

**ADIRONDACK MOUNTAIN CLUB, INC.
FINANCIAL REPORT
DECEMBER 31, 2019**

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, 2019 and 2018, 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, 2019 and 2018, 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, the Adirondack Mountain Club, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958-605) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions of Not-for-Profit Entities* and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* as of and for the year ended December 31, 2019. The requirements of both ASU's have been applied prospectively to all periods presented. Our opinion is not modified with respect to this matter.

Marvin and Company, P.C.

Queensbury, NY
April 17, 2020

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 293,008	\$ 412,816
Receivables	138,220	104,129
Inventories	239,386	225,248
Prepaid and deferred expenses	171,249	153,537
Total Current Assets	<u>841,863</u>	<u>895,730</u>
Other Assets		
Investments	2,042,858	1,581,865
Land, buildings and equipment (net of accumulated depreciation of \$2,715,076 and \$2,537,681)	2,114,198	2,138,570
Beneficial interest in assets held by others	82,565	67,869
Total Other Assets	<u>4,239,621</u>	<u>3,788,304</u>
TOTAL ASSETS	\$ <u>5,081,484</u>	\$ <u>4,684,034</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current installments of long-term debt	\$ 132,869	\$ 128,421
Current installments of capital lease payable	13,440	12,928
Accounts payable and accrued expenses (including \$18,270 and \$15,167 due to Chapters)	413,562	393,607
Deposits	10,191	22,006
Deferred revenue, current portion	574,960	576,789
Total Current Liabilities	<u>1,145,022</u>	<u>1,133,751</u>
Non-Current Liabilities		
Long-term debt, net of current installments	396,674	440,617
Capital lease payable, net of current installments	6,767	20,245
Deferred revenue, net of current portion	75,750	289,771
Charitable gift annuity liability	45,603	48,154
Total Non-Current Liabilities	<u>524,794</u>	<u>798,787</u>
Total Liabilities	<u>1,669,816</u>	<u>1,932,538</u>
Net Assets		
Without donor restrictions	2,207,862	1,673,975
With donor restrictions	1,203,806	1,077,521
Total Net Assets	<u>3,411,668</u>	<u>2,751,496</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,081,484</u>	\$ <u>4,684,034</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Support and Revenue		
Membership dues	\$ 829,327	\$ 820,780
Less chapter share	(178,982)	(179,489)
Contributions	1,054,552	619,810
Grants and contracts	204,287	421,118
Special events	60,448	61,444
Program services	2,734,349	2,638,346
Investment return	199,844	(11,471)
Gain (Loss) on disposal of fixed asset	-	4,000
Miscellaneous	33,389	27,887
Subtotal	<u>4,937,214</u>	<u>4,402,425</u>
Net Assets Released From Restrictions		
Satisfaction of program or time restrictions	<u>186,217</u>	<u>216,144</u>
Total Support and Revenue	<u>5,123,431</u>	<u>4,618,569</u>
Expenses		
Program services	<u>4,072,032</u>	<u>3,872,435</u>
Supporting services:		
Management and general	171,275	95,828
Fundraising	337,970	359,552
Membership	371,965	349,463
Total Supporting Services	<u>881,210</u>	<u>804,843</u>
Total Expenses	<u>4,953,242</u>	<u>4,677,278</u>
Change in Net Assets Without Donor Restriction	<u>170,189</u>	<u>(58,709)</u>
Net Assets With Donor Restrictions		
Contributions	182,900	213,197
Investment return	129,601	(50,840)
Net Assets Released From Restrictions		
Satisfaction of program or time restrictions	<u>(186,217)</u>	<u>(216,144)</u>
Change in Net Assets With Donor Restrictions	<u>126,285</u>	<u>(53,787)</u>
Total Change in Net Assets	<u>296,474</u>	<u>(112,496)</u>
Net Assets, Beginning of Year as Reported	2,751,496	2,863,992
Effect of adoption of ASU 2014-09	<u>363,698</u>	<u>-</u>
Net Assets, Beginning of Year as Adjusted	<u>3,115,194</u>	<u>2,863,992</u>
Net Assets, End of Year	<u>\$ 3,411,668</u>	<u>\$ 2,751,496</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Supporting</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	<u>Membership</u>		
Salaries	\$ 1,616,886	\$ 379,072	\$ 165,073	\$ 143,291	\$ 687,436	\$ 2,304,322
Employee benefits	254,235	59,604	25,956	22,530	108,090	362,325
Payroll taxes	120,727	28,304	12,325	10,699	51,328	172,055
