THE APPALACHIAN TRAIL CONSERVANCY

Harpers Ferry, West Virginia

FINANCIAL STATEMENTS

DECEMBER 31, 2022

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of The Appalachian Trail Conservancy (the "Conservancy"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Conservancy as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is 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 April 25, 2023, on our consideration of the 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 Conservancy's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
April 25, 2023

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Financial Position

December 31, 2022 and 2021

Assets	2022	2021
Current Assets		
Cash and cash equivalents	$ 4,656,136	$ 4,415,171
Accounts receivable, net	8,709,404	8,431,761
Inventory	255,732	291,132
Property held for sale	- -	135,000
Prepaid expenses	182,802	230,113
Total current assets	$ 13,804,074	$ 13,503,177
Non-Current Assets		
Long-term investments	$ 10,468,474	$ 15,499,911
Property and equipment, net	885,765	835,579
Right-of-use assets	154,133	- -
Other assets, deposits	9,074	8,649
Land held in conservancy	2,962,296	1,585,696
Total non-current assets	$ 14,479,742	$ 17,929,835
Total assets	$ 28,283,816	$ 31,433,012
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 909,205	$ 932,947
Deferred revenue	7,999,462	8,662,753
Current maturities of lease liabilities	48,519	- -
Current maturities of annuities payable	27,894	44,733
Total current liabilities	$ 8,985,080	$ 9,640,433
Non-Current Liabilities		
Lease liabilities, less current maturities	$ 106,177	$ - -
Annuities payable, less current maturities	236,280	261,688
Total non-current liabilities	$ 342,457	$ 261,688
Net Assets		
Net assets without donor restrictions	$ 9,368,919	$ 11,127,180
Net assets with donor restrictions	9,587,360	10,403,711
Total net assets	$ 18,956,279	$ 21,530,891
Total liabilities and net assets	$ 28,283,816	$ 31,433,012

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Revenue, gains, (losses) and other support		
Contributions	$ 3,090,689	$ 7,684,577
Contributed nonfinancial assets	1,656,530	170,565
Membership	1,116,007	1,166,090
Contractual services	4,480,486	2,817,606
Sales, less cost of good sold of $162,933 and $184,498	172,657	179,138
Other income	80,880	175,570
Investment (loss) return, net	(1,630,538)	1,247,956
Total revenue, gains, (losses) and other support, before net asset releases	$ 8,966,711	$ 13,441,502
Net assets released from restrictions:		
Release of investment return, net	$ 155,863	$ 115,557
Satisfaction of program restrictions	1,371,911	879,844
Total net assets released from restrictions	$ 1,527,774	$ 995,401
Total revenue, gains, (losses) and other support without donor restrictions	$ 10,494,485	$ 14,436,903
Expenses		
Program Services:		
Conservation and Land Trust	$ 7,400,155	$ 9,643,135
Membership services	740,684	628,257
Publications	738,305	450,904
Communications	566,410	785,583
Total program services	$ 9,445,554	$ 11,507,879
Supporting Services:		
Management and general	$ 1,979,531	$ 1,618,177
Fundraising	837,555	751,144
Total supporting services	$ 2,817,086	$ 2,369,321
Total expenses	$ 12,262,640	$ 13,877,200
Other Changes in Net Assets without Donor Restrictions		
Annuity actuarial adjustment	$ 9,894	$ (31,000)
Total other changes in net assets without donor restrictions	$ 9,894	$ (31,000)
Total changes in net assets without donor restrictions	$ (1,758,261)	$ 528,703

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Activities (continued)

For the Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets with donor restrictions:		
Contributions	$ 1,182,942	$ 1,170,830
Investment (loss) return, net	(471,519)	326,829
Release of investment return, net to general fund	(155,863)	(115,557)
Net assets released from restrictions	(1,371,911)	(879,844)
Total changes in net assets with donor restrictions	$ (816,351)	$ 502,258
Changes in net assets	$ (2,574,612)	$ 1,030,961
Net assets, beginning of year	21,530,891	20,499,930
Net assets, end of year	$ 18,956,279	$ 21,530,891

