

**ADIRONDACK MOUNTAIN CLUB, INC.
FINANCIAL REPORT
DECEMBER 31, 2020**

ADIRONDACK MOUNTAIN CLUB, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-22

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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marvin and Company, P.C.

Queensbury, NY
April 9, 2021

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 955,981	\$ 293,008
Receivables	168,850	138,220
Inventories (net of reserve of \$49,800 and \$-0-)	139,166	239,386
Prepaid and deferred expenses	106,209	171,249
Total Current Assets	<u>1,370,206</u>	<u>841,863</u>
Other Assets		
Investments	2,363,096	2,042,858
Land, buildings and equipment (net of accumulated depreciation of \$2,904,801 and \$2,715,076)	2,037,978	2,114,198
Beneficial interest in assets held by others	95,309	82,565
Total Other Assets	<u>4,496,383</u>	<u>4,239,621</u>
TOTAL ASSETS	\$ <u>5,866,589</u>	\$ <u>5,081,484</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current installments of long-term debt	\$ 103,732	\$ 132,869
Current installments of capital lease payable	6,767	13,440
Accounts payable and accrued expenses (including \$18,127 and \$18,270 due to Chapters)	300,946	413,562
Deposits	16,480	10,191
Deferred revenue, current portion	400,525	574,960
Total Current Liabilities	<u>828,450</u>	<u>1,145,022</u>
Non-Current Liabilities		
Long-term debt, net of current installments	377,107	396,674
Capital lease payable, net of current installments	-	6,767
Deferred revenue, net of current portion	94,385	75,750
Charitable gift annuity liability	40,182	45,603
Total Non-Current Liabilities	<u>511,674</u>	<u>524,794</u>
Total Liabilities	<u>1,340,124</u>	<u>1,669,816</u>
Net Assets		
Without donor restrictions	3,046,244	2,207,862
With donor restrictions	1,480,221	1,203,806
Total Net Assets	<u>4,526,465</u>	<u>3,411,668</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,866,589</u>	\$ <u>5,081,484</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Support and Revenue		
Membership dues	\$ 835,395	\$ 829,327
Less chapter share	(79,900)	(178,982)
Contributions	1,141,344	1,054,552
Grants and contracts	137,225	204,287
Special events	58,826	60,448
Program services	2,059,619	2,734,349
Investment return	197,837	199,844
Payroll protection program loan forgiveness	450,000	-
Miscellaneous	45,967	33,389
Subtotal	<u>4,846,313</u>	<u>4,937,214</u>
Net Assets Released From Restrictions		
Satisfaction of program or time restrictions	81,052	186,217
Total Support and Revenue	<u>4,927,365</u>	<u>5,123,431</u>
Expenses		
Program services	<u>3,351,848</u>	<u>4,072,032</u>
Supporting services:		
Management and general	129,096	171,275
Fundraising	312,210	337,970
Membership	295,829	371,965
Total Supporting Services	<u>737,135</u>	<u>881,210</u>
Total Expenses	<u>4,088,983</u>	<u>4,953,242</u>
Change in Net Assets Without Donor Restriction	<u>838,382</u>	<u>170,189</u>
Net Assets With Donor Restrictions		
Contributions	226,144	182,900
Investment return	131,323	129,602
Net Assets Released From Restrictions		
Satisfaction of program or time restrictions	<u>(81,052)</u>	<u>(186,217)</u>
Change in Net Assets With Donor Restrictions	<u>276,415</u>	<u>126,285</u>
Total Change in Net Assets	<u>1,114,797</u>	<u>296,474</u>
Net Assets, Beginning of Year as Reported	<u>3,411,668</u>	<u>2,751,496</u>
Effect of adoption of ASU 2014-09	-	363,698
Net Assets, Beginning of Year as Adjusted	<u>3,411,668</u>	<u>3,115,194</u>
Net Assets, End of Year	<u>\$ 4,526,465</u>	<u>\$ 3,411,668</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services			Total Supporting	Total
		Management and General	Fundraising	Membership		
Salaries	\$ 1,422,958	\$ 347,503	\$ 151,648	\$ 117,741	\$ 616,892	\$ 2,039,850
Employee benefits	202,199	47,129	21,549	16,225	84,903	287,102
Payroll taxes	105,609	25,791	11,255	8,738	45,784	151,393
Subtotal	<u>1,730,766</u>	<u>420,423</u>	<u>184,452</u>	<u>142,704</u>	<u>747,579</u>	<u>2,478,345</u>
Professional fees	-	23,000	-	-	23,000	23,000
Contract services	30,108	22,993	-	-	22,993	53,101
Supplies	46,387	5,126	924	38	6,088	52,475
Telephone	36,376	12,180	-	-	12,180	48,556
Postage	58,113	1,937	7,203	19,744	28,884	86,997
Printing	74,084	17	11,211	6,300	17,528	91,612
Occupancy	84,000	8,487	-	-	8,487	92,487
Insurance	70,027	34,202	-	-	34,202	104,229
Transportation and lodging	12,571	6,161	95	217	6,473	19,044
Meetings and committee expenses	-	8,055	-	-	8,055	8,055
Computer expense	16,416	31,333	17,595	16,110	65,038	81,454
Repairs and maintenance	44,176	21,339	-	-	21,339	65,515
Equipment expense	22,566	4,560	-	-	4,560	27,126
Miscellaneous	5,471	2,422	544	-	2,966	8,437
Staff and volunteer expenses	(3,370)	3,206	-	-	3,206	(164)
Public relations, education and advertising	(10,490)	2,654	25,992	883	29,529	19,039
Bad debts	4,026	-	-	-	-	4,026
Write down of deferred publications	34,140	-	-	-	-	34,140
Write down of obsolete inventory	49,800	-	-	-	-	49,800
Interest, finance charges and credit card fees	53,323	20,814	14,526	6,381	41,721	95,044
Adventure travel	29,173	-	-	-	-	29,173
Other direct costs	47,944	5,724	-	-	5,724	53,668
Cost of sales	304,508	-	-	-	-	304,508
Membership initiatives	-	-	-	61,630	61,630	61,630
Special events costs	33	3,857	5,571	-	9,428	9,461
Allocated overhead	462,666	(548,585)	44,097	41,822	(462,666)	-
Total	<u>3,202,814</u>	<u>89,905</u>	<u>312,210</u>	<u>295,829</u>	<u>697,944</u>	<u>3,900,758</u>
Depreciation of buildings and equipment	<u>149,034</u>	<u>39,191</u>	<u>-</u>	<u>-</u>	<u>39,191</u>	<u>188,225</u>
Total Functional Expenses	<u>\$ 3,351,848</u>	<u>\$ 129,096</u>	<u>\$ 312,210</u>	<u>\$ 295,829</u>	<u>\$ 737,135</u>	<u>\$ 4,088,983</u>

