THE APPALACHIAN TRAIL CONSERVANCY

Harpers Ferry, West Virginia

FINANCIAL STATEMENTS

DECEMBER 31, 2017

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4 and 5
Statement of cash flows	6
Notes to financial statements	7-21
SUPPLEMENTARY INFORMATION	
Schedule of functional expenses	22
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	23 and 24
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	25 and 26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	27
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	29
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	30

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Appalachian Trail Conservancy
Harpers Ferry, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Appalachian Trail Conservancy (the "Conservancy"), which comprise the statement of financial position as of December 31, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Conservancy's financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Conservancy'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 Conservancy'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 respective financial position of The Appalachian Trail Conservancy as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purpose of additional analysis and is not a required part of the financial statements.

Such schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018 on our consideration of The Appalachian Trail Conservancy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Appalachian Trail Conservancy's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
June 6, 2018

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Financial Position

December 31, 2017

Assets	**General Fund**	**Land Acquisition Fund**	**Life Membership Fund**	**Monitoring Fund**	**David N. Startzell Stewardship Fund**	**Annuity Fund**	**Total All Funds**
Current Assets							
Cash and cash equivalents (Note 2, 6, 13, 18)	$ 1,874,901	$ 238,776	$ - -	$ - -	$ 284,017	$ - -	$ 2,397,694
Accounts receivable, net (Note 4)	2,058,334	2,046	1,745	- -	432,988	- -	2,495,113
Pledges receivables, net (Note 5)	59,955	- -	- -	- -	- -	- -	59,955
Interfund receivables	- -	1,159,640	204,493	44,380	246,047	124,068	1,778,628
Inventory	357,268	- -	- -	- -	- -	- -	357,268
Land held for sale	- -	655,350	- -	- -	- -	- -	655,350
Prepaid expenses	156,936	- -	- -	- -	- -	- -	156,936
Total current assets	$ 4,507,394	$ 2,055,812	$ 206,238	$ 44,380	$ 963,052	$ 124,068	$ 7,900,944
Non-Current Assets							
Long-term investments (Notes 3, 6, 13, 18)	39,204	691,200	2,451,811	214,891	6,430,062	814,180	10,641,348
Construction loan interfund receivable	- -	- -	- -	- -	115,852	- -	115,852
Property and equipment, net (Note 7)	1,030,379	3,300	- -	- -	- -	- -	1,033,679
Other assets, deposits	7,224	- -	- -	- -	- -	- -	7,224
Land held in conservancy (Note 8)	- -	1,644,157	- -	- -	- -	- -	1,644,157
Total assets	$ 5,584,201	$ 4,394,469	$ 2,658,049	$ 259,271	$ 7,508,966	$ 938,248	$ 21,343,204
Liabilities and Net Assets							
Current Liabilities and Deferred Revenues							
Accounts payable and accrued expenses	$ 527,470	$ - -	$ - -	$ - -	$ 2,000	$ 1,750	$ 531,220
Deferred revenues (Note 15)	1,828,537	- -	- -	- -	- -	- -	1,828,537
Interfund payables	1,778,628	- -	- -	- -	- -	- -	1,778,628
Current maturities of long term debt	3,932	- -	- -	- -	- -	- -	3,932
Current maturities of annuities payable (Note 13)	- -	- -	- -	- -	- -	39,921	39,921
Total current liabilities and deferred revenues	$ 4,138,567	$ - -	$ - -	$ - -	$ 2,000	$ 41,671	$ 4,182,238
Long-Term Liabilities							
Construction loan interfund payable	$ 115,852	$ - -	$ - -	$ - -	$ - -	$ - -	$ 115,852
Annuities payable, less current maturities (Note 13)	- -	- -	- -	- -	- -	225,487	225,487
Total long-term liabilities	$ 115,852	$ - -	$ - -	$ - -	$ - -	$ 225,487	$ 341,339
Net Assets							
Unrestricted (Notes 14 and 19)	$ 573,602	$ 8,648	$ - -	$ - -	$ 6,066,277	$ 439,874	$ 7,088,401
Temporarily restricted (Note 17)	756,180	3,829,520	- -	259,271	510,782	231,216	5,586,969
Permanently restricted (Notes 17 and 19)	- -	556,301	2,658,049	- -	929,907	- -	4,144,257
Total net assets	$ 1,329,782	$ 4,394,469	$ 2,658,049	$ 259,271	$ 7,506,966	$ 671,090	$ 16,819,627
Total liabilities and net assets	$ 5,584,201	$ 4,394,469	$ 2,658,049	$ 259,271	$ 7,508,966	$ 938,248	$ 21,343,204