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in net assets	$ (2,574,612)	$ 1,030,961
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation and amortization (including amortization of leases)	198,370	197,181
Net realized and unrealized loss (gain) on investments	2,327,888	(1,366,524)
Net realized and unrealized (gain) on property held for sale	- -	(106,500)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(277,643)	(2,045,796)
Decrease in inventory	35,400	35,153
Decrease (increase) in prepaid expenses	47,311	(122,164)
(Increase) in other assets, deposits	(425)	(1,645)
(Decrease) increase in accounts payable and accrued expenses	(23,742)	57,189
(Decrease) increase in annuities payable	(42,247)	84,869
(Decrease) increase in deferred revenue	(663,291)	1,670,565
Net cash (used in) operating activities	$ (972,991)	$ (566,711)
Cash Flows from Investing Activities		
Proceeds from property held for sale	$ 135,000	$ - -
Purchases of property and equipment	(242,097)	(221,528)
Purchases of long-term investments	(7,095,859)	(9,940,459)
Proceeds from sale of long-term investments	9,799,408	10,573,835
Transfer of land held in conservancy	(1,376,600)	18,000
Net cash provided by investing activities	$ 1,219,852	$ 429,848
Cash Flows from Financing Activities, principal payments on lease liabilities	$ (5,896)	$ - -
Change in cash and cash equivalents	$ 240,965	$ (136,863)
Cash and Cash Equivalents		
Beginning	4,415,171	4,552,034
Ending	$ 4,656,136	$ 4,415,171
Supplemental Schedule of Noncash Investing and Financing Activities		
Stock donations	$ 59,424	$ 104,484
Contributed nonfinancial assets	$ 1,656,530	$ 170,565
Lease liabilities arising from obtaining right-of-use assets	$ 170,320	$ - -

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 30 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 30,000 people annually. The Conservancy's information staff addresses almost 10,000 mail and e-mail inquiries each year, and the Conservancy's website averages 138,000 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, in accordance with generally accepted accounting principles (U.S. GAAP).

The Conservancy reports information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated among two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consists of net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Conservancy. These net assets may be used at the discretion of the Conservancy's management and Board of Directors. Net assets with donor restrictions consist of net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Conservancy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 net assets without donor restrictions and net assets with donor restrictions based on the absence or existence of donor-imposed restrictions.

Net Assets without Donor Restrictions

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.

Net Assets with Donor Restrictions

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

The Monitoring Fund is a donor-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 investment return, net received on the Monitoring Fund 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 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.

There are two types of endowment funds: board designated endowment funds and donor-restricted endowment funds. The Conservancy's endowment funds contain a combination of the two described above. The investment return, net received on the Land Acquisition 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 donor restricted; investment return held by the Land Acquisition Fund is 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, including all of the principal of the Life Membership sub-fund, is donor restricted. Investment return held by the David N. Startzell Stewardship Fund is 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 statements of financial position. Investment return is reflected in the statements of activities, net of any fees. 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 $191,911 and $197,181 for the years ended December 31, 2022 and 2021, respectively.

Resources restricted by donors for plant replacement and expansion are added to net assets without donor restrictions to the extent expended within the period.

Revenue Recognition and Deferred Revenue

Revenue Recognition Methodology for Exchange Transactions

For exchange transactions, the Conservancy recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

Revenue Recognition Methodology for Contributions

Contributions are recognized as revenue when they are received or unconditionally promised.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings and equipment are presented as net assets without donor restrictions 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 net assets with donor restrictions. 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 Streams

The Conservancy has various sources of revenue including contributions, membership dues, contractual services revenue, sales income and other income.

Contributions and unconditional promises to give are recognized when received.

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.

Contractual services revenue (exchange transaction revenue) is recognized when the related costs are incurred. Deferred revenue is recorded for funds that the Conservancy has been awarded and/or has received but for which it has not incurred related expenses.

Sales income is recognized at the time of purchase. All other income is recognized when received.