See accompanying notes to financial statements.

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

	Program Services	Supporting Services			Total Supporting	Total
		Management and General	Fundraising	Membership		
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	1,991,848	466,980	203,354	176,520	846,854	2,838,702
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	3,933,481	132,431	337,970	371,965	842,366	4,775,847
Depreciation of buildings and equipment	138,551	38,844	-	-	38,844	177,395
Total Functional Expenses	\$ 4,072,032	\$ 171,275	\$ 337,970	\$ 371,965	\$ 881,210	\$ 4,953,242

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,114,797	\$ 660,172
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash contributions	(21,296)	(4,827)
Gain on investments	(295,108)	(292,915)
Bad debts expense	4,026	-
Depreciation	188,225	177,395
(Increase) decrease in assets:		
Receivables	(34,656)	(34,091)
Inventories	100,220	(14,138)
Prepaid and deferred expenses	65,040	(17,712)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(112,616)	19,955
Deposits	6,289	(11,815)
Deferred revenues and charitable gift annuity	(161,221)	(218,401)
Net Cash Provided By Operating Activities	<u>853,700</u>	<u>263,623</u>
Cash Flows From Investing Activities		
Property and equipment acquisitions	(112,005)	(153,023)
Proceeds from sale of investments	985,242	709,586
Purchase of investments	(989,076)	(872,837)
Increase in beneficial interest in assets held by others	(12,744)	(14,696)
Net Cash Used By Investing Activities	<u>(128,583)</u>	<u>(330,970)</u>
Cash Flows From Financing Activities		
Proceeds of notes payable and long-term debt	-	18,500
Principal payments on debt	(48,704)	(57,995)
Principal payments on capital lease	(13,440)	(12,966)
Net Cash Used By Financing Activities	<u>(62,144)</u>	<u>(52,461)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	662,973	(119,808)
Cash and Cash Equivalents, Beginning of Year	<u>293,008</u>	<u>412,816</u>
Cash and Cash Equivalents, End of Year	<u>\$ 955,981</u>	<u>\$ 293,008</u>
Schedule of Noncash Investing and Financing Activities		
Debt incurred to acquire property and equipment	<u>\$ 9,000</u>	<u>\$ -</u>
Contributions of stock	<u>\$ 21,296</u>	<u>\$ 4,827</u>

See accompanying notes to financial statements.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 2020 and 2019; \$50,436 and \$53,312 were considered investment earnings available for operations for 2020 and 2019, 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. No salaries and related costs were capitalized into inventory during 2020 and 2019.