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities

For the Year Ended December 31, 2017

	General Fund	Land Acquisition Fund	Life Membership Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Changes in unrestricted net assets:							
Revenue and gains:							
Public support, contributions	$ 2,609,690	$ - -	$ - -	$ - -	$ 1,031,915	$ 10,486	$ 3,652,091
In-kind contributions	87,130	- -	- -	- -	- -	- -	87,130
Membership	1,318,507	- -	- -	- -	- -	- -	1,318,507
Contractual services (Note 9)	2,229,175	- -	- -	- -	- -	- -	2,229,175
Sales	975,086	- -	- -	- -	- -	- -	975,086
Investment income (Note 3)	22,971	- -	- -	- -	126,172	16,660	165,803
Other	883,875	- -	- -	- -	- -	- -	883,875
Net unrealized and realized gains (losses) on investments (Note 3)	(19,180)	- -	- -	- -	973,376	450	954,646
Total unrestricted revenues and gains	$ 8,107,254	$ - -	$ - -	$ - -	$ 2,131,463	$ 27,596	$ 10,266,313
Net assets released from restrictions:							
Release of investment income (Note 3)	$ - -	$ 26,492	$ 93,924	$ - -	$ - -	$ - -	$ 120,416
Satisfaction of program restrictions (Note 16)	317,338	332,263	17,799	1,547	7,612	6,545	683,104
Total net assets released from restrictions	$ 317,338	$ 358,755	$ 111,723	$ 1,547	$ 7,612	$ 6,545	$ 803,520
Total unrestricted revenues, gains, (losses) and other support	$ 8,424,592	$ 358,755	$ 111,723	$ 1,547	$ 2,139,075	$ 34,141	$ 11,069,833
Expenses							
Program Services:							
Conservation and Land Trust	$ 4,540,415	$ 327,554	$ - -	$ - -	$ - -	$ - -	$ 4,867,969
Membership services	861,701	- -	- -	- -	- -	- -	861,701
Publications	1,132,428	- -	- -	- -	- -	- -	1,132,428
Communications	864,217	- -	- -	- -	- -	- -	864,217
Total program services	$ 7,398,761	$ 327,554	$ - -	$ - -	$ - -	$ - -	$ 7,726,315
Supporting Services:							
Development	$ 751,886	$ - -	$ - -	$ - -	$ - -	$ - -	$ 751,886
Management and general	1,403,775	4,709	17,799	1,547	36,773	6,545	1,471,148
Total supporting services	$ 2,155,661	$ 4,709	$ 17,799	$ 1,547	$ 36,773	$ 6,545	$ 2,223,034
Total expenses	$ 9,554,422	$ 332,263	$ 17,799	$ 1,547	$ 36,773	$ 6,545	$ 9,949,349
Other Changes in Unrestricted Net Assets							
Transfer of investment income to general fund	$ 831,110	$ (26,492)	$ (93,924)	$ - -	$ (710,694)	$ - -	$ - -
Annuity actuarial adjustment (Note 13)	- -	- -	- -	- -	- -	(9,226)	(9,226)
Total other changes in net assets	$ 831,110	$ (26,492)	$ (93,924)	$ - -	$ (710,694)	$ (9,226)	$ (9,226)
Changes in unrestricted net assets	$ (298,720)	$ - -	$ - -	$ - -	$ 1,391,608	$ 18,370	$ 1,111,258

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities (continued)