Allocation Methodology for the Schedules of Functional Expenses

The costs of providing program and other activities are summarized on a functional basis in the schedules of functional expenses. Certain costs have been allocated among program, management and general and fundraising. Such allocations have been made by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, wages and payroll taxes	Direct Allocation and Time and Effort
Employee benefits	Direct Allocation
Contract services	Direct Allocation
Supplies	Direct Allocation
Postage	Direct Allocation
Printing	Direct Allocation
Personnel development	Direct Allocation
Promotional	Direct Allocation
Travel, meetings and conferences	Direct Allocation
Licenses and fees	Direct Allocation
Grants	Direct Allocation
Organization infrastructure	Direct Allocation
Depreciation and amortization	Direct Allocation
Other expenses	Direct Allocation

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 Measurements

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 years ended December 31, 2022 and 2021, 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:

Cash or Cash Equivalents, Stocks and Fixed Income Securities

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 (Level 1).

Property Held for Sale

Property held for sale is valued at fair market value (Level 3). As of December 31, 2021, property held for sale totaled $135,000. During 2021, the Conservancy exchanged land for the property. The property was sold in 2022.

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. Liquidity and Availability of Resources

The Conservancy has the following financial assets available for general expenditure within one year of the statement of financial position date to meet cash needs for general expenditure. The Conservancy has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which averaged approximately $2,100,000 for both the years ended December 31, 2022 and 2021, respectively. The Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Conservancy has a board-designated endowment. Although the Conservancy does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	$ 4,656,136	$ 4,415,171
Accounts receivable, net	8,709,404	8,431,761
Long-term investments	10,468,474	15,499,911
Total financial assets	$ 23,834,014	$ 28,346,843
Less those unavailable for general expenditure within one year, due to:		
Board designations	$ 5,313,048	$ 10,019,997
Donor- restricted	9,587,360	10,403,711
(Less) amounts available for spending within one year, in accordance with spending policy	(523,532)	(511,189)
(Less) amounts available for spending within one year, as approved by the Board	(1,653,738)	(2,183,320)
Financial assets not available to be used within one year	$ 12,723,138	$ 17,729,199
Financial assets available to meet cash needs for general expenditures within one year	$ 11,110,876	$ 10,617,644

Note 4. Investments

The Conservancy carries investments at fair market value based on quoted prices in active markets. Investments consisted of the following as of December 31, 2022 and 2021:

	2022		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash or cash equivalents	$ 290,310	$ 290,354	$ 44
Stocks	5,030,697	7,034,550	2,003,853
Fixed income securities	3,431,974	3,143,570	(288,404)
Total	$ 8,752,981	$ 10,468,474	$ 1,715,493

	2021		
	Cost	Fair Market Value	Unrealized Gain
Cash or cash equivalents	$ 463,039	$ 463,039	$ - -
Stocks	6,164,088	10,262,335	4,098,247
Fixed income securities	4,698,851	4,774,537	75,686
Total	$ 11,325,978	$ 15,499,911	$ 4,173,933

The Conservancy uses a spending-rate formula to determine how much of its investment return, net of fees is available to support current operations from restricted funds. Investment return, net of fees was released to support general operations in accordance with Conservancy's spending policy as follows:

	2022	2021
Land Acquisition Fund	$ 34,380	$ - -
Monitoring Fund	10,896	- -
Life Membership Fund	110,587	115,557
	$ 155,863	$ 115,557

For the year ended December 31, 2021, the Conservancy elected not to transfer funds for general operating purposes from the Land Acquisition Fund and Monitoring Fund due to market volatility and sufficient funds already available for general operating purposes.

Investment return, net consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	$ 259,864	$ 275,998
Realized and unrealized (loss) gain, net	(2,327,888)	1,366,524
Investment fees	(34,033)	(67,737)
	$ (2,102,057)	$ 1,574,785

Note 5. Accounts Receivable

Accounts receivable at December 31, 2022 and 2021, consisted primarily of amounts due from the National Park Service. Net accounts receivable consisted of the following:

	2022	2021
Federal	$ 8,261,883	$ 8,257,204
State	106,327	37,127
Trade	15,659	15,551
Other	327,159	126,257
Allowance for doubtful accounts	(1,624)	(4,378)
	$ 8,709,404	$ 8,431,761

Note 6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Land and land improvements	$ 81,661	$ 81,661
Building and building improvements	1,061,070	1,055,747
Furniture and equipment	630,732	630,057
Computer software	1,275,922	1,261,349
Construction in progress	200,095	- -
	$ 3,249,480	$ 3,028,814
Less accumulated depreciation and amortization	(2,363,715)	(2,193,235)
	$ 885,765	$ 835,579

Note 7. 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. The recorded value of land held in conservancy at December 31, 2022 and 2021, amounted to $2,962,296 and $1,585,696, respectively, 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 8. 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. These amounts are included in contractual services revenue on the statement of activities. Support received from this agency was $3,268,501 and $1,879,606 during the years ended December 31, 2022 and 2021, respectively. 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.