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, 2020 AND 2019

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:

	2020	2019
Contribution	\$ 648,910	\$ 644,660
Cost of benefits provided	186,485	184,667
Total Membership Dues	\$ 835,395	\$ 829,327

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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. Bad debt expense as of December 31, 2020 and 2019 was \$4,026 and \$-0-, respectively.

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, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Cash Flows

Cash paid for interest on debt was \$18,811 in 2020 and \$28,491 in 2019.

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 2020 and 2019.

Revenue Recognition

The Club recognizes revenue in accordance with ASU 2014-09, *Revenue from Contracts with Customers*. 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.

The Club recognizes contributions in accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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, 2020 AND 2019

2. DEFERRED PUBLICATIONS

As of December 31, 2019, there was a balance of \$34,000 of costs for the then current editions of ADK guidebooks and maps. During 2020, revisions to editions with deferred costs were made and two new editions were put in production. This has the effect of reducing the value of these 2019 deferred costs. During 2020, in recognizing the mission aspect of ADK's production of guidebooks and maps, management decided to change the former practice of deferring the costs of payroll and overhead plus any other direct costs associated with production. There are several reasons for this decision. The level of department employment does not increase as a result of producing new editions, so costs are steady from year to year. The production cycle takes more than a year. Outside costs are not significant. The value of costs incurred for new editions in 2020 would offset the reduction in value of the 2019 and prior costs. Relatively low quantities produced cause significant unit cost additions. This change will reduce distortion of unit costs and variations in gross profit.

3. RECEIVABLES

Receivables are as follows:

	<u>2020</u>	<u>2019</u>
Publications sales	\$ 29,517	\$ 27,651
Grants and other	<u>139,333</u>	<u>110,569</u>
Total Receivables	<u>\$ 168,850</u>	<u>\$ 138,220</u>

4. INVENTORIES

Inventories are as follows:

	<u>2020</u>	<u>2019</u>
Publications	\$ 25,113	\$ 43,868
Resale items	149,207	189,236
Food	14,646	6,282
Inventory reserve	<u>(49,800)</u>	<u>-</u>
Total Inventories	<u>\$ 139,166</u>	<u>\$ 239,386</u>

At December 31, 2020, the Club recognized an inventory reserve of \$49,800, which represents the estimated amount of obsolete inventory on hand as of that date. No reserve is reflected for 2019 as management did not identify any obsolete inventory at that time.

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, 2020 AND 2019

6. INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Stocks	\$ 51,604	\$ 46,826
Bond mutual funds	784,970	713,235
Balanced mutual funds	274,249	331,235
Equity mutual funds	<u>1,252,273</u>	<u>951,562</u>
Total Investments	<u>\$ 2,363,096</u>	<u>\$ 2,042,858</u>

At December 31, 2020 and 2019, there were net unrealized gains (losses) on investments of \$240,181 and \$244,078, 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>2020</u>	<u>2019</u>
Interest and dividend income	\$ 34,052	\$ 36,531
Net realized and unrealized gains (losses) on investments carried at fair value	<u>295,108</u>	<u>292,915</u>
Total Investment Return	<u>\$ 329,160</u>	<u>\$ 329,446</u>

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

7. LAND, BUILDINGS AND EQUIPMENT

	<u>2020</u>	<u>2019</u>
Land	\$ 195,761	\$ 195,761
Land improvements	768,860	752,462
Buildings and improvements	2,418,725	2,364,189
Equipment and furniture	1,308,605	1,266,806
Vehicles	<u>250,828</u>	<u>250,056</u>
Total	4,942,779	4,829,274
Less accumulated depreciation	<u>2,904,801</u>	<u>2,715,076</u>
Net Land, Buildings and Equipment	<u>\$ 2,037,978</u>	<u>\$ 2,114,198</u>

Depreciation expense was \$188,225 and \$177,395 for December 31, 2020 and 2019, respectively.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

8. DEFERRED REVENUE

	<u>2020</u>	<u>2019</u>
Deferred membership dues (a)	\$ 128,610	\$ 124,028
Life memberships (a)	97,068	78,490
Deposits on future adventure travel	-	133,934
Lodging	254,617	244,823
Advertising	296	-
Educational programs	10,830	27,441
Other	<u>3,489</u>	<u>41,994</u>
Total Deferred Revenue	494,910	650,710
Less noncurrent portion of life and multi-year memberships	<u>94,385</u>	<u>75,750</u>
Net Deferred Revenue	<u>\$ 400,525</u>	<u>\$ 574,960</u>

(a) Refer to Note 1.

