THE APPALACHIAN TRAIL CONSERVANCY

Harpers Ferry, West Virginia

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, 2023 and 2022, 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, 2023 and 2022, 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 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 purposes 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 18, 2024, 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 solely 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 the effectiveness of the Conservancy's 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 18, 2024

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Financial Position

December 31, 2023 and 2022

Assets	**2023**	**2022**
Current Assets		
Cash and cash equivalents	$ 5,372,402	$ 4,656,136
Accounts receivable, net	9,617,906	8,709,404
Pledges receivable, net	281,667	- -
Inventory	234,225	255,732
Prepaid expenses	183,621	182,802
Total current assets	15,689,821	13,804,074
Non-Current Assets		
Long-term investments	11,402,036	10,468,474
Pledges receivable, net	677,667	- -
Property and equipment, net	701,155	885,765
Right-of-use assets - operating	170,584	129,645
Right-of-use assets - finance	41,072	24,488
Other assets, deposits	9,074	9,074
Land held in conservancy, net	4,072,296	2,962,296
Total non-current assets	17,073,884	14,479,742
Total assets	$ 32,763,705	$ 28,283,816
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 521,583	$ 909,205
Deferred revenue	9,244,507	7,999,462
Current maturities of lease liabilities - operating	46,341	41,069
Current maturities of lease liabilities - finance	11,427	7,450
Current maturities of annuities payable	27,224	27,894
Total current liabilities	9,851,082	8,985,080
Non-Current Liabilities		
Lease liabilities, less current maturities - operating	127,138	88,576
Lease liabilities, less current maturities - finance	34,306	17,601
Annuities payable, less current maturities	208,781	236,280
Total non-current liabilities	370,225	342,457
Net Assets		
Net assets without donor restrictions	10,535,260	9,368,919
Net assets with donor restrictions	12,007,138	9,587,360
Total net assets	22,542,398	18,956,279
Total liabilities and net assets	$ 32,763,705	$ 28,283,816

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities
For the Year Ended December 31, 2023

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**
Revenue, gains, (losses) and other support			
Contributions	$ 4,596,614	$ 2,166,666	$ 6,763,280
Contributed nonfinancial assets	174,202	1,110,000	1,284,202
Membership	1,045,676	- -	1,045,676
Contractual services	4,360,732	- -	4,360,732
Sales, less cost of good sold of $162,786	197,835	- -	197,835
Other income	54,971	- -	54,971
Annuity actuarial adjustment	945	- -	945
Investment gain return, net	1,244,208	237,499	1,481,707
Total revenues	11,675,183	3,514,165	15,189,348
Net assets released from restrictions	1,094,387	(1,094,387)	- -
Total revenues	12,769,570	2,419,778	15,189,348
Expenses:			
Program Services:			
Conservation and Land Trust	6,488,371	- -	6,488,371
Publications	615,562	- -	615,562
Communications	898,836	- -	898,836
Total program services	8,002,769	- -	8,002,769
Supporting Services:			
Management and general	1,863,140	- -	1,863,140
Fundraising	1,737,320	- -	1,737,320
Total supporting services	3,600,460	- -	3,600,460
Total expenses	11,603,229	- -	11,603,229
Change in net assets	1,166,341	2,419,778	3,586,119
Net assets, beginning of year	9,368,919	9,587,360	18,956,279
Net assets, end of year	$ 10,535,260	$ 12,007,138	$ 22,542,398