For the Year Ended December 31, 2017

	General Fund	Land Acquisition Fund	Life Membership Fund	Monitoring Fund	David N. Startzell Stewardship Fund	Annuity Fund	Total All Funds
Changes in temporarily restricted net assets:							
Public support, contributions	$ 74,940	$ 500,701	$ - -	$ - -	$ 500,000	$ - -	$ 1,075,641
Investment income (Note 3)	- -	9,218	- -	3,931	- -	- -	13,149
Other income	- -	28,537	- -	- -	- -	- -	28,537
Net unrealized and realized gains on investments (Note 3)	- -	77,130	- -	25,441	- -	- -	102,571
Release of investment income to general fund (Note 3)	- -	(26,492)	- -	- -	- -	- -	(26,492)
Net assets released from restrictions (Note 16)	(317,338)	(332,263)	- -	(1,547)	(7,612)	(6,545)	(665,305)
Changes in temporarily restricted net assets	$ (242,398)	$ 256,831	$ - -	$ 27,825	$ 492,388	$ (6,545)	$ 528,101
Changes in permanently restricted net assets:							
Membership	$ - -	$ - -	$ 15,135	$ - -	$ - -	$ - -	$ 15,135
Investment income (Note 3)	- -	- -	45,063	- -	- -	- -	45,063
Net unrealized and realized gains on investments (Note 3)	- -	- -	306,999	- -	- -	- -	306,999
Release of investment income to general fund (Note 3)	- -	- -	(93,924)	- -	- -	- -	(93,924)
Net assets released from restrictions (Note 16)	- -	- -	(17,799)	- -	- -	- -	(17,799)
Changes in permanently restricted net assets	$ - -	$ - -	$ 255,474	$ - -	$ - -	$ - -	$ 255,474
Changes in net assets	$ (541,118)	$ 256,831	$ 255,474	$ 27,825	$ 1,883,996	$ 11,825	$ 1,894,833
Net assets, beginning of year	1,870,900	4,137,638	2,402,575	231,446	5,622,970	659,265	14,924,794
Net assets, end of year	$ 1,329,782	$ 4,394,469	$ 2,658,049	$ 259,271	$ 7,506,966	$ 671,090	$ 16,819,627

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities		
Change in net assets	$	1,894,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		187,269
Net realized and unrealized (gains) on investments		(1,364,216)
Write down of available-for-sale property		267,109
(Gain) on sale of land held in conservancy		(25,928)
Receipt of permanently restricted contributions and life membership income		(15,135)
Changes in operating assets and liabilities:		
Decrease in receivables		86,820
Decrease in inventory		97,974
(Increase) in prepaid expenses		(69,016)
(Increase) in other assets, deposits		(1,707)
(Decrease) in accounts payable and accrued expenses		(21,866)
(Decrease) in annuities payable		(24,367)
(Decrease) in deferred revenues		(255,981)
Net cash provided by operating activities	$	755,789
Cash Flows from Investing Activities		
Purchases of property and equipment	$	(319,828)
Purchases of long-term investments		(4,739,518)
Proceeds from sale of land held in conservancy		56,121
Proceeds from sale of long-term investments		4,487,272
Net cash (used in) investing activities	$	(515,953)
Cash Flows from Financing Activities		
Receipt of permanently restricted contributions and life membership income	$	15,135
Payments on long-term debt		(3,931)
Net cash provided by financing activities	$	11,204
Increase in cash and cash equivalents	$	251,040
Cash and Cash Equivalents		
Beginning		2,146,654
Ending	$	2,397,694
Supplemental Schedule of Noncash Investing and Financing Activities		
Stock donations	$	68,865
Various equipment and donated services	$	87,130

See Notes to Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Appalachian Trail Conservancy (the Conservancy) is a nonprofit, volunteer-centered corporation organized in 1925 and incorporated in 1936 under the laws of the District of Columbia. The Conservancy was organized to promote, construct and manage the Appalachian Trail and its associated lands in the public interest for hiking and other recreation on foot and for the study of nature along the ridgecrests of the Appalachian Mountains through 14 states from northern Georgia to central Maine. Beginning in the 1920s, Conservancy volunteers conceived, blazed and maintained the Appalachian Trail, which is approximately 2,200 miles long.

The Conservancy works closely with 31 autonomous local member clubs along the Appalachian Trail in a coordinated effort to carry out the Conservancy’s missions. Under a series of agreements, dating back to the 1930s, with the U.S. Department of the Interior, the U.S. Department of Agriculture Forest Service, and various state agencies, these clubs, in coordination with the Conservancy, help to maintain the footpath and its facilities (shelters, bridges, signs, etc.) and manage approximately 108,841 acres of National Park Service land that has been acquired specifically to protect the footpath from incompatible uses and development.

Additionally, the work of the Conservancy extends beyond resource management and into the realm of public information and education. The Conservancy has an extensive publications program that includes guidebooks, maps, newsletters, and other books about the Appalachian Trail and its resources. The Conservancy’s communications extend to our visitor’s center, which plays host to almost 15,000 people annually. The Conservancy’s information staff addresses almost 30,000 mail and e-mail inquiries each year, and the Conservancy’s website averages 100,000 visits each month.

The Conservancy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of state statutes.

A summary of the significant accounting policies is as follows:

Financial Reporting

The Conservancy’s financial statements are presented on the accrual basis of accounting. The Conservancy's management has standards for external financial statements provided by not-for-profit organizations and requires the Conservancy to report information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated by unrestricted, temporarily restricted and permanently restricted categories. A statement of financial position, a statement of activities and a statement of cash flows are required.

