

**ADIRONDACK MOUNTAIN CLUB, INC.
FINANCIAL REPORT
DECEMBER 31, 2018**

ADIRONDACK MOUNTAIN CLUB, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adirondack Mountain Club, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Adirondack Mountain Club, Inc. (the Club), (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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. 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 the 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 entity'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 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 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 Adirondack Mountain Club, Inc. as of December 31, 2018 and 2017, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, Adirondack Mountain Club, Inc. adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of the liquidity disclosure which has been presented only for the current year which is allowed by the update. Our opinion is not modified with respect to this matter.

Marvin and Company, P.C.

Queensbury, NY
March 28, 2019

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 412,816	\$ 694,896
Receivables	104,129	163,063
Inventories	225,248	221,870
Prepaid and deferred expenses	153,537	160,164
Total Current Assets	<u>895,730</u>	<u>1,239,993</u>
Other Assets		
Investments	1,581,865	1,761,275
Land, buildings and equipment (net of accumulated depreciation of \$2,537,681 and \$2,416,884)	2,138,570	1,284,817
Beneficial interest in assets held by others	67,869	71,341
Total Other Assets	<u>3,788,304</u>	<u>3,117,433</u>
TOTAL ASSETS	\$ <u>4,684,034</u>	\$ <u>4,357,426</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current installments of long-term debt	\$ 128,421	\$ 119,714
Current installments of capital lease payable	12,928	12,393
Accounts payable and accrued expenses (including \$15,167 and \$16,198 due to Chapters)	393,607	337,598
Deposits	22,006	13,763
Deferred revenue, current portion	576,789	610,063
Total Current Liabilities	<u>1,133,751</u>	<u>1,093,531</u>
Non-Current Liabilities		
Long-term debt, net of current installments	440,617	24,306
Capital lease payable, net of current installments	20,245	33,173
Deferred revenue, net of current portion	289,771	288,671
Charitable gift annuity liability	48,154	53,753
Total Non-Current Liabilities	<u>798,787</u>	<u>399,903</u>
Total Liabilities	<u>1,932,538</u>	<u>1,493,434</u>
Net Assets		
Without donor restrictions	1,673,975	1,732,684
With donor restrictions	1,077,521	1,131,308
Total Net Assets	<u>2,751,496</u>	<u>2,863,992</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,684,034</u>	\$ <u>4,357,426</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Net Assets Without Donor Restrictions		
Support and Revenue		
Membership dues	\$ 820,780	\$ 787,519
Less chapter share	(179,489)	(176,021)
Contributions	619,810	631,816
Grants and contracts	421,118	660,917
Special events	61,444	77,817
Program services	2,677,935	2,480,261
Investment return	(11,471)	133,116
Gain (Loss) on disposal of fixed asset	4,000	(17,205)
Miscellaneous	27,887	20,934
Subtotal	<u>4,442,014</u>	<u>4,599,154</u>
Net Assets Released From Restrictions		
Satisfaction of program or time restrictions	216,144	173,754
Total Support and Revenue	<u>4,658,158</u>	<u>4,772,908</u>
Expenses		
Program services	<u>3,885,944</u>	<u>3,671,330</u>