The Conservancy also receives a significant amount of its support and revenue from major contributors. For the year ended December 31, 2022, the Conservancy received 12% of its contributions support from two contributors. For the year ended December 31, 2021, the Conservancy received 60% of its contributions support from two contributors.

Note 9. 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, be an employee of the Conservancy for a twelve-month consecutive period and be an enrolled, contributing participant in the pension plan.

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 the eligible employees' compensation and range up to 7% based on each participating employee’s salary deferral percentage. Total contributions to the pension plan by the Conservancy were $221,970 and $212,543 for the years ended December 31, 2022 and 2021, respectively.

Note 10. Operating and Finance Lease Commitments

Operating Leases and Future Commitments

As of the December 31, 2022, the Conservancy was the lessee of 5 operating lease agreements for office and storage space. The weighted average discount rate associated with operating leases was 3.41% as of December 31, 2022. All of the Conservancy’s leases include fixed rental payments; none of the Conservancy’s leases include variable rental payments. The Conservancy’s leased assets have lease terms ranging from 24 to 60 months. As of December 31, 2022, the weighted average remaining lease term for all operating leases was approximately 40 months. While the Conservancy’s lease agreements have optional renewal periods, the Conservancy does not consider the renewal periods to be reasonably certain of being exercised; the Conservancy intends to enter into a new lease agreement at the expiration of each of its lease agreements.

The following table presents the maturity of the Conservancy's operating lease liabilities on an undiscounted cash flow basis and a reconciliation to the operating lease liabilities recognized in the Conservancy's statement of financial position as of December 31, 2022:

2023	$ 44,834
2024	41,354
2025	34,394
2026	11,856
2027	4,760
	$ 137,198
Imputed interest	(7,552)
Present value of operating lease payments	$ 129,646

Rent expense was $48,225 and 42,923 for the years ended December 31, 2022 and 2021.

Finance Leases and Future Commitments

As of the December 31, 2022, the Conservancy was the lessee of 3 finance lease agreements for office equipment. The weighted average discount rate associated with finance leases was 1.92% as of December 31, 2022. All of the Conservancy's leases include fixed rental payments; none of the Conservancy's leases include variable rental payments. The Conservancy's leased assets has lease terms ranging from 41 to 60 months. As of December 31, 2022, the weighted average remaining lease term for all finance leases was approximately 42 months. While the Conservancy's lease agreements have optional renewal periods, the Conservancy does not consider the renewal periods to be reasonably certain of being exercised; the Conservancy intends to enter into a new lease agreement at the expiration of each of its lease agreements.

The following table presents the maturity of the Conservancy's finance lease liabilities on an undiscounted cash flow basis and a reconciliation to the finance lease liabilities recognized in the Conservancy's statement of financial position as of December 31, 2022:

2023	$ 7,872
2024	7,872
2025	6,941
2026	2,151
2027	1,184
	$ 26,020
Imputed interest	(970)
Present value of finance lease payments	$ 25,050

Interest expense was $348 for the year ended December 31, 2022. Amortization expense was $6,459 for the year ended December 31, 2022.

Note 11. 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 CEO reviews all transactions with related parties. Based on their review, significant transactions are submitted to the Board of Directors for approval. For the years ended December 31, 2022 and 2021, substantially all awards and grants, which amounted to $121,223 and $138,618, respectively, 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 12. 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 net assets with donor restrictions 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 $630,594 and $1,036,996 at December 31, 2022 and 2021, respectively, 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 years ended December 31, 2022 and 2021, the annuity actuarial adjustment amounted to $(9,894) and $31,000, respectively. Total liability under split-interest agreements totaled $264,174 and $306,421 as of December 31, 2022 and 2021, respectively.