Fund Accounting

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Conservancy, its accounts are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Fund balances are classified on the statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

Unrestricted Funds

The General Fund represents funds that are derived primarily from support and revenues in the form of contributions, governmental contracts, membership dues, and sales of publications. Resources are used to help meet the costs of providing the Conservancy's programs and supporting services, and plant and equipment, both purchased and donated.

Restricted Funds

Restricted funds are used to record the Conservancy's activities that are supported by resources whose use is limited by external parties to specific operating purposes. The principal sources of restricted funds are contributions from donors; contracts and grants; endowment income; and other sources where resource providers have stipulated the specific operating purposes for which the resources are to be used.

The Monitoring Fund is a restricted fund representing contributions received that have been restricted for use in the maintenance and protection of specified lands on or near various portions of the Appalachian Trail.

The Annuity Fund is used by the Conservancy to account for resources provided by donors under various kinds of agreements in which the Conservancy has a beneficial interest in the resources but may not be the sole beneficiary. As described in more detail in Note 13, the Conservancy participates in various charitable trusts and offers charitable gift annuities.

Endowment Funds

There are three types of endowment funds: permanent endowment; term endowment; and quasi-endowment. Permanent endowment refers to amounts that have been contributed with donor-specified restrictions that the principal be invested in perpetuity. Donors may also restrict income from those investments. A term endowment is similar to permanent endowment, except that at some future time or upon the occurrence of a specified future event, the resources originally contributed become available for unrestricted or purpose-restricted use by the entity. Quasi-endowment refers to resources designated by an entity's governing board to be retained and invested for specified purposes for a long but unspecified period. The Conservancy's endowment funds contain a combination of the different types described above. The investment income received on the Land Acquisition, Life Membership and David N. Startzell Stewardship Funds is transferred in accordance with the Conservancy's investment and spending policy which establishes a spending limit of up to 4.5 percent of the portfolio's market value as measured on the last day of the past twelve (12) quarters.

The Land Acquisition Fund consists of assets restricted for the purposes of acquiring land and interests in land along the Appalachian Trail. Proceeds from the sale of such lands to various Federal and state agencies, as well as individual conservation buyers, are deposited in this fund for future acquisitions. The principal of the Land Acquisition Fund is restricted; however, some earnings from investments held by the Land Acquisition Fund are transferred to the General Fund in accordance with the Conservancy's investment and spending policy.

The Life Membership Fund consists of receipts from full Conservancy Life Members or time payments on Conservancy Life Memberships. The principal of the Life Membership Fund is restricted; however, some earnings from investments held by the Life Membership Fund are transferred to the General Fund in accordance with the Conservancy's investment and spending policy.

The David N. Startzell Stewardship Fund, formerly reported as the Stewardship Fund, consists of endowment funds intended to offset the costs associated with trail construction, maintenance, and land management activities. Part of the principal of the David N. Startzell Stewardship Fund is restricted; however, some earnings from investments held by the David N. Startzell Stewardship Fund are transferred to the General Fund in accordance with the Conservancy's investment and spending policy.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Conservancy considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Inventories

Inventories consist of materials held for sale by the Conservancy and are stated at the lower of cost (first-in, first-out method) or market.

Investments

The Conservancy records investments at fair market value in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities. Investments that are received as gifts are recorded at their market value at the date of the gift, which then becomes the cost basis.

Land Held in Conservancy

Lands held in conservancy are recorded at cost or, if donated, at the estimated fair market value of the land on the date of the donation. Because the Conservancy intends to hold the lands held in conservancy indefinitely, write-downs for permanent impairments in the value of the lands are not recorded.

The Conservancy, at times, sells assets at less than fair market value to individual landowners in exchange for conservation restrictions placed upon the landowner's lands. The Conservancy records such transactions as expenditures in the period incurred.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated assets at the date of the gift is similarly capitalized. Depreciation and amortization is computed by the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. Depreciation and amortization expense was $187,269 for the year ended December 31, 2017.

Resources restricted by donors for plant replacement and expansion are added to the unrestricted fund balance to the extent expended within the period.

Donated Goods, Services and Facilities

Donated materials, equipment and other assets are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of the gift. The Conservancy recognizes contribution revenue for services requiring specialized skills received at the fair value of those services. During the year, the Conservancy received donated services of $69,990 and donated goods of $17,140. In addition, 5,939 volunteers donated 239,798 hours to the Conservancy's programs, fund-raising campaigns and management for which no amounts have been recognized in the financial statements since no objective basis is available to measure the value of such services.