Supporting services:		
Management and general	105,430	116,119
Fundraising	375,330	384,952
Membership	350,163	449,327
Total Supporting Services	<u>830,923</u>	<u>950,398</u>
Total Expenses	<u>4,716,867</u>	<u>4,621,728</u>
Change in Net Assets Without Donor Restriction	<u>(58,709)</u>	<u>151,180</u>
Net Assets With Donor Restrictions		
Contributions	213,197	197,310
Investment return	(50,840)	72,535
Net Assets Released From Restrictions		
Satisfaction of program or time restrictions	<u>(216,144)</u>	<u>(173,754)</u>
Change in Net Assets With Donor Restrictions	<u>(53,787)</u>	<u>96,091</u>
Total Change in Net Assets	<u>(112,496)</u>	<u>247,271</u>
Net Assets, Beginning of Year	<u>2,863,992</u>	<u>2,616,721</u>
Net Assets, End of Year	<u>\$ 2,751,496</u>	<u>\$ 2,863,992</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services			Total Supporting	Total
		Management and General	Fundraising	Membership		
Salaries	\$ 1,579,918	\$ 287,715	\$ 179,383	\$ 148,019	\$ 615,117	\$ 2,195,035
Employee benefits	214,906	39,136	24,400	20,134	83,670	298,576
Payroll taxes	117,770	21,446	13,372	11,034	45,852	163,622
Subtotal	<u>1,912,594</u>	<u>348,297</u>	<u>217,155</u>	<u>179,187</u>	<u>744,639</u>	<u>2,657,233</u>
Professional fees	-	21,310	-	-	21,310	21,310
Contract services	28,828	12,694	-	1,238	13,932	42,760
Supplies	71,693	6,360	2,008	806	9,174	80,867
Telephone	34,047	7,518	831	101	8,450	42,497
Postage	46,270	2,290	8,714	26,470	37,474	83,744
Printing	71,573	838	30,070	11,851	42,759	114,332
Occupancy	103,008	11,637	-	-	11,637	114,645
Insurance	65,988	30,241	-	-	30,241	96,229
Transportation and lodging	37,477	7,447	1,318	1,855	10,620	48,097
Meetings and committee expenses	-	7,360	-	-	7,360	7,360
Computer expense	15,969	22,431	11,610	14,497	48,538	64,507
Repairs and maintenance	76,382	28,916	-	-	28,916	105,298
Equipment expense	36,456	5,858	-	-	5,858	42,314
Miscellaneous	5,477	1,489	-	22	1,511	6,988
Staff and volunteer expenses	40,772	7,395	79	428	7,902	48,674
Public relations, education and advertising	17,396	15,569	23,769	3,290	42,628	60,024
Interest, finance charges and credit card fees	55,458	7,837	12,527	6,050	26,414	81,872
Adventure travel	320,493	-	-	-	-	320,493
Other direct costs	73,624	18,545	-	-	18,545	92,169
Cost of sales	344,414	-	-	-	-	344,414
Membership initiatives	-	-	-	65,479	65,479	65,479
Special events costs	3,951	1,020	25,684	111	26,815	30,766
Allocated overhead	418,671	(499,014)	41,565	38,778	(418,671)	-
Total	<u>3,780,541</u>	<u>66,038</u>	<u>375,330</u>	<u>350,163</u>	<u>791,531</u>	<u>4,572,072</u>
Depreciation of buildings and equipment	<u>105,403</u>	<u>39,392</u>	<u>-</u>	<u>-</u>	<u>39,392</u>	<u>144,795</u>
Total Functional Expenses	<u>\$ 3,885,944</u>	<u>\$ 105,430</u>	<u>\$ 375,330</u>	<u>\$ 350,163</u>	<u>\$ 830,923</u>	<u>\$ 4,716,867</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services			Total Supporting	Total
		Management and General	Fundraising	Membership		
Salaries	\$ 1,448,250	\$ 333,797	\$ 136,352	\$ 205,443	\$ 675,592	\$ 2,123,842
Employee benefits	199,043	45,876	18,740	28,236	92,852	291,895
Payroll taxes	108,968	25,115	10,259	15,458	50,832	159,800
Subtotal	<u>1,756,261</u>	<u>404,788</u>	<u>165,351</u>	<u>249,137</u>	<u>819,276</u>	<u>2,575,537</u>
Professional fees	-	25,560	-	-	25,560	25,560
Contract services	38,019	12,812	521	-	13,333	51,352
Supplies	67,007	4,442	2,496	711	7,649	74,656
