. It includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The AMC interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the AMC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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.

E. Endowment, Continued:

The endowment net assets composition by type of fund as of December 31, 2017 and 2016 is as follows:

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$	$ 12,115,364	$ 3,908,166	$ 16,023,530
Board designated endowment funds	50,409,501			50,409,501
Endowment Net Assets, End of Year	$ 50,409,501	$ 12,115,364	$ 3,908,166	$ 66,433,031

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$	$ 10,482,819	$ 3,666,399	$ 14,149,218
Board designated endowment funds	45,639,845			45,639,845
Endowment Net Assets, End of Year	$ 45,639,845	$ 10,482,819	$ 3,666,399	$ 59,789,063

The changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 45,639,845	$ 10,482,819	$ 3,666,399	$ 59,789,063
Net assets released from restriction	549,480	(549,480)		-
Investment income and gains, net	6,761,495	2,105,982		8,867,477
Contributions and transfers	87,270	76,043	241,767	405,080
Endowment spending allocation	(2,628,589)			(2,628,589)
Endowment Net Assets, End of Year	$ 50,409,501	$ 12,115,364	$ 3,908,166	$ 66,433,031

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 44,746,903	$ 10,005,924	$ 3,665,399	$ 58,418,226
Net assets released from restriction	505,367	(505,367)		-
Investment income and gains, net	2,792,693	763,822		3,556,515
Contributions and transfers	150,385	218,440	1,000	369,825
Endowment spending allocation	(2,555,503)			(2,555,503)
Endowment Net Assets, End of Year	$ 45,639,845	$ 10,482,819	$ 3,666,399	$ 59,789,063

E. Endowment, Continued:

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, 2017 and 2016.

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.

F. Notes Receivable, NMTC:

Notes receivable consists of the following at December 31, 2017 and 2016:

	2017	2016
Notes Receivable due 2044; Interest receivable ranges from 1.43% to 1.451%; to be received on the earlier of 2044 or the settlement of AMC's loans payable due 2049	$ 8,660,730	$ 8,660,730
Total Notes Receivable	$ 8,660,730	$ 8,660,730

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

G. Property and Equipment:

Property and equipment consists of the following as of December 31, 2017 and 2016:

	2017	2016
Land	$ 28,304,166	$ 28,023,721
Buildings and improvements	52,764,158	43,956,257
Furniture, fixtures and equipment	9,131,319	8,047,007
Construction in progress	623,605	5,156,628
	90,823,248	85,183,613
Accumulated depreciation	(22,876,818)	(20,978,365)
Property and equipment, net	$ 67,946,430	$ 64,205,248

Depreciation expense for 2017 totaled $1,982,599 and $1,592,441 for 2016.

The AMC has permits with Federal, State and municipal agencies to operate and maintain facilities and campsites within the boundaries controlled by the various governmental entities. These permits range in term from one to forty years, and have expiration dates from 2018 to 2055.

During December 2016, the AMC purchased 4,358 acres of land in Maine surrounding Silver Lake, adjacent to AMC's Katahdin Iron Works property, for approximately $3,900,000. As a condition of the contribution received in support of the purchase, a conservation easement was placed on a significant portion of the land, which resulted in a $1,540,476 reduction in the carrying value of the land and a corresponding amount of expense on the Consolidated Statements of Activities.

As part of its Maine Woods Initiative, a 75,000 acre conservation and recreation project in the 100-mile Wilderness region of Maine, the AMC reconstructed Medawisla Lodge and Cabins, which adds capacity to AMC's Maine Lodge network. This facility opened to the public in July 2017. The AMC spent approximately $6,600,000 and $4,800,000 on the facilities through December 31, 2017 and 2016, respectively.

On September 22, 2016, the AMC executed agreements to sell properties in Boston, Massachusetts for $15,000,000, and received $11,000,000 of the purchase price. AMC received a non-interest bearing note for the remaining $4,000,000, which was to be repaid upon purchaser taking possession of the properties, but no later than September 23, 2017. The note was secured by a second mortgage on the buildings located at 3, 4 and 5 Joy Street, Boston, Massachusetts. As of December 31, 2016, borrowings owed to AMC under this agreement amounted to $4,000,000. The note was paid in full on September 21, 2017. In addition, AMC executed an agreement with the purchaser to lease the properties located at 3, 4 and 5 Joy Street, Boston, Massachusetts for up to twelve months, ending September 23, 2017. The lease agreement provided for the first six months to be rent-free. Variable escalating monthly rental payments totaling approximately $196,000 were payable commencing March 2017 through September 2017, or upon purchaser taking possession of the properties. Rent expense had been recorded on a straight-line basis over the expected lease term. Rent expense amounted to $143,620 and $52,715 for the years ended December 31, 2017 and 2016, respectively.