Contributions

The Conservancy's management has adopted the standard that requires revenues to be recognized for all unconditional promises to give, including those with donor imposed restrictions, at the time of receipt of the promise. The standard also requires certain disclosures for receipts of contributed services and promises to give.

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Conservancy reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Conservancy's activities).

Revenue Recognition

Grant revenue is recognized when the related costs are incurred. Deferred revenue is recorded for grant funds that the Conservancy has been awarded but for which it has not incurred related expenses.

Government support is recognized when the services have been provided and the related expenses have been incurred for which the Government support has been restricted.

Membership dues are recognized as revenue on a pro-rata basis over the period to which the dues relate, for only the portion of the dues for which the member receives goods or services. The remaining contribution portion of the dues is recognized as revenue in the year the dues are received.

Donations are recognized as income in the period in which they are received and are considered to be available for unrestricted use unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Conservancy reports the support as unrestricted.

Expense Allocation

Overhead expenses that are not specifically identified with a particular service are allocated to the various program services based upon a percentage of dollars spent on salaries for Conservancy staff in performing program functions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the year ended December 31, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of assets restricted for long-term purposes is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The carrying amounts of the Conservancy’s financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conservancy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 2. Cash Concentrations

The Conservancy may from time to time have deposits with commercial financial institutions in excess of the federally insured limit during the year. The Conservancy has not experienced any losses on its accounts.

Note 3. Investments

The Conservancy carries investments at fair market value. Investments with a fair value of $10,641,348 as of December 31, 2017, consisted of cash or cash equivalents, stocks and fixed income securities.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment income	$ 165,803	$ 13,149	$ 45,063	$ 224,015
Net realized and unrealized (losses)	954,646	102,571	306,999	1,364,216
	$ 1,120,449	$ 115,720	$ 352,062	$ 1,588,231

The Conservancy manages its investments on a total return basis. Under this concept, the Conservancy focuses on the overall return on their investments, including both investment income and net appreciation. It uses a spending-rate formula to determine how much of that return is available to support current operations. Investment income was released to support general operations in accordance with Conservancy's spending policy as follows:

Land Acquisition Fund	$ 26,492
Life Membership Fund	93,924
	$ 120,416

Note 4. Accounts Receivable

Accounts receivable at December 31, 2017, consisted primarily of trade receivables and amounts due from the National Park Service. Net accounts receivable consist of the following:

Federal	$ 2,194,449
State	44,094
Trade	73,053
Other	204,368
Allowance for doubtful accounts	(20,851)
	$ 2,495,113

Note 5. Pledges Receivable

As of December 31, 2017, contributors to the Conservancy have unconditionally promised to give $59,955. The unconditionally promised contributions are due within one year.

Note 6. Investments

Investments are carried at fair value based on quoted prices in active markets and consist of the following at December 31, 2017:

	Cost	Fair Market Value	Unrealized Gain
Cash or cash equivalents	$ 375,018	$ 375,018	$ - -
Stocks	4,909,421	6,526,411	1,616,990
Fixed income securities	3,738,675	3,739,919	1,244
Total	$ 9,023,114	$ 10,641,348	$ 1,618,234

Note 7. Property and Equipment

A summary of property and equipment is as follows:

Land	$ 20,000
Building and improvements	1,021,013
Furniture and equipment	977,808
Computer software	898,991
	$ 2,917,812
Less: accumulated depreciation and amortization	(1,884,133)
	$ 1,033,679

Note 8. Land Held in Conservancy

The Conservancy holds title to various parcels of real estate located along the Appalachian Trail. Such lands are classified by the Conservancy as land held in conservancy. The Conservancy is not in the development or real estate business but a guardian of the lands adjacent to the trail. Land held in conservancy at December 31, 2017 amounted to $1,644,157 and represents real estate held by the Conservancy that it intends to hold indefinitely or sell to a Federal or State agency that governs the portion of the Appalachian Trail in which the real estate lies, or to conservation-minded individuals interested in acquiring land with significant restrictions designed to protect the trail.

Note 9. Contractual Services and Revenue Concentration

The Conservancy receives a significant amount of its support and revenue from cooperative agreements and cost-share agreements with the National Park Service, the United States Forest Service and various state agencies. Support received from these agencies was $2,229,175 during the year ended December 31, 2017. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Conservancy's programs and activities.