Telephone	31,955	7,683	619	762	9,064	41,019
Postage	43,543	2,395	7,718	31,877	41,990	85,533
Printing	75,776	683	30,485	19,140	50,308	126,084
Occupancy	88,211	8,965	-	-	8,965	97,176
Insurance	59,967	26,384	-	-	26,384	86,351
Transportation and lodging	33,042	6,370	2,691	2,727	11,788	44,830
Meetings and committee expenses	-	6,021	-	-	6,021	6,021
Computer expense	14,078	17,353	16,218	13,872	47,443	61,521
Repairs and maintenance	76,523	30,583	-	-	30,583	107,106
Equipment expense	38,015	8,214	-	-	8,214	46,229
Miscellaneous	3,563	1,454	1,118	63	2,635	6,198
Staff and volunteer expenses	64,205	4,173	60	180	4,413	68,618
Public relations, education and advertising	15,687	1,925	76,722	1,938	80,585	96,272
Interest, finance charges and credit card fees	54,567	7,652	9,012	6,903	23,567	78,134
Adventure travel	257,555	-	-	-	-	257,555
Other direct costs	72,990	13,799	-	-	13,799	86,789
Cost of sales	372,477	-	-	-	-	372,477
Membership initiatives	-	-	-	67,703	67,703	67,703
Special events costs	1,317	4,012	26,440	-	30,452	31,769
Allocated overhead	424,919	(524,734)	45,501	54,314	(424,919)	-
Total	<u>3,589,677</u>	<u>70,534</u>	<u>384,952</u>	<u>449,327</u>	<u>904,813</u>	<u>4,494,490</u>
Depreciation of buildings and equipment	<u>81,653</u>	<u>45,585</u>	<u>-</u>	<u>-</u>	<u>45,585</u>	<u>127,238</u>
Total Functional Expenses	<u>\$ 3,671,330</u>	<u>\$ 116,119</u>	<u>\$ 384,952</u>	<u>\$ 449,327</u>	<u>\$ 950,398</u>	<u>\$ 4,621,728</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (112,496)	\$ 247,271
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on investments	89,889	(178,853)
(Gain) loss on disposal of fixed assets	(4,000)	17,205
Depreciation	144,795	127,238
(Increase) decrease in assets:		
Receivables	58,934	(13,845)
Inventories	(3,378)	8,583
Prepaid and deferred expenses	6,627	(18,257)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	56,009	489
Deposits	8,243	3,712
Deferred revenues and charitable gift annuity	(37,773)	41,296
Net Cash Provided By Operating Activities	<u>206,850</u>	<u>234,839</u>
Cash Flows From Investing Activities		
Property and equipment acquisitions	(927,624)	(357,188)
Proceeds from sale of investments	1,033,918	583,347
Purchase of investments	(944,397)	(355,396)
(Increase) Decrease in beneficial interest in assets held by others	3,472	(31,348)
Net Cash Used By Investing Activities	<u>(834,631)</u>	<u>(160,585)</u>
Cash Flows From Financing Activities		
Proceeds of notes payable and long-term debt	396,804	8,142
Principal payments on debt	(38,710)	(39,580)
Principal payments on capital lease	(12,393)	(11,879)
Net Cash Provided (Used) By Financing Activities	<u>345,701</u>	<u>(43,317)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(282,080)	30,937
Cash and Cash Equivalents, Beginning of Year	<u>694,896</u>	<u>663,959</u>
Cash and Cash Equivalents, End of Year	\$ <u>412,816</u>	\$ <u>694,896</u>
Schedule of Noncash Investing and Financing Activities		
Debt incurred to acquire property and equipment	\$ <u>66,924</u>	\$ <u>-</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Adirondack Mountain Club, Inc., (the Club) founded in 1922, is a nonprofit, membership-supported conservation, recreation and educational organization devoted to promoting the protection and enlightened use of the Forest Preserve of New York State and of the Adirondack and Catskill Parks.