On December 5, 2016, the AMC executed agreements to purchase property for approximately $13,400,000, including a commercial building valued at approximately $9,200,000, and land of $4,200,000. This property serves as the AMC's current organizational headquarters located at 10 City Square in Boston's Charlestown neighborhood, as well as providing income through leasing of retail and office space (Refer to Note I).

H. Loans Payable:

Loans payable consists of the following at December 31, 2017 and 2016:

	2017	2016
Secured borrowings due 2049 (subject to put & call agreement); interest payable at 1%	$ 12,611,804	$ 12,611,804
Less unamortized debt issuance costs	(412,915)	(497,423)
Total Loans Payable, Net	$ 12,198,889	$ 12,114,381

The above referenced loans are part of a financing structure under the NMTC program of the U.S. Treasury Department (see also Note F). Loan proceeds are to be used for specified project expenses in Piscataquis County, Maine by the AMC's wholly owned subsidiary AMC Maine Woods Initiative, LLC. The loans are secured by certain assets, and interest expense for these loans for 2017 was $124,868 and 2016 was $127,437. The loan and related agreements specify debt forgiveness provisions at maturity, and require the AMC to comply with certain covenants. At December 31, 2017, management is not aware of any violations of the covenants. In conjunction with the Loans Payable, single purpose lending entities were established by the lenders whose sole activities are the loans to the AMC Maine Woods Initiative, LLC. The AMC has entered into a put and call agreement with the lenders whereby the AMC may acquire the lending entities from the bank in 2022 or thereafter. It is expected that the AMC will acquire the entities in 2022 and will repay all amounts outstanding, less debt forgiveness amounts, at that time.

I. Commitments:

Line of Credit

The AMC has a line of credit agreement with a commercial bank which expires in July 2019, secured by certain mutual funds investments. The maximum borrowings available under the agreement are $5,000,000, limited to 70% of pledged mutual funds. The agreement provides that any borrowings are due on or before the expiration date of the agreement and bear interest at LIBOR plus 1.45%. There were no outstanding borrowings under the agreement at December 31, 2017 and 2016.

Real Estate Rental Income

In conjunction with the purchase of 10 City Square in Boston's Charlestown neighborhood during December 2016, the AMC entered into eight long-term, non-cancelable lease agreements to lease office space. The agreements provide for fixed minimum monthly rental income ranging from approximately $2,500 to $25,000 and expire at various times through April 2026. Rental income amounted to approximately $854,000 and $70,000 for the years ended December 31, 2017 and 2016, respectively.

The future minimum rental income receivable, by year, under the non-cancelable lease agreements as of December 31, 2017 are as follows:

Years ending December 31,	**Amount**
2018	$ 649,000
2019	669,000
2020	671,000
2021	422,000
2022	349,000
Thereafter	493,000
	$ 3,253,000

I. Commitments, Continued:

Lease Commitments

In conjunction with the purchase of 10 City Square in Boston's Charlestown neighborhood during December 2016, the AMC entered into a long-term, non-cancelable lease agreement to lease parking spaces. The agreement provides for fixed minimum monthly rental payments of $4,375 and expires March 2025. Rental expense amounted to approximately $53,000 and $4,000 for the years ended December 31, 2017 and 2016, respectively.

The AMC has various long-term, non-cancelable lease agreements to lease office space. The agreements provide for fixed minimum monthly rental payments ranging from approximately $900 to $7,300 and expire at various times through July 2022. Rental expense amounted to approximately $119,000 and $109,000 for the years ended December 31, 2017 and 2016, respectively.

The future minimum annual rental payments required under the long-term non-cancelable lease agreements as of December 31, 2017 are as follows:

Years ending December 31,	Amount
2018	$ 193,000
2019	153,000
2020	136,000
2021	140,000
2022	105,000
Thereafter	119,000
	$ 846,000

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 gradual vesting schedule for their employer matching contributions. The expense related to the plan was $531,809 for 2017 and $613,992 for 2016. 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 plans to discontinue its contributions at any time and to terminate the plans subject to the provisions of the Employee Retirement Income Security Act of 1974. However, no such action may deprive any participant or beneficiary under the plans of any vested right. In the event of a plan termination, participants remain vested in their accounts.