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 \$135,036 and \$140,408 at December 31, 2020 and 2019, respectively, 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 (\$40,182 and \$45,603 at December 31, 2020 and 2019, respectively) are 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, 2019	\$	48,154
Total gains/losses and amortization		3,832
Annuitant payments		<u>(6,383)</u>
December 31, 2019		45,603
Total gains/losses and amortization		962
Annuitant payments		<u>(6,383)</u>
December 31, 2020	\$	<u>40,182</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
DECEMBER 31, 2020 AND 2019

10. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Notes payable - Chapters; prime less 1.5% (prime is 4.75% at December 31, 2020), maturity ranges from six months to one year from issuance.	\$ 68,928	\$ 87,472
Glens Falls National Bank mortgage secured by the assets of the club, interest at 3.50%, payments through March 2020.	-	2,228
Glens Falls National Bank loan secured by Ford truck, interest at 3.49%, payments through April 2020.	-	2,457
Toyota Financial Services loan secured by Toyota sedan, interest at 0.9%, payments through December 2020.	-	6,373
Glens Falls National Bank loan secured by the assets of the Club, interest only payments based on WSJ prime rate (prime was 3.25% at December 31, 2020) 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 2020.	373,225	387,375
Glens Falls National Bank loan secured by Ford truck, interest at 3.99%, payments through June 2022.	10,984	17,971
Glens Falls National Bank loan secured by tractor, interest at 4.25%, payments through April 2024.	<u>27,702</u>	<u>25,667</u>
Total	480,839	529,543
Less current installments	<u>103,732</u>	<u>132,869</u>
Long-Term Debt, Net of Current Installments	<u>\$ 377,107</u>	<u>\$ 396,674</u>

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

2021	\$ 103,732
2022	31,589
2023	28,234
2024	22,547
2025	19,622
Thereafter	<u>275,115</u>
Total	<u>\$ 480,839</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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>40,615</u>
Total	<u>\$ 22,564</u>

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

2021	<u>\$ 6,849</u>
Total minimum lease payments	6,839
Less: amount representing interest	<u>82</u>
Present value of minimum lease payments	<u>\$ 6,767</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>2020</u>	<u>2019</u>
Memorial Fund	\$ 295,674	\$ 257,567
Sean Kelleher Fund	10,052	8,550
Education Fund	52,229	45,781
Executive Transition Fund	-	80,608
Sinking Capital/Land Trust Fund	147,117	17,941
Natural History Endowment Fund	39,875	33,918
George B. Duncan Fund	492,951	420,681
Slater Trust Fund	154,803	131,673
Grow ADK Fund	<u>281,177</u>	<u>213,900</u>
Total Board Designated Net Assets	<u>\$ 1,473,878</u>	<u>\$ 1,210,619</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, 2020 AND 2019

13. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted for specific purposes:		
Jamieson Fund (conservation easements)	\$ 111,046	\$ 92,369
Education	79,822	129,098
Lecture series	522	522
ADK Recognition Fund	2,000	1,000
Johns Brook Lodge	12,897	10,087
Neil F. Woodworth Conservation Fund	56,176	34,915
Loj	24,142	19,449
Publications	830	830
President's Library Fund	8,013	8,013
Advocacy	228,767	223,399
Trails	41,109	22,009
Charitable Gift Annuity	89,360	91,263
Wilderness Legal Defense Fund	83,065	82,065
Summit Stewards	31,528	22,595
Other	<u>12,566</u>	<u>8,166</u>
	781,843	745,780
Donor Restricted Endowments (See Note 14)	<u>698,378</u>	<u>458,026</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,480,221</u>	<u>\$ 1,203,806</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 \$95,309 and \$82,565 at December 31, 2020 and 2019, 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, 2020 and 2019 by incurring expenses satisfying the restricted purposes and are as follows:

	<u>2020</u>	<u>2019</u>
Education	\$ 54,306	\$ 150,696
Johns Brook Lodge	250	2,468
Loj	2,707	22,997
Advocacy	-	3,573
Trails	10,000	-
Charitable Gift Annuity	6,124	6,383
Summit Stewards	7,665	-
Other	<u>-</u>	<u>100</u>
Total net assets released from donor restrictions	<u>\$ 81,052</u>	<u>\$ 186,217</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 2020, the Club had the following endowment-related activities:

	<u>Board Designated</u>	<u>Endowment</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 955,923	\$ 458,026	\$ 1,413,949
Interest and dividend income	15,173	15,168	30,341
Net realized and unrealized gains (losses) on investments carried at fair value	<u>145,987</u>	<u>79,848</u>	<u>225,835</u>
Total investment return	161,160	95,016	256,176
Less: Operating investment return	<u>32,737</u>	<u>17,252</u>	<u>49,989</u>
Nonoperating investment return	128,423	77,764	206,187
Contributions	-	141,561	141,561
Transfers	<u>(100,000)</u>	<u>21,027</u>	<u>(78,973)</u>
Endowment net assets, end of year	<u>\$ 984,346</u>	<u>\$ 698,378</u>	<u>\$ 1,682,724</u>

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	-	8,589	8,589
Endowment net assets, end of year	<u>\$ 955,923</u>	<u>\$ 458,026</u>	<u>\$ 1,413,949</u>

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

14. DONOR AND BOARD DESIGNATED ENDOWMENT FUNDS

Donor Restricted Endowment funds at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Natural History Endowment Fund	\$ 90,571	\$ 79,390
Trails Endowment Fund	100,926	87,246
ADK Conservation Endowment Fund	59,569	52,216
Walter O. Shannon Fund	26,029	22,816
JBL Endowment Fund	18,757	16,441
Jane C. Neale Endowment	45,017	39,362
Dr. Norton G. Miller Memorial Fund	148,715	-
ADK Recognition Fund	70,403	46,747
Will Cummer Gear Fund	40,329	35,350
Ruth M. Kuhfahl Trails Fund	15,378	13,392
Maegan E. Spindler Education Fund	22,759	19,548
Skee Volunteer Trail Maintenance Fund	14,963	13,116
Culture & History of the Adirondacks Fund	27,057	23,717
General Endowment	<u>17,905</u>	<u>8,685</u>
Total	<u>\$ 698,378</u>	<u>\$ 458,026</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 2020 and 2019 to reduce the Club's contribution. The Club's contributions to the Plan for 2020 and 2019, were \$48,941 and \$61,903, 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 3.25% at December 31, 2020) 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, 2020 and 2019. The Club must maintain a minimum debt service coverage ratio of 1.00, tested annually. The Club met the covenant at the end of 2020.

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

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, costs were \$9,551 and \$21,754, 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. 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, 2020, there was \$1,440,811 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.

ADIRONDACK MOUNTAIN CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

21. LIQUIDITY

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>2020</u>	<u>2019</u>
Financial assets as of December 31	\$ 3,583,236	\$ 2,556,651
Less		
Board imposed restrictions making financial assets unavailable for general expenditure	(1,440,811)	(1,161,931)
Contractual or donor imposed restrictions making financial assets unavailable for general expenditure	<u>(1,472,853)</u>	<u>(1,198,494)</u>
 Financial assets available within one year to meet cash needs for general expenditures within one year	 <u>\$ 644,011</u>	 <u>\$ 196,226</u>

22. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date these financial statements were available to be issued.

23. PAYROLL PROTECTION PROGRAM AND ECONOMIC INJURY DISASTER LOAN FORGIVENESS

On March 27, 2020, the United States Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES) to assist the economy of the United States during the COVID-19 pandemic. Part of the CARES Act is the Payroll Protection Program (PPP), which was available to small businesses and not-for-profit entities that provided short term financial assistance to assist eligible entities in maintaining payroll, hiring back employees who may have been laid off, and cover applicable overhead. The Club applied for and received a PPP loan in the amount of \$450,000. These funds were used by the Club in accordance with the rules and regulations of the PPP loan program to assist the Club during 2020. In accordance with the rules and regulations of the PPP loan program, if the loan proceeds were used to pay qualifying expenses and the Club meets other parameters outlined in the PPP program the loan would be forgiven. Any amount not forgiven would be converted into a two-year term loan at 1% with payments deferred for the first six months. The Club also applied for and received an Economic Injury Disaster (EIDL) Loan of \$10,000 from SBA to assist with financial obligations and operating expenses due to the impacts the COVID-19 pandemic. At the time these financial statements were available to be issued, the Club had received notice of full forgiveness by the Small Business Administration (SBA), the governing body of these programs. As such, the Club has recognized the proceeds as other income in these financial statements.

24. SUBSEQUENT EVENTS

Subsequent to December 31, 2020 the Club applied for and received the second round of CARES Act funding through the Payroll Protection Program (PPP) totaling approximately \$446,000. These funds will be used in accordance with the rules and regulations of the PPP program to assist the Club during 2021. See Note 23 for information regarding PPP.

The Club has evaluated events and transactions that occurred between December 31, 2020 and April 9, 2021, 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 above, the Club is not aware of any additional subsequent events that require recording or disclosure.