Basis of Presentation

The Club reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Club and/or the passage of time and net assets subject to donor-imposed stipulations that they be maintained permanently by the Club.

When a donor-imposed restriction expires, the net assets are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Club considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Club records investments at fair value. Fair value is determined based on quoted prices in active markets. The Club's policy is to invest in diversified mutual funds to minimize risk and obtain an adequate return. For internal purposes, earnings are transferred to operations based on a reasonable rate of return, determined annually. The Club used a rate of return of 4% for 2018 and 2017; \$51,509 and \$46,805 were considered investment earnings available for operations for 2018 and 2017, respectively.

Inventories

Inventories consist of publications, merchandise for resale and food. The Club is also including certain labor costs related to new editions of self-published books in inventory. During 2018 and 2017, approximately \$3,700 and \$11,900 of salaries and related costs were capitalized into inventory, respectively.

The Club reports inventories at the lower of first-in, first-out (FIFO) cost and net realizable value. Net realizable value is based on selling price.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Repairs and maintenance are charged to expense as incurred. Depreciation of buildings and equipment is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	10-31
Equipment and Furniture	3-10
Vehicles	3-5

Revenue Recognition

Program Service Income

Program service income includes lodging, workshops and seminars, and outings. Revenue is recognized when the activity takes place. Deposits received in advance are recorded as deferred revenue.

Sales

The Club receives revenue from the sale of publications and merchandise. Sales are recognized when shipped to or picked up by the customer.

Membership Dues

The unearned portion of membership dues is classified as deferred revenue. Life membership dues received during the year are recorded as deferred revenue and recognized over 20-25 years.

Contributions

All contributions are considered available for the Club's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as increases in net assets with donor restrictions. Dividend and interest income that is limited to specific uses by donor restrictions is also reported as increases in net assets with donor restrictions.

Pledges receivable in the accompanying statements of financial position, if any, consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as either current or long-term receivables on the statement of financial position. There were no pledges receivable at December 31, 2018 and 2017.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bad Debts

The Club uses the direct write-off method of accounting for bad debts, which approximates the allowance method.

Income Taxes

The Club is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position since events could potentially occur that jeopardize tax-exempt status. Management is not aware of any events that could jeopardize the Club's tax-exempt status. The Club has advertising revenue which is subject to tax on unrelated business income, but has no net income from advertising activities and therefore has not recorded a tax liability. The Club believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

In addition, the Club qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Statement of Cash Flows

Cash paid for interest on debt was \$7,243 in 2018 and \$7,077 in 2017.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Related Entity

ADK Mountain Club Foundation, Inc. (the Foundation) is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The primary purpose of the Foundation is to raise funds for the support of the charitable, conservation of natural resources, outdoor recreation and educational programs and activities of the Club. The Foundation and the Club share certain Board members. When the Foundation begins activity it will be consolidated into the Club financial statements. There have been no significant transactions between the Foundation and the Club and the Foundation has not had any financial activity during 2018 and 2017.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended December 31, 2018, the Club adopted the Financial Accounting Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented with the exception of the liquidity disclosure which has been presented only for the current year which is allowed by the update. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, are now reported as net assets with donor restrictions.

3. RECEIVABLES

Receivables are as follows:

	<u>2018</u>	<u>2017</u>
Publications sales	\$ 28,582	\$ 19,366
Grants and other	75,547	143,697
Total Receivables	<u>\$ 104,129</u>	<u>\$ 163,063</u>

4. INVENTORIES

Inventories are as follows:

	<u>2018</u>	<u>2017</u>
Publications	\$ 59,862	\$ 85,814
Resale items	185,464	156,906
Food	9,922	9,150
Inventory reserve	<u>(30,000)</u>	<u>(30,000)</u>
Total Inventories	<u>\$ 225,248</u>	<u>\$ 221,870</u>

At December 31, 2018 and 2017, the Club recognized an inventory reserve of \$30,000, which represents the estimated amount of obsolete inventory on hand as of that date.

5. RISKS AND UNCERTAINTIES

The Club invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. INVESTMENTS

Investments are recorded at fair value (Level 1) and consist of the following:

	<u>2018</u>	<u>2017</u>
Bond mutual funds	\$ 521,961	\$ 690,477
Balanced mutual funds	247,777	438,598
Equity mutual funds	812,127	632,200
Total Investments	<u>\$ 1,581,865</u>	<u>\$ 1,761,275</u>

At December 31, 2018 and 2017, there were net unrealized gains (losses) on investments of approximately (\$138,655) and \$100,827, respectively.

Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Investment return is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 27,578	\$ 26,798
Net realized and unrealized gains (losses) on investments carried at fair value	<u>(89,889)</u>	<u>178,853</u>
Total Investment Return	<u>\$ (62,311)</u>	<u>\$ 205,651</u>

Also, see Note 9 for fair value disclosures over the split interest agreements.