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statement of Activities
For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**
Revenue, gains, (losses) and other support			
Contributions	$ 3,090,689	$ 1,182,942	$ 4,273,631
Contributed nonfinancial assets	1,656,530	- -	1,656,530
Membership	1,116,007	- -	1,116,007
Contractual services	4,480,486	- -	4,480,486
Sales, less cost of good sold of $162,933	172,657	- -	172,657
Other income	80,880	- -	80,880
Annuity actuarial adjustment	9,894	- -	9,894
Investment (loss) return, net	(1,630,538)	(471,519)	(2,102,057)
Total revenues	8,976,605	711,423	9,688,028
Net assets released from restrictions	1,527,774	(1,527,774)	- -
Total revenues	10,504,379	(816,351)	9,688,028
Expenses:			
Program Services:			
Conservation and Land Trust	7,400,155	- -	7,400,155
Membership services	740,684	- -	740,684
Publications	738,305	- -	738,305
Communications	566,410	- -	566,410
Total program services	9,445,554	- -	9,445,554
Supporting Services:		- -	
Management and general	1,979,531	- -	1,979,531
Fundraising	837,555	- -	837,555
Total supporting services	2,817,086	- -	2,817,086
Total expenses	12,262,640	- -	12,262,640
Change in net assets	(1,758,261)	(816,351)	(2,574,612)
Net assets, beginning of year	11,127,180	10,403,711	21,530,891
Net assets, end of year	$ 9,368,919	$ 9,587,360	$ 18,956,279

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONSERVANCY

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	$ 3,586,119	$ (2,574,612)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gain) loss on investments		
Depreciation and amortization (including amortization of finance leases)	154,561	198,370
Amortization of right-of-use asset - operating	60,794	9,728
Net realized and unrealized loss on investments	(1,340,147)	2,327,888
Transfer of construction in progress to expense	41,886	- -
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(908,502)	(277,643)
(Increase) in pledges receivable, net	(959,334)	- -
Decrease in inventory	21,507	35,400
(Increase) decrease in prepaid expenses	(819)	47,311
(Increase) in other assets, deposits	- -	(425)
(Decrease) in accounts payable and accrued expenses	(387,622)	(23,742)
(Decrease) in annuities payable	(28,169)	(42,247)
Increase (decrease) in deferred revenue	1,245,045	(663,291)
(Decrease) in lease liability - operating	(56,039)	(9,728)
Net cash provided by (used in) operating activities	1,429,280	(972,991)
Cash Flows from Investing Activities		
Proceeds from property held for sale	- -	135,000
Purchases of property and equipment	- -	(242,097)
Purchases of long-term investments	(6,959,160)	(7,095,859)
Proceeds from sale of long-term investments	7,365,745	9,799,408
Transfer of land held in conservancy	(1,110,000)	(1,376,600)
Net cash (used in) provided by investing activities	(703,415)	1,219,852
Cash Flows from Financing Activities,		
principal payments on lease liabilities	(9,599)	(5,896)
Change in cash and cash equivalents	716,266	240,965
Cash and Cash Equivalents		
Beginning	4,656,136	4,415,171
Ending	$ 5,372,402	$ 4,656,136
Supplemental Schedule of Noncash Investing and Financing Activities		
Stock donations	$ - -	$ 59,424
Contributed nonfinancial assets	$ 1,284,202	$ 1,656,530
Lease liabilities arising from obtaining right-of-use assets	$ 31,184	$ 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 ridge crests 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 $142,724 and $191,911 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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.

	2023	2022
Financial assets, at year-end:		
Cash and cash equivalents	$ 5,372,402	$ 4,656,136
Accounts receivable, net	9,617,906	8,709,404
Long-term investments	11,402,036	10,468,474
Total financial assets	26,392,344	23,834,014
Less those unavailable for general expenditure within one year, due to:		
Board designations	4,538,629	5,313,048
Donor- restricted	12,007,138	9,587,360
(Less) amounts available for spending within one year, in accordance with spending policy	(493,439)	(523,532)
(Less) amounts available for spending within one year, as approved by the Board	- -	(1,653,738)
Financial assets not available to be used within one year	16,052,328	12,723,138
Financial assets available to meet cash needs for general expenditures within one year	$ 10,340,016	$ 11,110,876

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, 2023 and 2022:

	2023		
	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash or cash equivalents	$ 547,423	$ 547,423	$ - -
Stocks	4,925,715	7,578,008	2,652,293
Fixed income securities	3,448,316	3,276,605	(171,711)
Total	$ 8,921,454	$ 11,402,036	$ 2,480,582

	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

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:

	2023	2022
Land Acquisition Fund	$ 26,724	$ 34,380
Monitoring Fund	10,368	10,896
Life Membership Fund	92,424	110,587
	$ 129,516	$ 155,863