Note 10. Pension Plan

The Conservancy has an IRC 403(b) Employer Contributory Tax Deferral Annuity Plan (a defined contribution plan). Employees can contribute to the plan effective immediately upon date of hire. To be eligible for employer contributions, the employee must have worked a minimum of 1,000 hours within a twelve-month consecutive period. Total covered payroll for eligible employees' compensation is $3,004,280 and total payroll for all employees was $3,838,165 for the year ended December 31, 2017.

The pension plan covers all of the Conservancy's employees who meet the requirements stated above. Members' rights to contributions vest immediately. Contributions to the pension plan by the Conservancy are based on 2% of eligible employees' compensation. In addition, in 2001, the Conservancy approved a matching contribution up to 3% to encourage participation. Total contributions to the pension plan by the Conservancy were $137,593 for the year ended December 31, 2017.

Note 11. Lease Commitments and Total Rental Expense

The Conservancy leases facilities to house its regional offices and various equipment under arrangements that are classified as operating leases. The leases generally require the Conservancy to pay for all normal maintenance, utilities and liability insurance costs. Rental expense for the year ended December 31, 2017, was $160,759.

The future minimum lease payments under noncancellable operating leases are as follows for the years ended December 31:

2018	$ 148,922
2019	152,452
2020	130,808
2021	43,017
2022	18,567
	$ 493,766

Note 12. Related-Party Transactions

Among the Conservancy's Board members and officers are volunteers from the financial, legal and environmental community who provide valuable assistance to the Conservancy in the development of policies and programs and in the evaluation of awards and grants. Under the Conservancy's conflict of interest disclosure policy, the Executive Director reviews all transactions with related parties. Based on their review, significant transactions are submitted to the Board of Directors for approval. For the year ended December 31, 2017, substantially all awards and grants, which amounted to $3,200, were disbursed to groups with which one or more Board members were associated as volunteers. These groups maintain the Appalachian Trail in their local areas.

Note 13. Annuities Payable

The Conservancy administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust’s term (usually the designated beneficiary’s lifetime). At the end of the trust’s term, the remaining assets are available for the Conservancy’s use. The portion of the trust attributable to the present value of the future benefits to be received by the Conservancy is recorded in the Statement of Activities as a temporarily restricted or permanently restricted contribution in the period the trust is established. When necessary, the Conservancy revalues the liability to the designated beneficiaries.

Assets held in charitable remainder trusts and in fulfillment of charitable gift annuity contracts totaled $814,180 at December 31, 2017 and are reported at fair market value in the Conservancy's Statement of Financial Position. The present value of the estimated future payments for remainder trusts is calculated using discount rates determined at the inception of the trust and applicable mortality tables.

A charitable gift annuity is an arrangement between a donor and the Conservancy in which the donor contributes assets to the organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. The assets received are held as general assets of the Conservancy, and the annuity liability is a general obligation of the Conservancy; however, they are maintained in the Annuity Fund.

Adjustments to the annuity liability were made to reflect amortization of the discount and changes in life expectancies. For the year ended December 31, 2017, the annuity actuarial adjustment amounted to $9,226. Total liability under split-interest agreements totaled $265,408 at December 31, 2017.

Note 14. Unrestricted Net Assets

Unrestricted net assets are often designated by the Board of Directors for particular purposes and programs. Board designations in effect at December 31, 2017 were as follows:

David N. Startzell Stewardship Fund – bequests designated in accordance with contributions policy	$ 6,066,277

Note 15. Deferred Revenues

Deferred revenues consisted of the following at December 31, 2017:

Deferred memberships	$ 63,610
Deferred - National Park Service (NPS)	1,648,885
Deferred - other	116,042
	$ 1,828,537

Note 16. Net Assets Released from Restrictions

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors were as follows for the year ended December 31, 2017:

General Fund:		
Pledges, time restriction	$	186,517
Conservation projects		130,821
	$	317,338
Land Acquisition Fund:		
Acquisition expenditures	$	332,263
Life Membership Fund:		
Life member expenses	$	17,799
Monitoring Fund:		
Monitoring expenses	$	1,547
Annuity Fund:		
Annuity expenses	$	6,545
Stewardship Fund:		
Pledges, time restriction	$	7,612
Total net assets released from restrictions	$	683,104

If a restriction is fulfilled in the same period in which the contribution is received, the Conservancy reports the support as unrestricted. The Conservancy received $445,919 in contributions during 2017, where the restrictions were fulfilled by year-end.