7. LAND, BUILDINGS AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Land	\$ 195,761	\$ 195,761
Land improvements	749,682	168,370
Buildings and improvements	2,273,387	2,008,725
Equipment and furniture	1,207,365	1,086,764
Vehicles	<u>250,056</u>	<u>242,081</u>
Total	4,676,251	3,701,701
Less accumulated depreciation	<u>2,537,681</u>	<u>2,416,884</u>
Net Land, Buildings and Equipment	<u>\$ 2,138,570</u>	<u>\$ 1,284,817</u>

Depreciation expense was \$144,795 and \$127,238 for December 31, 2018 and 2017, respectively.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Deferred membership dues	\$ 262,378	\$ 250,711
Life memberships	303,181	301,841
Deposits on future adventure travel	30,577	116,178
Lodging	224,714	196,954
Advertising	9,421	492
Educational programs	10,110	8,741
Other	<u>26,179</u>	<u>23,817</u>
Total Deferred Revenue	866,560	898,734
Less noncurrent portion of life and multi-year memberships	<u>289,771</u>	<u>288,671</u>
Net Deferred Revenue	<u>\$ 576,789</u>	<u>\$ 610,063</u>

9. SPLIT-INTEREST AGREEMENTS

The Club administers several charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the grantor or other designated beneficiaries over a period of time (usually the designated beneficiary's lifetime). At the death of the beneficiary, the remaining assets are available for the Club's use. The portion of the annuity attributable to the present value of the future benefits to be received by the Club is recorded in the Statement of Activities as a contribution in the period the annuity is established. Assets held for the charitable gift annuities totaled \$124,276 at December 31, 2018, and are reported at fair value in investments in the Club's statements of financial position. The Club periodically revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$48,154 at December 31, 2018) is calculated using the original discount rate (4%) used in each agreement and the applicable mortality tables.

This is a Level 3 liability as the liability is measured at fair value on a recurring basis using unobservable inputs. Unobservable inputs include a discount factor and life expectancies:

January 1, 2017	\$	60,765
Total gains/losses and amortization		2,428
Annuitant payments		<u>(9,440)</u>
December 31, 2017		53,753
Total gains/losses and amortization		1,835
Annuitant payments		<u>(7,434)</u>
December 31, 2018	<u>\$</u>	<u>48,154</u>

The gains/losses noted above are included in net assets with donor restrictions.

The Club is permitted by the State of New York to enter into annuity agreements with donors. New York Statutes require entities with such a permit to maintain assets equal to the sum of reserves on outstanding agreements and a surplus of twenty-five percent of such reserves. The Club has complied with this requirement.

ADIRONDACK MOUNTAIN CLUB, INC.
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10. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Notes payable - Chapters; prime less 1.5% (prime is 5.5% at December 31, 2018), maturity ranges from six months to one year from issuance.	\$ 84,357	\$ 78,354
TD Bank N.A. consolidating loan of all mortgage debt interest rate resets every 5 years based on the Boston Federal Home Loan Bank Rate plus 1.75%, secured by Headquarters building, paid off in February 2018.	-	22,401
Glens Falls National Bank mortgage secured by the assets of the club, interest at 3.50%, payments through March 2020.	11,792	-
Saratoga National Bank & Trust Company loan secured by Ford Van, interest at 3.99%, payments through April 2019.	1,972	7,728
Glens Falls National Bank loan secured by Ford truck, interest at 3.49%, payments through April 2020.	9,647	16,592
Toyota Financial Services loan secured by Toyota sedan, interest at 0.9%, payments through December 2020.	12,688	18,945
Glens Falls National Bank loan secured by the assets of the Club, interest only payments based on WSJ prime rate (prime was 5.50% at December 31, 2018) plus .25% through September 2019, followed by principal and interest payments through September 2039, interest based on WSJ prime rate plus 2.00%. The Club is required to maintain a minimum debt service ratio of 1.20, tested annually. The Club was in compliance for 2018.	390,801	-
Glens Falls National Bank loan secured by Ford truck, interest at 3.99%, payments through June 2022.	24,706	-
Glens Falls National Bank loan secured by tractor, interest at 4.25%, payments through February 2023.	<u>33,075</u>	<u>-</u>
Total	569,038	144,020
Less current installments	<u>128,421</u>	<u>119,714</u>
Long-Term Debt, Net of Current Installments	<u>\$ 440,617</u>	<u>\$ 24,306</u>