Investment return, net consisted of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	$ 286,650	$ 259,864
Realized and unrealized (loss) gain, net	1,340,147	(2,327,888)
Investment fees	(145,090)	(34,033)
	$ 1,481,707	$ (2,102,057)

Note 5. Receivables

Accounts receivable at December 31, 2023 and 2022, consisted primarily of amounts due from the National Park Service. Net accounts receivable consisted of the following:

	2023	2022
Federal	$ 9,314,417	$ 8,261,883
State	133,300	106,327
Trade	5,947	15,659
Other	165,896	327,159
Allowance for doubtful accounts	(1,654)	(1,624)
	$ 9,617,906	$ 8,709,404

Pledges receivable, which include unconditional promises to give to the Conservancy, are recognized as revenues in the period the promise is made by the donor. Pledges of assets other than cash are recorded at their estimated fair value. Net pledges receivable consisted of the following:

	2023	2022
Pledges receivable	$ 1,388,334	$ - -
Discount on pledges	(368,417)	- -
Allowance for uncollectible pledges	(60,583)	- -
	$ 959,334	$ - -

Future collections are expected to be as follows:

2024	$ 281,667
2025	281,667
2026	115,000
2027	110,000
2028	100,000
Thereafter	500,000
	1,388,334
Discount	(368,417)
Allowance	(60,583)
	$ 959,334

Total bad debt expense for the years ended December 31, 2023 and 2022 was $65,148 and $3,930, respectively.

Note 6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Land and land improvements	$ 81,661	$ 81,661
Building and building improvements	1,061,070	1,061,070
Furniture and equipment	630,732	630,732
Computer software	1,434,131	1,275,922
Construction in progress	- -	200,095
	3,207,594	3,249,480
Less accumulated depreciation and amortization	(2,506,439)	(2,363,715)
	$ 701,155	$ 885,765

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, 2023 and 2022, amounted to $4,072,296 and $2,962,296, 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 $3,092,009 and $3,268,501 during the years ended December 31, 2023 and 2022, 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, 2023, the Conservancy received 41% of its contributions support from two contributors. For the year ended December 31, 2022, the Conservancy received 12% 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 $257,001 and $221,970 for the years ended December 31, 2023 and 2022, respectively.

Note 10. Operating and Finance Lease Commitments

Operating Leases and Future Commitments

As of the December 31, 2023, the Conservancy was the lessee of 7 operating lease agreements for office and storage space. The weighted average discount rate associated with operating leases was 3.73% as of December 31, 2023. 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 72 months. As of December 31, 2023, the weighted average remaining lease term for all operating leases was approximately 4.2 years, including renewal periods.

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, 2023:

2024	$ 51,883
2025	35,594
2026	40,028
2027	32,932
2028	28,171
	188,608
Imputed interest	(15,129)
Present value of operating lease payments	$ 173,479

Rent expense was $66,493 and $48,225 for the years ended December 31, 2023 and 2022, respectively.

Finance Leases and Future Commitments

As of the December 31, 2023, the Conservancy was the lessee of 4 finance lease agreements for office equipment. The weighted average discount rate associated with finance leases was 3.76% as of December 31, 2023. 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 63 months. As of December 31, 2023, the weighted average remaining lease term for all finance leases was approximately 4 years, including renewal periods.

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, 2023:

2024	$ 12,948
2025	12,948
2026	12,017
2027	7,227
2028	4,144
	49,284
Imputed interest	(3,551)
Present value of finance lease payments	$ 45,733

Interest expense was $1,328 for the year ended December 31, 2023. Amortization expense was $11,837 for the year ended December 31, 2023.

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, 2023 and 2022, substantially all awards and grants, which amounted to $131,353 and $121,223, 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.

In addition, for the year ended December 31, 2023 one board member provided consulting services in the amount of $27,500.