Subtotal	<u>1,991,848</u>	<u>466,980</u>	<u>203,354</u>	<u>176,520</u>	<u>846,854</u>	<u>2,838,702</u>
Professional fees	-	25,124	-	-	25,124	25,124
Contract services	32,127	32,033	-	1,248	33,281	65,408
Supplies	67,389	5,471	1,794	498	7,763	75,152
Telephone	39,355	10,551	179	59	10,789	50,144
Postage	51,913	2,051	14,966	26,253	43,270	95,183
Printing	69,857	187	15,819	10,255	26,261	96,118
Occupancy	94,947	14,091	-	-	14,091	109,038
Insurance	77,538	37,575	-	-	37,575	115,113
Transportation and lodging	27,010	10,041	1,530	3,674	15,245	42,255
Meetings and committee expenses	-	17,994	-	-	17,994	17,994
Computer expense	22,774	20,316	11,645	10,655	42,616	65,390
Repairs and maintenance	71,163	22,846	-	-	22,846	94,009
Equipment expense	26,030	6,255	-	-	6,255	32,285
Miscellaneous	5,551	2,600	1,345	17	3,962	9,513
Staff and volunteer expenses	45,669	5,388	674	604	6,666	52,335
Public relations, education and advertising	17,650	12,808	2,282	4,452	19,542	37,192
Interest, finance charges and credit card fees	61,588	26,557	13,607	6,088	46,252	107,840
Adventure travel	220,335	-	-	-	-	220,335
Other direct costs	98,257	15,967	-	-	15,967	114,224
Cost of sales	391,659	-	-	-	-	391,659
Membership initiatives	-	-	-	85,083	85,083	85,083
Special events costs	5,449	5,812	24,405	85	30,302	35,751
Allocated overhead	515,372	(608,216)	46,370	46,474	(515,372)	-
Total	<u>3,933,481</u>	<u>132,431</u>	<u>337,970</u>	<u>371,965</u>	<u>842,366</u>	<u>4,775,847</u>
Depreciation of buildings and equipment	<u>138,551</u>	<u>38,844</u>	<u>-</u>	<u>-</u>	<u>38,844</u>	<u>177,395</u>
Total Functional Expenses	<u>\$ 4,072,032</u>	<u>\$ 171,275</u>	<u>\$ 337,970</u>	<u>\$ 371,965</u>	<u>\$ 881,210</u>	<u>\$ 4,953,242</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	9,504	15,569	7,991	2,590	26,150	35,654
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	72,045	8,943	-	-	8,943	80,988
Cost of sales	340,376	-	-	-	-	340,376
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>3,767,032</u>	<u>56,436</u>	<u>359,552</u>	<u>349,463</u>	<u>765,451</u>	<u>4,532,483</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>\$ 3,872,435</u>	<u>\$ 95,828</u>	<u>\$ 359,552</u>	<u>\$ 349,463</u>	<u>\$ 804,843</u>	<u>\$ 4,677,278</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 660,172	\$ (112,496)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions	(4,827)	-
(Gain) loss on investments	(292,915)	89,889
(Gain) loss on disposal of fixed assets	-	(4,000)
Depreciation	177,395	144,795
(Increase) decrease in assets:		
Receivables	(34,091)	58,934
Inventories	(14,138)	(3,378)
Prepaid and deferred expenses	(17,712)	6,627
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	19,955	56,009
Deposits	(11,815)	8,243
Deferred revenues and charitable gift annuity	(218,401)	(37,773)
Net Cash Provided By Operating Activities	<u>263,623</u>	<u>206,850</u>
Cash Flows From Investing Activities		
Property and equipment acquisitions	(153,023)	(927,624)
Proceeds from sale of investments	709,586	1,033,918
Purchase of investments	(872,837)	(944,397)
(Increase) Decrease in beneficial interest in assets held by others	(14,696)	3,472
Net Cash Used By Investing Activities	<u>(330,970)</u>	<u>(834,631)</u>
Cash Flows From Financing Activities		
Proceeds of notes payable and long-term debt	18,500	396,804
Principal payments on debt	(57,995)	(38,710)
Principal payments on capital lease	(12,966)	(12,393)
Net Cash Provided (Used) By Financing Activities	<u>(52,461)</u>	<u>345,701</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(119,808)	(282,080)
Cash and Cash Equivalents, Beginning of Year	<u>412,816</u>	<u>694,896</u>
Cash and Cash Equivalents, End of Year	\$ <u>293,008</u>	\$ <u>412,816</u>
Schedule of Noncash Investing and Financing Activities		
Debt incurred to acquire property and equipment	\$ <u>-</u>	\$ <u>66,924</u>
Contributions of stock	\$ <u>4,827</u>	\$ <u>-</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 2019 and 2018; \$53,312 and \$51,509 were considered investment earnings available for operations for 2019 and 2018, 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 2019 and 2018, approximately \$-0- and \$3,700 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, 2019 AND 2018