The future maturities of long-term debt are as follows:

2019	\$ 128,421
2020	45,390
2021	34,966
2022	31,795
2023	21,058
Thereafter	<u>307,408</u>
Total	<u>\$ 569,038</u>

ADIRONDACK MOUNTAIN CLUB, INC.
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11. CAPITAL LEASE

The Club is the lessee of office equipment under a capital lease which expires in 2021. The assets and liabilities under the lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

The following is an analysis of the leased assets included in property and equipment:

Equipment	\$ 63,179
Less: accumulated depreciation	<u>22,564</u>
Total	<u>\$ 40,615</u>

The following is a schedule of future minimum lease payments under the lease for the years ending December 31:

2019	\$ 14,045
2020	14,045
2021	<u>6,936</u>
Total minimum lease payments	35,026
Less: amount representing interest	<u>1,853</u>
Present value of minimum lease payments	<u>\$ 33,173</u>

12. BOARD DESIGNATED NET ASSETS

Net assets without donor restriction that have been designated by the Board for specific purposes at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Memorial Fund	\$ 226,014	\$ 240,930
Sean Kelleher Fund	7,295	7,882
Education Fund	38,476	44,223
Sinking Capital/Land Trust Fund	7,611	9,936
Natural History Endowment Fund	28,984	31,316
George B. Duncan Fund	459,362	496,323
Slater Trust Fund	112,522	121,575
Grow ADK Fund	<u>187,882</u>	<u>251,383</u>
Total Board Designated Net Assets	<u>\$ 1,068,146</u>	<u>\$ 1,203,568</u>

The Board invests these funds in a manner similar to endowment funds. See Note 14.

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NOTES TO FINANCIAL STATEMENTS
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13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets restricted by donors at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Restricted for specific purposes:		
Jamieson Fund (conservation easements)	\$ 72,918	\$ 75,644
Education	229,603	210,451
Lecture series	522	522
Membership	-	75
Johns Brook Lodge	9,135	11,385
Loj	31,645	41,008
Publications	830	830
President's Library Fund	8,013	8,013
Advocacy	197,884	183,965
Trails	1,209	5,849
Charitable Gift Annuity	73,662	81,859
Wilderness Legal Defense Fund	67,889	71,341
Summit Stewards	-	249
Other	<u>7,366</u>	<u>23,977</u>
	700,676	715,168
Donor Restricted Endowments (See Note 14)	<u>376,845</u>	<u>416,140</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,077,521</u>	<u>\$ 1,131,308</u>

Amounts reported in the statements of financial position as beneficial interest in assets held by others represent the net cumulative transfers by the Club to the Adirondack Foundation, as well as earnings thereon. These amounts totaled \$67,869 and \$71,341 at December 31, 2018 and 2017, respectively. The Foundation holds and invests the funds on behalf of the Club's temporarily restricted Wilderness Legal Defense Fund. The Foundation has no decision making authority over the funds. Instead, the funds are distributed to the Club upon request to the Foundation.

Net assets were released during the years ended December 31, 2018 and 2017 by incurring expenses satisfying the restricted purposes and are as follows:

	<u>2018</u>	<u>2017</u>
Education	\$ 96,051	\$ 93,023
Membership	75	-
Johns Brook Lodge	18,050	3,890
Loj	21,864	18,717
Advocacy	-	31,811
Trails	13,045	4,060
Charitable Gift Annuity	8,744	869
Summit Stewards	41,104	19,032
Other	<u>17,211</u>	<u>2,352</u>
Total net assets released from donor restrictions	<u>\$ 216,144</u>	<u>\$ 173,754</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
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14. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS

The Board of Directors of the Club has interpreted the New York State Prudent Management of Institutional Funds Act (NYSPMIFA) 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 of this interpretation, the Club classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with NYSPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Club and the donor-restricted endowment
- 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 Club
- The investment policies of the Club

Unless directed or restricted by the donor or Board, undirected bequests of \$250 or more shall be treated as endowments, and the Executive Committee shall determine the allocation and use of such funds.