Note 17. Net Assets

Temporarily restricted net assets are available for the following purposes:

Conservation projects (General Fund)	$	696,225
Pledges, time restriction		59,955
Acquisition of land/interests along the Appalachian Trail (Land Acquisition Fund)		3,829,520
Monitoring Fund, monitoring of Appalachian Trail Conference Lands		259,271
David N. Startzell Stewardship Fund		510,782
Annuity Fund, annuity trust agreements		231,216
Total temporarily restricted net assets	$	5,586,969

Permanently restricted net assets are restricted as follows:

Land Acquisition Fund	
Acquisition of land/interests along the Appalachian Trail	$ 556,301
Life Membership Fund	
Investments in perpetuity, the income of which may be expended to support ATC general and program expenditures	$ 2,658,049
David N. Startzell Stewardship Fund	
Investments in perpetuity, the income from which may be expended for trail construction and maintenance and trail-land management activities	$ 191,621
Sperling Memorial Shelter - Improvement Fund	6,236
Michael Bequaert - Andrew Kingery Shelter Memorial Fund	69,473
Smart Family Foundation	12,503
The George Ebenstein and Ernest Wallach Fund	14,621
The Ilus and Dr. Bernard Grünstein Fund	14,621
The William T. Foot Memorial Endowment Bridge Fund	15,597
The Ingram Fund	12,399
The Janelle C. Maurer Fund	23,843
The Michael L. Howell Memorial Fund	568,993
Total David N. Startzell Stewardship Fund	$ 929,907
Total permanently restricted net assets	$ 4,144,257

Note 18. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3
Cash or cash equivalents	$ 375,018	$ - -	$ - -
Stocks	6,526,411	- -	- -
Fixed income securities	3,739,919	- -	- -
Land held for sale	- -	- -	655,350
	$ 10,641,348	$ - -	$ 655,350

The value of land for sale is based an appraisal and the cost of subsequent improvements to the property.

Note 19. Endowment

The Conservancy's endowment consists of three funds established for land acquisition, life membership and stewardship. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Conservancy has interpreted the state law as allowing the investment income and appreciation/depreciation (unrealized and realized gains and losses) to be accumulated or depreciated from the respective funds. As a result of this interpretation, the Conservancy classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the accumulations to the permanent endowment.

The Conservancy has adopted an investment policy to provide current income to support programs of the Conservancy and to achieve such growth of principal and income over time that purchasing power will be preserved or increased. The Conservancy will invest in index mutual funds or exchange-traded funds using historical data to achieve target returns (inflation adjusted) while minimizing risk as measured by expected volatility. The investment committee will review the portfolio periodically and make modifications as it deems appropriate to reflect market history and changing long term market conditions.

The Conservancy has adopted a spending policy for distribution each year which allows distribution up to 4.5 percent of the portfolio's market value as measured on the last day of the past twelve (12) quarters.

Changes in endowment net assets for the year ending December 31, 2017 were as follows:

	Unrestricted (Board Designated)	**Permanently Restricted**
Endowment net assets, beginning of year	$ 4,674,669	$ 3,888,783
Investment return:		
Investment income	126,172	45,063
Net appreciation (realized and unrealized)	973,376	306,999
	$ 1,099,548	$ 352,062
Contributions	1,031,915	15,135
Investment fees	(36,773)	(17,799)
Satisfaction of pledges, time restriction	7,612	- -
Appropriation of endowment assets for expenditure	(710,694)	(93,924)
Endowment net assets, end of year	$ 6,066,277	$ 4,144,257

Note 20. Subsequent Events

The Conservancy has evaluated all subsequent events through June 6, 2018, the date the financial statements were available to be issued. The Conservancy has determined there are no subsequent events that require recognition or disclosure.

Note 21. Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Conservancy in calendar year 2020. Early adoption is permitted. The Conservancy is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Conservancy in calendar year 2018. Early adoption is permitted. The Conservancy is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for the Conservancy in calendar year 2019. Early adoption is permitted. The Conservancy is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