Note 13. Board Designated Net Assets

Net assets without donor restrictions are often designated by the Board of Directors for particular purposes and programs. Board designations in effect as of December 31, 2022 and 2021 were as follows:

	2022	2021
David N. Startzell Stewardship Fund – amounts designated in accordance with contributions policy	$ 5,313,048	$ 10,019,997

Note 14. Deferred Revenue

Deferred revenue consisted of the following as of December 31, 2022 and 2021:

	2022	2021
Deferred memberships	$ 39,638	$ 45,597
Deferred - National Park Service (NPS)	7,577,791	8,000,989
Deferred - other	382,033	616,167
	$ 7,999,462	$ 8,662,753

Note 15. Net Assets Released from Restrictions

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors were as follows for the years ended December 31, 2022 and 2021:

	2022	2021
General Fund:		
Conservation projects	$ 1,110,124	$ 829,557
Land Acquisition Fund:		
Acquisition expenditures	$ 227,702	$ - -
Monitoring Fund:		
Monitoring expenses	$ 34,085	$ 50,287
Total net assets released from restrictions	$ 1,371,911	$ 879,844

If a restriction is fulfilled in the same period in which the contribution is received, the Conservancy reports the support as net assets without donor restrictions. The Conservancy received $206,447 and $247,955 in contributions during 2022 and 2021, respectively, where the restrictions were fulfilled by year-end.

Note 16. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following as of December 31, 2022 and 2021:

	2022	2021
General Fund, conservation projects	$ 1,751,938	$ 1,738,119
Land Acquisition Fund		
Acquisition of land/interests along the Appalachian Trail	2,456,212	2,747,180
Amounts in perpetuity	556,301	556,301
Total Land Acquisition Fund	$ 3,012,513	$ 3,303,481
Monitoring Fund, monitoring of AT Conservation Lands	$ 138,982	$ 228,209
Annuity Fund, annuity trust agreements	$ 263,238	$ 263,238
David N. Startzell Stewardship Fund		
Life Membership Fund		
Amounts in perpetuity	$ 1,818,866	$ 1,818,866
Income to support ATC general and program expenditures	896,800	1,349,775
Purpose restrictions	767,091	767,091
Investments in perpetuity, the income from which may be expended for trail construction and maintenance and trail-land management activities	187,728	187,728
Sperling Memorial Shelter - Improvement Fund	6,372	6,372
Michael Bequaert - Andrew Kingery Shelter Memorial Fund	77,950	74,950
Smart Family Foundation	12,775	12,775
The George Ebenstein and Ernest Wallach Fund	14,939	14,939
The Ilus and Dr. Bernard Grünstein Fund	14,939	14,939
The William T. Foot Memorial Endowment Bridge Fund	16,937	16,937
The Ingram Fund	12,668	12,668
The Janelle C. Maurer Fund	24,631	24,631
The Michael L. Howell Memorial Fund	568,993	568,993
Total David N. Startzell Stewardship Fund	$ 4,420,689	$ 4,870,664
Total net assets with donor restrictions	$ 9,587,360	$ 10,403,711

Note 17. Fair Value Measurements

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash or cash equivalents	$ 290,354	$ - -	$ - -	$ 290,354
Stocks	7,034,550	- -	- -	7,034,550
Fixed income securities	3,143,570	- -	- -	3,143,570
	$ 10,468,474	$ - -	$ - -	$ 10,468,474

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash or cash equivalents	$ 463,039	$ - -	$ - -	$ 463,039
Stocks	10,262,335	- -	- -	10,262,335
Fixed income securities	4,774,537	- -	- -	4,774,537
	$ 15,499,911	$ - -	$ - -	$ 15,499,911

Note 18. Endowment Funds

The Conservancy's endowment consists of two funds established for land acquisition 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 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.

Underwater Endowment Funds

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Conservancy to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2022 and 2021 in the Conservancy's funds.

Spending Policy

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. If the Conservancy's endowment were to fall below the level that the donor or UPMIFA requires the Conservancy to retain, the Conservancy would elect not to continue spending from their funds.