- Earnings of memorial funds shall be used to support operations.
- Earnings of the education funds shall be used to promote educational programs.
- Earnings of the conservation funds shall be used to promote conservation activities.
- Earnings of the capital reserve fund shall be used to aid in financing capital enhancements and acquisitions.

The Club has an investment portfolio objective to earn over time, a rate of return at least equal to the total of inflation plus the annual financial support and the costs of investing and administering the funds. The Club's endowment investment policy consists of up to 50% of new non-specified money be invested in an equity mutual fund, and a minimum 50% be invested in government securities mutual fund for a maximum of 10 years.

The spending policy of the Club is to annually withdraw funds equal to 4% of the value the portfolio had on September 30th of the previous year. The funds are withdrawn at various times of the year as determined by the Club's investment and finance committees. It is possible in the case of new endowments for this withdrawal to reduce the value of the shares of the endowment below the donor's capital contribution. In this situation the amount to be withdrawn below the original contribution would only be made with the permission of the donor and the understanding that the donor will provide the funds needed to make the endowment whole again.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the Club to retain as a fund for perpetual duration. Deficiencies of this nature exist in four donor-restricted endowment funds, which together have an original value of \$49,478, a current fair value of \$48,598, and a deficiency of \$880 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred during 2018. As of the date of the financial statements, the market had improved and the fair value of all donor-restricted endowments were above their original values.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
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14. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS

Allocation of Investment Returns

When endowment funds are added to the investment portfolio, they are used to “buy” shares in the portfolio at the then current value per share (much like purchasing shares in a mutual fund.) The value of each endowment is tracked by the value of its shares. Endowment shares may never be sold and the number of shares can never go down. Additional shares may be purchased if new funds are provided by any source. The investment return of the investment portfolio increases the value of each share, and withdrawals for annual financial support decreases the value of each share. The investment return between pay-outs for an individual endowment may be determined by tracking the value of its shares.

In the year 2018, the Club had the following endowment-related activities:

	<u>Board Designated</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 893,735	\$ 416,140	\$ 1,309,875
Interest and dividend income	14,918	12,924	27,842
Net realized and unrealized gains (losses) on investments carried at fair value	<u>(48,625)</u>	<u>(42,124)</u>	<u>(90,749)</u>
Total investment return	(33,707)	(29,200)	(62,907)
Less: Operating investment return	<u>35,302</u>	<u>15,784</u>	<u>51,086</u>
Nonoperating investment return	(69,009)	(44,984)	(113,993)
Contributions	-	5,689	5,689
Endowment net assets, end of year	<u>\$ 824,726</u>	<u>\$ 376,845</u>	<u>\$ 1,201,571</u>

In the year 2017, the Club had the following endowment-related activities:

	<u>Board Designated</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 824,868	\$ 334,490	\$ 1,159,358
Interest and dividend income	17,208	9,986	27,194
Net realized and unrealized gains (losses) on investments carried at fair value	<u>84,747</u>	<u>49,458</u>	<u>134,205</u>
Total investment return	101,955	59,444	161,399
Less: Operating investment return	<u>33,088</u>	<u>13,321</u>	<u>46,409</u>
Nonoperating investment return	68,867	46,123	114,990
Contributions	-	35,527	35,527
Endowment net assets, end of year	<u>\$ 893,735</u>	<u>\$ 416,140</u>	<u>\$ 1,309,875</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
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14. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS