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:

	Years
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

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Club recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The unearned portion of membership dues is classified as deferred revenue. The exchange portion of life membership dues are recorded as deferred revenue and recognized over 25-30 years.

The breakdown of the contribution and exchange portions of membership revenue are as follows:

	2019	2018
Contribution	\$ 644,660	\$ 636,212
Cost of benefits provided	184,667	184,568
Total Membership Dues	\$ 829,327	\$ 820,780

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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, 2019 and 2018.

Grants and Contracts

Grants and contracts revenue is funding received to construct and maintain trails to be used by the public. These services are considered non-exchange transactions and are reported as increases in net assets without donor restrictions as the associated barriers are overcome, which generally is as allowable expenditures under such contracts are incurred. There is a right of return of these funds if they are not spent on allowable expenditures. Any amounts received prior to incurring qualifying expenditures, if any, are reported as deferred revenue on the statement of financial position. The Club has elected a policy to report grants and contracts where the condition and restriction are met in the same reporting period as increases in net assets without donor restrictions.

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).

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Cash Flows

Cash paid for interest on debt was \$28,491 in 2019 and \$7,243 in 2018.

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 2019 and 2018.

2. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The Club adopted ASU 2014-09, *Revenue from Contracts with Customers* on January 1, 2019. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Club elected to use the modified retrospective adoption method; specifically, in connection with membership dues and has adopted the recognition principles as of January 1, 2019 retrospectively with the cumulative effect of the adoption on prior years of \$363,698 charged to net assets without donor restrictions. Additionally, for 2019 activity there was a reduction in membership dues revenue of \$1,570 due to the application of this standard. Prior years' financial statements have not been restated for changes to membership dues recognition.

The Club adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective January 1, 2019. This standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The adoption did not result in a material change to how the Club accounts for revenue from contributions, grants and contracts and therefore no change to previously issued audited financial statements was required as a result of implementation of this standard. Presentation and disclosure of revenue has been enhanced.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

3. RECEIVABLES

Receivables are as follows:

	<u>2019</u>	<u>2018</u>
Publications sales	\$ 27,651	\$ 28,582
Grants and other	<u>110,569</u>	<u>75,547</u>
Total Receivables	<u>\$ 138,220</u>	<u>\$ 104,129</u>

4. INVENTORIES

Inventories are as follows:

	<u>2019</u>	<u>2018</u>
Publications	\$ 43,868	\$ 59,862
Resale items	189,236	185,464
Food	6,282	9,922
Inventory reserve	<u>-</u>	<u>(30,000)</u>
Total Inventories	<u>\$ 239,386</u>	<u>\$ 225,248</u>

At December 31, 2019 and 2018, the Club recognized an inventory reserve of \$-0- and \$30,000 respectively, which represents the estimated amount of obsolete inventory on hand as of that date. No reserve is reflected for 2019 as management has chosen to write-off any obsolete inventory.

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.

6. INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Stocks	\$ 46,826	\$ -
Bond mutual funds	713,235	521,961
Balanced mutual funds	331,235	247,777
Equity mutual funds	<u>951,562</u>	<u>812,127</u>
Total Investments	<u>\$ 2,042,858</u>	<u>\$ 1,581,865</u>

At December 31, 2019 and 2018, there were net unrealized gains (losses) on investments of approximately \$244,078 and (\$138,655), respectively.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

6. INVESTMENTS

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>2019</u>	<u>2018</u>
Interest and dividend income	\$ 37,030	\$ 27,578
Net realized and unrealized gains (losses) on investments carried at fair value	<u>292,415</u>	<u>(89,889)</u>
Total Investment Return	<u>\$ 329,445</u>	<u>\$ (62,311)</u>

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

7. LAND, BUILDINGS AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Land	\$ 195,761	\$ 195,761
Land improvements	752,462	749,682
Buildings and improvements	2,364,189	2,273,387
Equipment and furniture	1,266,806	1,207,365
Vehicles	<u>250,056</u>	<u>250,056</u>
Total	4,829,274	4,676,251
Less accumulated depreciation	<u>2,715,076</u>	<u>2,537,681</u>
Net Land, Buildings and Equipment	<u>\$ 2,114,198</u>	<u>\$ 2,138,570</u>

Depreciation expense was \$177,395 and \$144,795 for December 31, 2019 and 2018, respectively.

8. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Deferred membership dues (a)	\$ 124,028	\$ 262,378
Life memberships (a)	78,490	303,181
Deposits on future adventure travel	133,934	30,577
Lodging	244,823	224,714
Advertising	-	9,421
Educational programs	27,441	10,110
Other	<u>41,994</u>	<u>26,179</u>
Total Deferred Revenue	650,710	866,560
Less noncurrent portion of life and multi-year memberships	<u>75,750</u>	<u>289,771</u>
Net Deferred Revenue	<u>\$ 574,960</u>	<u>\$ 576,789</u>

(a) Refer to Note 1.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
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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 \$140,408 at December 31, 2019, 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 (\$45,603 at December 31, 2019) 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, 2018	\$ 53,753
Total gains/losses and amortization	1,835
Annuitant payments	<u>(7,434)</u>
December 31, 2018	48,154
Total gains/losses and amortization	3,832
Annuitant payments	<u>(6,383)</u>
December 31, 2019	<u>\$ 45,603</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.
NOTES TO FINANCIAL STATEMENTS
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10. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Notes payable - Chapters; prime less 1.5% (prime is 4.75% at December 31, 2019), maturity ranges from six months to one year from issuance.	\$ 87,472	\$ 84,357
Glens Falls National Bank mortgage secured by the assets of the club, interest at 3.50%, payments through March 2020.	2,228	11,792
Saratoga National Bank & Trust Company loan secured by Ford Van, interest at 3.99%, payments through April 2019.	-	1,972
Glens Falls National Bank loan secured by Ford truck, interest at 3.49%, payments through April 2020.	2,457	9,647
Toyota Financial Services loan secured by Toyota sedan, interest at 0.9%, payments through December 2020.	6,373	12,688
Glens Falls National Bank loan secured by the assets of the Club, interest only payments based on WSJ prime rate (prime was 4.75% at December 31, 2019) 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 2019.	387,375	390,801
Glens Falls National Bank loan secured by Ford truck, interest at 3.99%, payments through June 2022.	17,971	24,706
Glens Falls National Bank loan secured by tractor, interest at 4.25%, payments through February 2023.	<u>25,667</u>	<u>33,075</u>
Total	529,543	569,038
Less current installments	<u>132,869</u>	<u>128,421</u>
Long-Term Debt, Net of Current Installments	<u>\$ 396,674</u>	<u>\$ 440,617</u>

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

2020	\$ 132,869
2021	34,966
2022	31,763
2023	21,058
2024	19,622
Thereafter	<u>289,265</u>
Total	<u>\$ 529,543</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
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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>31,589</u>
Total	<u>\$ 31,590</u>

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

2020	\$ 14,045
2021	<u>6,936</u>
Total minimum lease payments	20,894
Less: amount representing interest	<u>687</u>
Present value of minimum lease payments	<u>\$ 20,207</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>2019</u>	<u>2018</u>
Memorial Fund	\$ 257,567	\$ 226,014
Sean Kelleher Fund	8,550	7,295
Education Fund	45,781	38,476
Executive Transition Fund	80,608	-
Sinking Capital/Land Trust Fund	17,941	7,611
Natural History Endowment Fund	33,918	28,984
George B. Duncan Fund	420,681	459,362
Slater Trust Fund	131,673	112,522
Grow ADK Fund	<u>213,900</u>	<u>187,882</u>
Total Board Designated Net Assets	<u>\$ 1,210,619</u>	<u>\$ 1,068,146</u>