Changes in endowment net assets for the years ending December 31, 2022 and 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	$ 8,562,521	$ 4,522,143	$ 13,084,664
Investment return, net	1,143,599	249,288	1,392,887
Contributions	2,435,592	4,000	2,439,592
Appropriation of endowment assets for expenditure	(2,121,715)	(115,557)	(2,237,272)
Endowment net assets, December 31, 2021	$ 10,019,997	$ 4,659,874	$ 14,679,871
Investment return, net	(1,507,796)	(342,388)	(1,850,184)
Interfund forgiveness	(593,535)	- -	(593,535)
Contributions	129,992	3,000	132,992
Appropriation of endowment assets for expenditure	(2,735,610)	(110,587)	(2,846,197)
Endowment net assets, December 31, 2022	$ 5,313,048	$ 4,209,899	$ 9,522,947

Note 19. Subsequent Events

The Conservancy has evaluated all subsequent events through April 25, 2023, 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 20. New 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 was effective for the Conservancy in calendar year 2022. The Conservancy adopted the standard on January 1, 2022 under the modified retrospective approach. There were no adjustments to net assets as a result of implementation of the standard.

In September 2020, FASB issued ASU No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets or gifts-in-kind. ASU No. 2020-07 was effective for the Conservancy in calendar year 2022. The Conservancy adopted the standard on a retrospective basis. Contributed nonfinancial assets are presented on the Statements of Activities as a separate line item. Disclosures have been enhanced in accordance with the standard.

Note 21. Contributed Nonfinancial Assets

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 does not have a policy to monetize any contributed nonfinancial assets received; the Conservancy intends to use any in-kind contributions received for its programs and supporting services.

Contributed nonfinancial assets recognized by the Conservancy during the years ended December 31, 2022 and 2021 were $1,656,530 and $170,565, respectively.

For the years ended December 31, 2022 and 2021, the Conservancy received the following contributed nonfinancial assets:

Type of Contributed Nonfinancial Asset	Valuation Methodology	2022	2021
Land Held in Conservancy	Real Estate Assessment	$ 1,376,600	$ - -
Inventory	$2 multiplied by # of Units	3,456	1,152
Legal Services	Hours X Standard Billing Rate	263,865	169,413
Travel	Purchase Price	12,609	- -
		$ 1,656,530	$ 170,565

There were no donor-imposed restrictions associated with any of the contributed nonfinancial assets received. The Conservancy utilized the contributed nonfinancial assets for the following programs and supporting services during the years ended December 31, 2022 and 2021, respectively:

	2022			
Type of Contributed Nonfinancial Asset	Program Services	General and Administrative	Fundraising	Total
Legal Services	$ - -	$ 263,865	$ - -	$ 263,865
Travel	- -	12,609	- -	12,609
	$ - -	$ 276,474	$ - -	$ 276,474

	2021			
Type of Contributed Nonfinancial Asset	Program Services	General and Administrative	Fundraising	Total
Legal Services	$ - -	$ 169,413	$ - -	$ 169,413

The land held in conservancy and inventory received during the years ended December 31, 2022 and 2021 was reported on the Statements of Financial Position as of December 31, 2022 and 2021.

The Conservancy recognizes donated services as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those specialized skills, and would otherwise by purchased by the Conservancy.

It is of note that the Conservancy receives services from volunteers for which do not meet the recognition criteria for donated services. For the years ended December 31, 2022 and 2021, respectively, 4,748 and 3,758 volunteers donated 170,904 and 142,649 hours to the Conservancy's programs and supporting services.

Note 22. Schedules of Functional Expenses

The schedules of functional expenses were as follows for the years ended December 31, 2022 and 2021:

	Trail Management and Protection	User and Supporter Services						
2022	Conservation and Land Trust	Membership Services	Publications	Communications	Program Services Total	Management and General	Fundraising	Total Expenses
Salaries, wages and payroll taxes	$ 3,423,269	$ 183,582	$ 429,702	$ 245,252	$ 4,281,805	$ 545,018	$ 567,334	$ 5,394,157
Employee benefits	321,450	23,926	38,560	20,668	404,604	139,201	36,472	580,277
Contract services	2,332,489	107,328	126,368	158,291	2,724,476	532,049	141,053	3,397,578
Supplies	265,371	955	34,757	9,410	310,493	26,463	6,603	343,559
Postage	5,819	248,441	40,602	42,436	337,298	1,813	37,896	377,007
Printing	11,854	111,096	1,150	74,490	198,590	- -	8	198,598
Personnel development	11,541	3,924	- -	2,502	17,967	22,184	528	40,679
Promotional	500	- -	288	10,000	10,788	50	- -	10,838
Travel, meetings and conferences	292,312	- -	14,572	953	307,837	59,318	15,611	382,766
Licenses and fees	11,617	58,999	13,074	1,728	85,418	3,703	14,443	103,564
Grants	479,679	- -	20,000	- -	499,679	- -	- -	499,679
Organization infrastructure	213,610	600	4,689	350	219,249	171,284	3,559	394,092
Depreciation and amortization	- -	- -	- -	- -	- -	198,370	- -	198,370
Other expenses	30,644	1,833	14,543	330	47,350	280,078	14,048	341,476
Total expenses	$ 7,400,155	$ 740,684	$ 738,305	$ 566,410	$ 9,445,554	$ 1,979,531	$ 837,555	$ 12,262,640

	Trail Management and Protection	User and Supporter Services						
2021	Conservation and Land Trust	Membership Services	Publications	Communications	Program Services Total	Management and General	Fundraising	Total Expenses
Salaries, wages and payroll taxes	$ 3,057,830	$ 161,145	$ 337,472	$ 442,464	$ 3,998,911	$ 506,770	$ 370,371	$ 4,876,052
Employee benefits	290,815	13,710	28,271	38,462	371,258	77,936	38,978	488,172
Contract services	1,270,011	143,092	8,570	132,093	1,553,766	418,498	143,616	2,115,880
Supplies	212,995	48,659	11,708	12,467	285,829	27,508	4,887	318,224
Postage	6,098	144,044	37,579	43,635	231,356	2,747	119,765	353,868
Printing	2,852	78,180	46	96,627	177,705	527	7,138	185,370
Personnel development	42,894	- -	- -	9,610	52,504	44,480	950	97,934
Promotional	- -	1,775	24	5,005	6,804	- -	- -	6,804
Travel, meetings and conferences	149,120	- -	860	4,050	154,030	12,473	5,136	171,639
Licenses and fees	1,407	33,752	12,920	442	48,521	1,382	39,668	89,571
Grants	4,422,323	- -	- -	- -	4,422,323	- -	- -	4,422,323
Organization infrastructure	171,202	600	6,342	600	178,744	150,586	2,449	331,779
Depreciation and amortization	- -	- -	- -	- -	- -	197,181	- -	197,181
Other expenses	15,588	3,300	7,112	128	26,128	178,089	18,186	222,403
Total expenses	$ 9,643,135	$ 628,257	$ 450,904	$ 785,583	$ 11,507,879	$ 1,618,177	$ 751,144	$ 13,877,200

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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, 2022, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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
April 25, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Appalachian Trail Conservancy's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Conservancy's major federal programs for the year ended December 31, 2022. The Conservancy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Conservancy complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Conservancy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Conservancy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Conservancy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Conservancy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Conservancy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Conservancy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Conservancy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
April 25, 2023

APPALACHIAN TRAIL CONSERVANCY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity 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	$ 10,409	$ 239,860
Repair Rehab	15.935	P14AC00659	484,289	1,632,402
Cyclic	15.935	P14AC00659	- -	930,548
SUP	15.935	P14AC00659	- -	4,906
Other NPS accounts	15.935	P14AC00659	299,802	460,785
Passed through U.S. Fish and Wildlife	15.608	F21AP03836-00	$ 109,333	$ 109,333
Total U.S. Department of the Interior			$ 903,833	$ 3,377,834
U.S. Department of Agriculture				
Passed through U.S. Forest Service	10.U00	20-CS-11080300-319; 21-CS-11080800-232; 21-CS-11080800-236; 21-CS-11083150-268	$ - -	$ 163,444
Total U.S. Department of Agriculture				
Total Expenditures of Federal Awards			$ 903,833	$ 3,541,278

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, 2022

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, 2022. 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, changes 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	$ 3,541,278
Nonfederal program revenue	939,208
Total contractual services revenue	$ 4,480,486

THE APPALACHIAN TRAIL CONSERVANCY

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

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 federal 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: Assistance Listing 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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

IV. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.