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 $679,509 and $630,594 at December 31, 2023 and 2022, 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, 2023 and 2022, the annuity actuarial adjustment amounted to $945 and $9,894, respectively. Total liability under split-interest agreements totaled $236,005 and $264,174 as of December 31, 2023 and 2022, 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, 2023 and 2022 were as follows:

	2023	2022
David N. Startzell Stewardship Fund – amounts designated in accordance with contributions policy	$ 4,538,629	$ 5,313,048

Note 14. Deferred Revenue

Deferred revenue consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Deferred memberships	$ 39,128	$ 39,638
Deferred - National Park Service (NPS)	8,924,946	7,577,791
Deferred - other	280,433	382,033
	$ 9,244,507	$ 7,999,462

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, 2023 and 2022:

	2023	2022
General Fund:		
Conservation projects	$ 915,196	$ 1,110,124
Land Acquisition Fund:		
Acquisition expenditures	1,429	227,702
Monitoring Fund:		
Monitoring expenses	48,246	34,085
Investment return, net of fees released	129,516	155,863
Total net assets released from restrictions	$ 1,094,387	$ 1,527,774

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 $36,916 and $206,447 in contributions during 2023 and 2022, 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, 2023 and 2022:

	2023	2022
General Fund, conservation projects	$ 2,243,086	$ 1,751,938
Land Acquisition Fund		
Acquisition of land/interests along the Appalachian Trail	3,602,164	2,456,212
Amounts in perpetuity	556,301	556,301
Total Land Acquisition Fund	4,158,465	3,012,513
Monitoring Fund, monitoring of AT Conservation Lands	539,510	138,982
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	589,194	896,800
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	77,950
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	17,937	16,937
The Ingram Fund	12,668	12,668
The Janelle C. Maurer Fund	24,631	24,631
Robin Wood Endowment Fund	688,756	- -
The Michael L. Howell Memorial Fund	568,993	568,993
Total David N. Startzell Stewardship Fund	4,802,839	4,420,689
Total net assets with donor restrictions	$ 12,007,138	$ 9,587,360

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, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Cash or cash equivalents	$ 547,423	$ - -	$ - -	$ 547,423
Stocks	7,578,008	- -	- -	7,578,008
Fixed income securities	3,276,605	- -	- -	3,276,605
	$ 11,402,036	$ - -	$ - -	$ 11,402,036

	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

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, 2023 and 2022 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, 2023 and 2022, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
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
Investment return, net	1,026,413	171,818	1,198,231
Transfer to Monitoring Fund	- -	(387,000)	(387,000)
Contributions	- -	689,756	689,756
Appropriation of endowment assets for expenditure	(1,800,832)	(92,424)	(1,893,256)
Endowment net assets, December 31, 2023	$ 4,538,629	$ 4,592,049	$ 9,130,678

Note 19. Subsequent Events

The Conservancy has evaluated all subsequent events through April 18, 2024, 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

Effective January 1, 2023, the Conservancy adopted Accounting Standards Update (ASU) No. 2016-13, Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU replaces the incurred loss impairment methodology with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Conservancy that are subject to the ASU include accounts receivables. The Conservancy adopted the standard using a modified retrospective approach as of the effective date. No cumulative-effect adjustment to net assets was required. The adoption of the standard did not have a material impact on the financial statements and primarily resulted in changes to disclosures.

Allowance for Credit Losses: Management individually reviews all trade receivable balances by customer. Management determines whether an allowance for credit losses is necessary using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Balances are charged off against the allowance when management believes there is no possibility of recovery. Management determined that an allowance for credit losses was not necessary at December 31, 2023 and 2022.

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, 2023 and 2022 were $1,284,202 and $1,656,530, respectively.

For the years ended December 31, 2023 and 2022, the Conservancy received the following contributed nonfinancial assets:

Type of Contributed Nonfinancial Asset	Valuation Methodology	2023	2022
Land Held in Conservancy	Real Estate Assessment	$ 1,110,000	$ 1,376,600
Inventory	Various	10,413	3,456
Legal Services	Hours X Standard Billing Rate	145,612	263,865
Travel	Purchase Price	18,177	12,609
		$ 1,284,202	$ 1,656,530

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, 2023 and 2022, respectively:

	2023			
Type of Contributed Nonfinancial Asset	Program Services	General and Administrative	Fundraising	Total
Legal Services	$ - -	$ 145,612	$ - -	$ 145,612
Travel	- -	18,177	- -	18,177
	$ - -	$ 163,789	$ - -	$ 163,789

	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

The land held in conservancy and inventory received during the years ended December 31, 2023 and 2022 was reported on the Statements of Financial Position as of December 31, 2023 and 2022, respectively.