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

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

13. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Restricted for specific purposes:		
Jamieson Fund (conservation easements)	\$ 92,369	\$ 72,918
Education	129,098	229,603
Lecture series	522	522
ADK Recognition Fund	1,000	-
Johns Brook Lodge	10,087	9,135
Neil F. Woodworth Conservation Fund	34,915	-
Loj	19,449	31,645
Publications	830	830
President's Library Fund	8,013	8,013
Advocacy	223,399	197,884
Trails	22,009	1,209
Charitable Gift Annuity	91,263	73,662
Wilderness Legal Defense Fund	82,065	67,889
Summit Stewards	22,595	-
Other	<u>8,166</u>	<u>7,366</u>
	745,780	700,676
Donor Restricted Endowments (See Note 14)	<u>458,026</u>	<u>376,845</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,203,806</u>	<u>\$ 1,077,521</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 \$82,565 and \$67,889 at December 31, 2019 and 2018, 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, 2019 and 2018 by incurring expenses satisfying the restricted purposes and are as follows:

	<u>2019</u>	<u>2018</u>
Education	\$ 150,696	\$ 96,051
Membership	-	75
Johns Brook Lodge	2,468	18,050
Loj	22,997	21,864
Advocacy	3,573	-
Trails	-	13,045
Charitable Gift Annuity	6,383	8,744
Summit Stewards	-	19,104
Other	<u>100</u>	<u>17,211</u>
Total net assets released from donor restrictions	<u>\$ 186,217</u>	<u>\$ 216,144</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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. These deficiencies can be caused from unfavorable market fluctuations that occur during the year. There were no fund deficiencies as of December 31, 2019.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 2019, the Club had the following endowment-related activities:

	<u>Board Designated</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 824,726	\$ 376,845	\$ 1,201,571
Interest and dividend income	18,805	10,043	28,848
Net realized and unrealized gains (losses) on investments carried at fair value	<u>148,496</u>	<u>79,325</u>	<u>227,821</u>
Total investment return	167,301	89,368	256,669
Less: Operating investment return	<u>36,104</u>	<u>16,776</u>	<u>52,880</u>
Nonoperating investment return	131,197	72,592	203,789
Contributions	<u>-</u>	<u>8,589</u>	<u>8,589</u>
Endowment net assets, end of year	<u>\$ 955,923</u>	<u>\$ 458,026</u>	<u>\$ 1,413,949</u>

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	<u>-</u>	<u>5,689</u>	<u>5,689</u>
Endowment net assets, end of year	<u>\$ 824,726</u>	<u>\$ 376,845</u>	<u>\$ 1,201,571</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>2019</u>	<u>2018</u>
Natural History Endowment Fund	\$ 79,390	\$ 66,489
Trails Endowment Fund	87,246	71,975
ADK Conservation Endowment Fund	52,216	43,883
Walter O. Shannon Fund	22,816	19,175
JBL Endowment Fund	16,441	13,817
Jane C. Neale Endowment	39,362	32,657
ADK Recognition Fund	46,747	39,287
Will Cummer Gear Fund	35,350	29,709
Ruth M. Kuhfahl Trails Fund	13,392	11,255
Maegan E. Spindler Education Fund	19,548	12,870
Skee Volunteer Trail Maintenance Fund	13,116	11,023
Culture & History of the Adirondacks Fund	23,717	19,932
General Endowment	<u>8,685</u>	<u>4,773</u>
Total	<u>\$ 458,026</u>	<u>\$ 376,845</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 2019 and 2018 to reduce the Club's contribution. The Club's contributions to the Plan for 2019 and 2018, were \$61,903 and \$64,926, 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 4.75% at December 31, 2019) 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, 2019 and 2018. The Club must maintain a minimum debt service coverage ratio of 1.00, tested annually. The Club met the covenant at the end of 2019.

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

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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, 2019 and 2018, costs were \$21,754 and \$22,990, 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.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2019, there was \$1,161,931 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:

	<u>2019</u>	<u>2018</u>
Financial assets as of December 31	\$ 2,556,651	\$ 2,166,679
Less		
Board imposed restrictions making financial assets unavailable for general expenditure	(1,161,931)	(1,033,334)
Contractual or donor imposed restrictions making financial assets unavailable for general expenditure	<u>(1,198,494)</u>	<u>(1,059,021)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 196,226</u>	<u>\$ 74,324</u>

23. SUBSEQUENT EVENTS

The Club has evaluated events and transactions that occurred between December 31, 2019 and April 17, 2020, 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, besides the item noted below, the Club is not aware of any additional subsequent events that require recording or disclosure.

Potential Impact of Coronavirus

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, has been characterized as a pandemic by the World Health Organization on March 11, 2020. At this point, the extent to which the coronavirus may impact contributions and program services and the Club's fiscal or operating results is uncertain.