Donor Restricted Endowment funds at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Natural History Endowment Fund	\$ 66,489	\$ 71,721
Trails Endowment Fund	71,975	80,048
ADK Conservation Endowment Fund	43,883	49,124
Walter O. Shannon Fund	19,175	21,465
JBL Endowment Fund	13,817	15,468
Jane C. Neale Endowment	32,657	35,641
ADK Recognition Fund	39,287	43,979
Will Cummer Gear Fund	29,709	33,257
Ruth M. Kuhfahl Trails Fund	11,255	12,599
Maegan E. Spindler Education Fund	12,870	14,013
Skee Volunteer Trail Maintenance Fund	11,023	11,925
Culture & History of the Adirondacks Fund	19,932	21,483
General Endowment	<u>4,773</u>	<u>5,417</u>
Total	<u>\$ 376,845</u>	<u>\$ 416,140</u>

15. PENSION PLAN

During 1995, the Club established the Thrift Plan for Employees of Adirondack Mountain Club, Inc. (the Plan) under Section 403(b) of the IRS Code. This is a defined contribution plan that covers all employees over age 21 who have completed one year of eligible service. Employer contributions were 3% of participant compensation; employees may also contribute to the Plan. Also, employees who contribute at least 1% of their own compensation will receive an additional 1% matching contribution from the Club. Employer contributions are fully vested after six years of service. The Plan allows forfeitures to be used to reduce the employer contributions. Forfeitures were utilized in 2018 and 2017 to reduce the Club's contribution. The Club's contributions to the Plan for 2018 and 2017, were \$64,926 and \$59,830, respectively.

16. LINE OF CREDIT

The Club has a revolving line of credit with Glens Falls National Bank in the amount of \$250,000. The line is payable on demand. The interest rate is WSJ prime plus .75% (prime was 5.50% at December 31, 2018) or a minimum of 4.00% and all interest is payable at the date of expiration. The line of credit expires upon termination of the account. No amount was outstanding with the line of credit at December 31, 2018 and 2017. The Club must maintain a minimum debt service coverage ratio of 1.00, tested annually. The Club met the covenant at the end of 2018.

The credit line is secured by a first blanket lien on all business assets.

17. DONATED MATERIALS AND SERVICES

Donated materials and equipment are recorded in the financial statements at their estimated fair values at the date of receipt. No amounts have been reflected in the financial statements for donated services since those services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. The Club pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Club with specific program services and various committee assignments.

ADIRONDACK MOUNTAIN CLUB, INC.
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18. FUNCTIONAL ALLOCATION OF EXPENSES

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and benefits, which are allocated on the basis of time and effort; and general overhead costs which include supplies, telephone, insurance, advertising, and interest, are allocated to program services and each individual supporting activity based on their respective department expenses to total expenses.

19. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs are included in the schedule of functional expense under public relations, education and advertising. For the years ended December 31, 2018 and 2017, costs were \$47,127 and \$36,637, respectively.

20. CONCENTRATION OF CREDIT RISK

The Club maintains its cash balances with multiple financial institutions. Balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times bank deposits may be in excess of the insured limit.

21. RECLASSIFICATION OF PRIOR YEAR'S FINANCIAL STATEMENTS

Certain items in the prior year financial statements have been reclassified to conform to the current year's presentation. The reclassifications have no effect on previously reported changes in net assets or net assets.

22. LIQUIDITY

As part of the Club's liquidity management, it invests cash in excess of daily requirement in short-term investments. As of December 31, 2018, there was \$1,033,334 in Board designated funds, which could be available for liquidity requirements if the governing Board approves that action. The Board may allocate some donations to quasi-endowment funds for specific purposes or future expenditures. In addition, the Club has a \$250,000 bank line of credit available (see note 16) to meet liquidity needs if needed.

The following reflects the Club's financial assets as of the balance sheet date, including amounts not available within one year of the balance sheet date:

Financial assets, as of December 31, 2018	\$ 2,166,679
Less:	
Contractual or donor-imposed restrictions making financial assets unavailable for general expenditure	(1,059,021)
Board-imposed restrictions making financial assets unavailable for general expenditure	<u>(1,033,334)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 74,324</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

23. SUBSEQUENT EVENTS

The Club has evaluated events and transactions that occurred between December 31, 2018 and March 28, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recording in the financial statements. Based on this evaluation, the Club is not aware of any subsequent events that require recording or disclosure.