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, 2023 and 2022, respectively, 4,730 and 4,748 volunteers donated 170,147 and 170,904 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, 2023 and 2022:

2023	Trail Management and Protection Conservation and Land Trust	User and Supporter Services Publications	Communications	Program Services Total	Management and General	Fundraising	Total Expenses
Salaries, wages and payroll taxes	$ 3,488,880	$ 396,033	$ 466,769	$ 4,351,682	$ 909,162	$ 536,124	$ 5,796,968
Employee benefits	380,569	46,706	41,176	468,451	114,277	34,650	617,378
Contract services	1,471,842	55,338	303,538	1,830,718	505,687	459,234	2,795,639
Supplies	280,369	36,694	5,572	322,635	59,777	4,226	386,638
Postage	4,361	37,018	2,047	43,426	1,046	216,387	260,859
Printing	6,310	6,366	70,077	82,753	441	89,498	172,692
Personnel development	17,327	958	711	18,996	2,791	1,712	23,499
Promotional	4,306	- -	2,855	7,161	- -	- -	7,161
Travel, meetings and conferences	253,662	2,967	3,601	260,230	13,732	21,987	295,949
Licenses and fees	21,799	21,375	- -	43,174	3,813	64,666	111,653
Grants	214,194	- -	- -	214,194	- -	- -	214,194
Organization infrastructure	271,796	3,645	1,250	276,691	151,332	4,725	432,748
Depreciation and amortization	9,544	- -	647	10,191	101,082	43,288	154,561
Other expenses	63,412	8,462	593	72,467	- -	260,823	333,290
Total expenses	$ 6,488,371	$ 615,562	$ 898,836	$ 8,002,769	$ 1,863,140	$ 1,737,320	$ 11,603,229

2022	Trail Management and Protection Conservation and Land Trust	User and Supporter Services 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

800.464.1976
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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 (*Government Auditing Standards*), the financial statements of The Appalachian Trail Conservancy (the "Conservancy"), which comprise the statement of financial position as of December 31, 2023, 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 18, 2024.

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 financial statements. 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 18, 2024

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800.464.1976
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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, 2023. 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, 2023.

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 18, 2024

APPALACHIAN TRAIL CONSERVANCY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

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	$ - -	$ 317,737
Repair Rehab	15.935	P14AC00659	485,180	1,369,934
Cyclic	15.935	P14AC00659	- -	1,119,629
SUP	15.935	P14AC00659	- -	13,148
PLC Rec Fee	15.931	P20AC00109	155,329	209,659
Other NPS accounts	15.944	P14AC00659	- -	61,901
Total U.S. Department of the Interior			640,509	3,092,008
U.S. Department of Agriculture				
Passed through U.S. Forest Service	10.U00	21-CS-11080800-236; 20-CS-11080300-319; 21-CS11083150-268; 23-CS-11080800-087	- -	179,954
Passed through private cooperator, Georgia Appalachian Trail Club via subaward using USFS federal funding	10.U00	18-CS-11080300-056	- -	31,941
Passed through private cooperator, National Fish and Wildlife Foundation, via subaward using USFS federal funding	10.717	5200.23.077004	- -	85,296
Total U.S. Department of Agriculture			- -	297,191
Total Expenditures of Federal Awards			$ 640,509	$ 3,389,199

See notes to the Schedule of Expenditures of Federal Awards.

THE APPALACHIAN TRAIL CONSERVANCY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

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, 2023. 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	$ 3,389,199
Nonfederal program revenue	971,533
Total contractual services revenue	$ 4,360,732

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

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

Assistance Listing Number: 10.U00; U.S. Department of Agriculture Passed through the US Forest Service and Georgia Appalachian Trail Club

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.