THE APPALACHIAN TRAIL CONSERVANCY

Schedule of Functional Expenses

Year Ended December 31, 2017

	Trail Management and Protection	User and Supporter Services						
	Conservation and Land Trust	**Membership Services**	**Publications**	**Communications**	**Program Services Total**	**Development**	**Management and General**	**Total Expenses**
Salaries, wages and payroll taxes	$ 2,463,264	$ 245,242	$ 277,302	$ 383,997	$ 3,369,805	$ 294,007	$ 504,539	$ 4,168,351
Employee benefits	248,216	18,560	32,377	34,650	333,803	43,787	91,414	469,004
Contract services	669,548	373,763	19,106	195,862	1,258,279	122,349	360,738	1,741,366
Supplies	167,759	1,925	21,936	7,392	199,012	6,551	25,206	230,769
Postage	6,888	145,453	105,126	49,230	306,697	73,803	106	380,606
Printing	3,128	64,166	15,729	115,630	198,653	50,057	359	249,069
Personnel development	12,324	1,130	750	2,532	16,736	1,400	14,390	32,526
Promotional	1,561	- -	8,213	22,956	32,730	5,055	- -	37,785
Fulfillment	1,002	5,923	501,540	810	509,275	10,043	17	519,335
Travel	285,799	1,061	11,137	5,357	303,354	31,556	66,388	401,298
Licenses and fees	3,343	2,000	36,649	4,076	46,068	61,649	77,131	184,848
Grants	485,342	- -	320	- -	485,662	- -	5,000	490,662
Organization infrastructure	193,271	- -	96,188	805	290,264	- -	89,117	379,381
Other expenses	326,524	2,478	6,055	40,920	375,977	51,629	236,743	664,349
Total expenses	$ 4,867,969	$ 861,701	$ 1,132,428	$ 864,217	$ 7,726,315	$ 751,886	$ 1,471,148	$ 9,949,349

See Independent Auditor's Report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Appalachian Trail Conservancy
Harpers Ferry, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Appalachian Trail Conservancy (the "Conservancy"), which comprise the statement of financial position as of December 31, 2017, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements, and have issued our report thereon dated June 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of the expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Conservancy's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Appalachian Trail Conservancy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Conservancy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
June 6, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
The Appalachian Trail Conservancy
Harpers Ferry, West Virginia

Report on Compliance for Each Major Federal Program

We have audited The Appalachian Trail Conservancy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Appalachian Trail Conservancy's major federal programs for the year ended December 31, 2017. The Appalachian Trail Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Appalachian Trail Conservancy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Appalachian Trail Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Appalachian Trail Conservancy's compliance.

Opinion on Each Major Federal Program

In our opinion, The Appalachian Trail Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of The Appalachian Trail Conservancy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Appalachian Trail Conservancy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the single audit guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Appalachian Trail Conservancy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
June 6, 2018

APPALACHIAN TRAIL CONSERVANCY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor / Pass-Through Grantor / Program Title	**Federal CFDA Number**	**Pass-Through Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. Department of Interior				
Passed through the National Park Service				
(Contract Number H0500000002)				
Base	15.935	P14AC00659	$ - -	$ 284,939
Repair Rehab	15.935	P14AC00659	- -	405,229
Cyclic	15.935	P14AC00659	- -	341,059
SUP	15.935	P14AC00659	- -	6,467
Other NPS accounts	15.935	P14AC00659	- -	414,598
Total U.S. Department of the Interior			$ - -	$ 1,452,292
U.S. Department of Agriculture				
Passed through National Resources Conservation Service	10.U00	15-PA-11080822-008; 15-CS-11080300-020; 2016-CS-11083150-005; 2017-PA 1108315007	$ - -	$ 133,985
Total U.S. Department of Agriculture				
U.S. Department of Transportation				
Passed through the Department of Natural Resources (Pennsylvania)	20.219	4300509234	$ - -	$ 20,520
Total U.S. Department of Transportation				
Total Expenditures of Federal Awards			$ - -	$ 1,606,797

See notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Appalachian Trail Conservancy under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule represents only a selected portion of the operations of the Conservancy, it is not intended to and does not present the financial position, change in net assets or cash flows of the Conservancy.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Conservancy has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal program revenue per Schedule of Expenditures of Federal Awards	$ 1,606,797
Nonfederal program revenue	622,378
Total contractual services revenue	$ 2,229,175

THE APPALACHIAN TRAIL CONSERVANCY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2017

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified?	______	Yes	X	None Reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified?	______	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:			Unmodified	
• Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	______	Yes	X	No

Identification of major programs: CFDA Number: 15.935; U.S. Department of Interior Passed through the National Park Service under contract Number H0500000002

Dollar threshold used to distinguish between type A and type B programs			$750,000	
Auditee qualified as low-risk auditee?	X	Yes	______	No

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

THE APPALACHIAN TRAIL CONSERVANCY

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

No findings reported for the year ended December 31, 2016.